

DOLLAR GENERAL CORP

FORM 10-K (Annual Report)

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Address	100 MISSION RIDGE GOODLETTSVILLE, TN, 37072
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended January 31, 2020, or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____
Commission file number: 001-11421

DOLLAR GENERAL CORPORATION
(Exact name of registrant as specified in its charter)

TENNESSEE
(State or other jurisdiction of
incorporation or organization)

61-0502302
(I.R.S. Employer
Identification No.)

100 MISSION RIDGE
GOODLETTSVILLE, TN 37072
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (615) 855-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.875 per share	DG	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock outstanding and held by non-affiliates as of August 2, 2019 was \$34.3 billion calculated using the closing market price of the registrant's common stock as reported on the NYSE on such date (\$133.69). For this purpose, directors, executive officers and greater than 10% record shareholders are considered the affiliates of the registrant.

The registrant had 251,941,312 shares of common stock outstanding as of March 12, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Certain of the information required in Part III of this Form 10-K is incorporated by reference to the registrant's definitive proxy statement to be filed for the Annual Meeting of Shareholders to be held on May 27, 2020.

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INTRODUCTION

General

This report contains references to years 2020, 2019, 2018, 2017, 2016, and 2015, which represent fiscal years ending or ended January 29, 2021, January 31, 2020, February 1, 2019, February 2, 2018, February 3, 2017, and January 29, 2016, respectively. Our fiscal year ends on the Friday closest to January 31. Our 2016 fiscal year consisted of 53 weeks, while each of the remaining years listed consists of 52 weeks. All of the discussion and analysis in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and related notes.

Solely for convenience, our trademarks and tradenames may appear in this report without the ® or TM symbol which is not intended to indicate that we will not assert, to the fullest extent under applicable law, our rights or the right to these trademarks and tradenames.

Cautionary Disclosure Regarding Forward-Looking Statements

We include “forward-looking statements” within the meaning of the federal securities laws throughout this report, particularly under the headings “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Note 7 – Commitments and Contingencies,” among others. You can identify these statements because they are not limited to historical fact or they use words such as “may,” “will,” “should,” “could,” “can,” “would,” “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate,” “goal,” “seek,” “ensure,” “potential,” “opportunity,” “objective,” “intend,” “predict,” “committed,” “likely,” “continue,” “strive,” “aim,” “scheduled,” “focused on,” or “subject to” and similar expressions that concern our strategies, plans, initiatives, intentions or beliefs about future occurrences or results. For example, all statements relating to, among others, our estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; our plans and objectives for, and expectations regarding, future operations, economic and competitive market conditions, growth or initiatives, including but not limited to the number of planned store openings, remodels and relocations, store formats, progress of merchandising and other initiatives, trends in sales of consumable and non-consumable products, and level of future costs and expenses; potential future stock repurchases and cash dividends; anticipated borrowing under our unsecured revolving credit agreement and commercial paper program; potential impact of legal or regulatory changes and our responses thereto, including the potential impact of tariffs imposed by the U.S. government; potential impact of the COVID-19 outbreak; anticipated impact of new accounting standards; efforts to improve distribution and transportation efficiencies, including self-distribution; efforts to improve our in-stock position, customer convenience proposition and store labor productivity; or expected outcome or effect of pending or threatened legal disputes, litigation or audits are forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results to differ materially from those which we expected. Many of these statements are derived from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors, and we cannot anticipate all factors that could affect future results.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in our forward-looking statements are disclosed under “Risk Factors” in Part I, Item 1A and elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves and under the heading “Critical Accounting Policies and Estimates”). All forward-looking statements are qualified in their entirety by these and other cautionary statements that we make from time to time in our other SEC filings and public communications. You should evaluate forward-looking statements in the context of these risks and uncertainties and are cautioned not to place undue reliance on such statements. These factors may not contain all of the factors that are important to you. We cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. Forward-looking statements in this report are made only as of the date hereof. We undertake no obligation, and specifically disclaim any duty, to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as may be required by law.

PART I

ITEM 1. BUSINESS

General

We are among the largest discount retailers in the United States by number of stores, with 16,368 stores located in 45 states as of February 28, 2020, with the greatest concentration of stores in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable items, seasonal items, home products and apparel. Our merchandise includes national brands from leading manufacturers, as well as our own private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically \$10 or less) in our convenient small-box locations.

Our History

J.L. Turner founded our Company in 1939 as J.L. Turner and Son, Wholesale. We were incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. in 1955, when we opened our first Dollar General store. We changed our name to Dollar General Corporation in 1968 and reincorporated in 1998 as a Tennessee corporation. Our common stock was publicly traded from 1968 until July 2007, when we merged with an entity controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co. L.P., or KKR. In November 2009 our common stock again became publicly traded on the New York Stock Exchange under the symbol “DG”, and in December 2013 the entity controlled by investment funds affiliated with KKR sold its remaining shares of our common stock.

Our Business Model

Our long history of profitable growth is founded on a commitment to a relatively simple business model: providing a broad base of customers with their basic everyday and household needs, supplemented with a variety of general merchandise items, at everyday low prices in conveniently located, small-box stores. We continually evaluate the needs and demands of our customers and modify our merchandise selections and pricing accordingly, while remaining focused on increasing profitability, cash generation and returns for our shareholders.

Our long-term operating priorities remain: 1) driving profitable sales growth, 2) capturing growth opportunities, 3) enhancing our position as a low-cost operator, and 4) investing in our people as a competitive advantage. For more information on these operating priorities, see the “Executive Overview” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in Part II, Item 7 of this report.

In 2019, we achieved our 30th consecutive year of positive same-store sales growth. We believe that this growth, which has taken place in a variety of economic conditions, is a result of our compelling value and convenience proposition, although no assurances can be given that we will continue to achieve positive same-store sales growth in any given year.

Compelling Value and Convenience Proposition. Our ability to deliver highly competitive prices in convenient locations and our easy “in and out” shopping format create a compelling shopping experience that we believe distinguishes us from other discount retailers as well as convenience, drug, grocery, online and mass merchant retailers. Our slogan “Save time. Save money. Every day!” summarizes our appeal to customers. We believe our ability to effectively deliver both value and convenience allows us to succeed in small markets with

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limited shopping alternatives, as well as in larger and more competitive markets. Our value and convenience proposition is evidenced by the following attributes of our business model:

- *Everyday Low Prices on Quality Merchandise.* Our research indicates that we offer a price advantage over most food and drug retailers and that our prices are competitive with even the largest discount retailers. Our ability to offer everyday low prices on quality merchandise is supported by our low-cost operating structure and our strategy to maintain a limited number of items per merchandise category, which we believe helps us maintain strong purchasing power. We offer nationally advertised brands at these everyday low prices in addition to offering our own private brands at substantially lower prices.
- *Convenient Locations.* Our stores are conveniently located in a variety of rural, suburban and urban communities. We seek to locate our stores in close proximity to our customers, which helps drive customer loyalty and trip frequency and makes us an attractive alternative to large discount and other large-box retail and grocery stores.
- *Time-Saving Shopping Experience.* We strive to provide customers with a highly convenient, easy to navigate shopping experience. Our small-box stores make it easier to get in and out quickly. Our product offering includes most necessities, such as basic packaged and refrigerated or frozen food and dairy products, cleaning supplies, paper products, health and beauty care items, tobacco products, greeting cards and other stationery items, basic apparel, housewares, hardware and automotive supplies, among others. Our convenient hours and broad merchandise offering allow our customers to fulfill their requirements for basic goods and minimize their need to shop elsewhere.

Substantial Growth Opportunities. We believe we have substantial long-term growth potential in the U.S., and we have identified significant opportunities to add new stores in both existing and new markets. In addition, we have opportunities to relocate or remodel locations within our existing store base to better serve our customers. Our attractive store economics, including a relatively low initial investment and simple, low-cost operating model, have allowed us to grow our store base to current levels and provide us significant opportunities to continue our profitable store growth strategy.

Our Merchandise

We offer a focused assortment of everyday necessities, which we believe helps to drive frequent customer visits, and key items in a broad range of general merchandise categories. Our product assortment provides the opportunity for our customers to address most of their basic shopping needs with one trip. We offer a wide selection of nationally advertised brands from leading manufacturers. Additionally, our private brand products offer even greater value with options to purchase both products that are of comparable quality to national brands as well as opening price point items, each at substantial discounts to the national brands.

Consumables is our largest merchandise category and has continued to become a larger percentage of our total sales as indicated in the table below. Consumables include paper and cleaning products (such as paper towels, bath tissue, paper dinnerware, trash and storage bags, and laundry); packaged food (such as cereals, canned soups and vegetables, condiments, spices, sugar and flour); perishables (such as milk, eggs, bread, refrigerated and frozen food, beer and wine); snacks (such as candy, cookies, crackers, salty snacks and carbonated beverages); health and beauty (such as over-the-counter medicines and personal care products including soap, body wash, shampoo, cosmetics, dental hygiene and foot care products); pet (such as pet supplies and pet food); and tobacco products.

Seasonal products include holiday items, toys, batteries, small electronics, greeting cards, stationery, prepaid phones and accessories, gardening supplies, hardware, automotive and home office supplies.

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Home products include kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies and kitchen, bed and bath soft goods.

Apparel includes casual everyday apparel for infants, toddlers, girls, boys, women and men, as well as socks, underwear, disposable diapers, shoes and accessories.

The percentage of net sales of each of our four categories of merchandise for the fiscal years indicated below was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Consumables	78.0 %	77.5 %	76.9 %
Seasonal	11.7 %	11.9 %	12.1 %
Home products	5.8 %	5.9 %	6.0 %
Apparel	4.5 %	4.7 %	5.0 %

Our seasonal and home products categories typically account for the highest gross profit margins, and the consumables category typically accounts for the lowest gross profit margin.

The Dollar General Store

The typical Dollar General store is operated by a store manager, one or more assistant store managers, and three or more sales associates. Our stores generally feature a low-cost, no frills building with limited maintenance capital, low operating costs, and a focused merchandise offering within a broad range of categories, allowing us to deliver low retail prices while generating strong cash flows and capital investment returns. Our stores average approximately 7,400 square feet of selling space, and approximately 75% of our stores are located in towns of 20,000 or fewer people. We generally have had good success in locating suitable store sites in the past, and we believe that there is ample opportunity for new store growth in existing and new markets. In addition, we believe we have significant opportunities available for our relocation and remodel programs.

Our store growth over the past three years is summarized in the following table:

<u>Year</u>	<u>Stores at Beginning of Year</u>	<u>Stores Opened</u>	<u>Stores Closed</u>	<u>Net Store Increase</u>	<u>Stores at End of Year</u>
2017	13,320	1,315	101	1,214	14,534
2018	14,534	900	64	836	15,370
2019	15,370	975	67	908	16,278

Our Customers

Our customers seek value and convenience. Depending on their financial situation and geographic proximity, customers' reliance on Dollar General varies from fill-in shopping, to making periodic trips to stock up on household items, to making weekly or more frequent trips to meet most essential needs. We generally locate our stores and plan our merchandise selections to best serve the needs of our core customers, the low and fixed income households often underserved by other retailers, and we are focused on helping them make the most of their spending dollars. At the same time, however, Dollar General shoppers from a wide range of income brackets and life stages appreciate our quality merchandise as well as our attractive value and convenience proposition.

Our Suppliers

We purchase merchandise from a wide variety of suppliers and maintain direct buying relationships with many producers of national brand merchandise. Despite our broad offering, we maintain only a limited number of items per category, allowing us to keep our average costs low. Our two largest suppliers each accounted for

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approximately 8% of our purchases in 2019. Our private brands come from a wide variety of suppliers. We directly imported approximately 6% of our purchases at cost in 2019.

We consistently have been able to obtain sufficient quantities of core merchandise and believe that, if one or more of our current sources of supply became unavailable, we generally would be able to obtain alternative sources; however, such alternative sources could increase our merchandise costs and supply chain lead time and expenses, result in a temporary reduction in store inventory levels, reduce our selection, or reduce the quality of our merchandise, and an inability to obtain alternative sources could adversely affect our sales.

Distribution and Transportation

Our stores are currently supported by distribution centers for non-refrigerated merchandise located strategically throughout our geographic footprint. We lease additional temporary warehouse space as necessary to support our distribution needs. In addition to our traditional distribution centers, we now operate multiple temperature-controlled distribution facilities in support of “DG Fresh”, our strategic, multi-phased shift to self-distribution of frozen and refrigerated goods, such as dairy, deli and frozen products. We regularly analyze and rebalance the network to ensure that it remains efficient and provides the service levels our stores require. See “—Properties” below for additional information pertaining to our distribution centers.

Most of our merchandise flows through our distribution centers and is delivered to our stores by third-party trucking firms, utilizing our trailers. We also own more than 300 semi-trailer trucks with which we transport our merchandise. In addition, vendors or third-party distributors deliver or ship certain food items and other merchandise directly to our stores.

Seasonality

Our business is somewhat seasonal. Generally, our most profitable sales mix occurs in the fourth quarter, which includes the Christmas selling season. In addition, our quarterly results can be affected by the timing of certain holidays, new store openings, remodels, relocations and store closings. We typically purchase substantial amounts of inventory and incur higher shipping and payroll costs in the third quarter in anticipation of increased sales activity during the fourth quarter. See Note 12 to the consolidated financial statements for additional information.

Our Competition

We operate in the basic discount consumer goods market, which is highly competitive with respect to price, customers, store location, merchandise quality, assortment and presentation, service offerings, in-stock consistency, customer service, promotional activity, employees, and market share. We compete with discount stores and many other retailers, including mass merchandise, warehouse club, grocery, drug, convenience, variety, online, and certain specialty stores. These other retail companies operate stores in many of the areas where we operate, and many of them engage in extensive advertising and marketing efforts. Our direct competitors include Family Dollar, Dollar Tree, Big Lots, 99 Cents Only and various local, independent operators, as well as Walmart, Target, Kroger, Aldi, Lidl, Walgreens, CVS, and RiteAid, among others. Certain of our competitors have greater financial, distribution, marketing and other resources than we do and may be able to secure better arrangements from suppliers than we can. Competition is intense and we believe it will continue to be so, with certain competitors reducing their store locations while others move into or increase their presence in our geographic and product markets and increase the availability of mobile, web-based and other digital technology to facilitate a more convenient and competitive customer online and in-store shopping experience.

We believe that we differentiate ourselves from other forms of retailing by offering consistently low prices in a convenient, small-store format. We are able to maintain competitive prices due in part to our low-cost operating structure and the relatively limited assortment of products offered. Purchasing large volumes of merchandise within our focused assortment in each merchandise category allows us to keep our average product

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costs low, contributing to our ability to offer competitive everyday low prices to our customers. See “—Our Business Model” above for further discussion of our competitive situation.

Our Employees

As of February 28, 2020, we employed approximately 143,000 full-time and part-time employees, including divisional and regional managers, district managers, store managers, other store personnel and distribution center and administrative personnel. We have increasingly focused on recruiting, training, motivating and retaining employees, and we believe that the quality, performance and morale of our employees continue to be an important part of our success in recent years. We believe our overall relationship with our employees is good.

Our Trademarks

We own marks that are registered with the United States Patent and Trademark Office and are protected under applicable intellectual property laws. We attempt to obtain registration of our trademarks whenever practicable and to pursue vigorously any infringement of those marks. Our trademark registrations have various expiration dates; however, assuming that the trademark registrations are properly renewed, they have a perpetual duration. We also hold an exclusive license to the Rexall brand through at least March 5, 2026 and the Believe Beauty brand through at least March 23, 2022.

Available Information

Our Internet website address is www.dollargeneral.com. The information on our website is not incorporated by reference into, and is not a part of, this Form 10-K. We file with or furnish to the Securities and Exchange Commission (the “SEC”) annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, registration statements and other documents. These documents are available free of charge to investors on or through the Investor Information section of our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC also maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, such as Dollar General, that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

Investment in our Company involves risks. You should carefully consider the risks described below and the other information in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or liquidity. These risks are not the only risks we face. Our business, financial condition, results of operations or liquidity could also be adversely affected by additional factors that apply to all companies generally or by risks not currently known to us or that we currently view to be immaterial. We can provide no assurance and make no representation that our risk mitigation efforts, although we believe they are reasonable, will be successful.

Economic factors may reduce our customers' spending, impair our ability to execute our strategies and initiatives, and increase our costs and expenses, which could result in materially decreased sales or profitability.

Many of our customers have fixed or low incomes and limited discretionary spending dollars. Any factor that could adversely affect their disposable income could decrease our customers' spending or cause them to shift their spending to our lower margin product choices, which could result in materially decreased sales and profitability. Factors that could reduce our customers' disposable income include but are not limited to high unemployment or underemployment levels or decline in real wages; inflation; higher fuel, energy, healthcare and housing costs, interest rates, consumer debt levels, and tax rates; tax law changes that negatively affect credits and refunds; lack of available credit; and decreases in, or elimination of, government subsidies such as unemployment and food assistance programs.

Many of the economic factors listed above, as well as commodity rates; transportation, lease and insurance costs; wage rates; foreign exchange rate fluctuations; measures that create barriers to or increase the costs of international trade (including increased import duties or tariffs); changes in applicable laws and regulations; and other economic factors, also could impair our ability to successfully execute our strategies and initiatives, as well as increase our cost of goods sold and selling, general and administrative expenses (including real estate costs), and may have other adverse consequences that we are unable to fully anticipate or control, all of which may materially decrease our sales or profitability.

Our plans depend significantly on strategies and initiatives designed to increase sales and profitability and improve the efficiencies, costs and effectiveness of our operations, and failure to achieve or sustain these plans could materially affect our results of operations.

We have short-term and long-term strategies and initiatives (such as those relating to merchandising, real estate and new store development, store formats, digital, shrink, sourcing, private brand, inventory management, supply chain, store operations, expense reduction, and technology) in various stages of testing, evaluation, and implementation, which are designed to continue to improve our results of operations and financial condition. The effectiveness of these initiatives is inherently uncertain, even when tested successfully, and is dependent on consistency of training and execution, workforce stability, ease of execution, and the absence of offsetting factors that can influence results adversely. Many of these factors are made even more challenging by the number and diverse geographic locations of our stores and distribution centers and our decentralized field management. Other risk factors described herein also could negatively affect general implementation. Failure to achieve successful or cost-effective implementation of our initiatives could materially adversely affect our business, results of operations and financial condition.

The success of our merchandising initiatives, particularly our non-consumable initiatives and efforts to increase sales of higher margin products within the consumables category, further depends in part upon our ability to predict the products that our customers will demand and to identify and timely respond to evolving trends in demographic mixes in our markets and consumer preferences. If we are unable to select and timely obtain

products that are attractive to customers and at costs that allow us to sell them at an acceptable profit, or to effectively market such products, it could result in materially decreased sales and profitability.

The success of our DG Fresh initiative, our cold chain self-distribution initiative, further depends in part on our ability to effectively transition these distribution operations from our current service providers without business disruption, as well as on the availability of certain supply chain resources, including temperature-controlled distribution centers, refrigerated transportation equipment, and drivers. The success of our Fast Track initiative, which is designed to enhance our in-store labor productivity, on-shelf availability and customer convenience, further depends in part on customer interest and adoption of self-checkout, our ability to gain cost efficiencies and control shrink levels from the initiative, vendor cooperation, and successful implementation and maintenance of the necessary technology.

If we cannot timely and cost-effectively execute our real estate projects and meet our financial expectations, or if we do not anticipate or successfully address the challenges imposed by our expansion, including into new states or urban areas, it could materially impede our planned future growth and our profitability.

Delays in or failure to complete a significant portion of our real estate projects, or failure to meet our financial expectations for these projects, could materially adversely affect our growth and our profitability. Our ability to timely open, relocate and remodel profitable stores and expand into additional market areas is a key component of our planned future growth and may depend in part on: the availability of suitable store locations and capital funding; the absence of entitlement process or occupancy delays, including zoning restrictions and moratoria on small box discount retail development passed by local governments; the ability to negotiate acceptable lease and development terms (for example, real estate development requirements and cost of building materials and labor), to cost-effectively hire and train new personnel, especially store managers, and to identify and accurately assess sufficient customer demand; and general economic conditions.

We also may not anticipate or successfully address all of the challenges imposed by the expansion of our operations, including into new states or urban areas where we have limited or no meaningful experience or brand recognition. Those areas may have different competitive and market conditions, consumer tastes and discretionary spending patterns than our existing markets, as well as higher cost of entry and operating costs. These factors may cause our new stores to be less profitable than stores in our existing markets, which could slow future growth in these areas. In addition, many new stores will be located in areas where we have existing stores, which inadvertently may temporarily or permanently divert a larger than anticipated number of customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

We face intense competition that could limit our growth opportunities and materially adversely affect our results of operations and financial condition.

The retail business is highly competitive with respect to price, customers, store location, merchandise quality, product assortment and presentation, service offerings, in-stock consistency, customer service, ease of shopping experience, promotional activity, employees, and market share. We compete with discount stores and many other retailers, including mass merchandise, warehouse club, grocery, drug, convenience, variety, online retailers, and certain specialty stores. To maintain our competitive position, we may be required to lower prices, either temporarily or permanently, and may have limited ability to increase prices in response to increased costs, resulting in lower margins and reduced profitability. Certain of our competitors have greater financial, distribution, marketing and other resources, and may be able to secure better arrangements with suppliers, than we can.

Competition is intense, and is expected to continue to be so, with certain competitors reducing their store locations while others enter or increase their presence in our geographic and product markets (including through the expansion of availability of delivery services) and expand availability of mobile, web-based and other digital

technologies to facilitate a more convenient and competitive online and in-store shopping experience. If our competitors or others were to enter our industry in a significant way, including through alliances or other business combinations, it could significantly alter the competitive dynamics of the retail marketplace and result in competitors with greatly improved competitive positions, which could materially affect our financial performance. Our ability to effectively compete will depend substantially upon our continued ability to develop and execute compelling and cost-effective strategies and initiatives. If we fail to anticipate or respond effectively to competitive pressures and industry changes, it could materially affect our results of operations and financial condition.

Inventory shrinkage may negatively affect our results of operations and financial condition.

We experience significant inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, higher rates of inventory shrinkage or increased security or other costs to combat inventory theft could adversely affect our results of operations and financial condition. There can be no assurance that we will be successful in our efforts to reduce inventory shrinkage.

Our cash flows from operations, profitability and financial condition may be negatively affected if we are not successful in managing our inventory balances.

Our inventory balance represented approximately 55% of our total assets exclusive of goodwill, operating lease assets, and other intangible assets as of January 31, 2020. Efficient inventory management is a key component of our business success and profitability. We must maintain sufficient inventory levels and an appropriate product mix to meet our customers' demands without allowing those levels to increase such that the costs to store and hold the goods unduly impacts our financial results or increases the risk of inventory shrinkage. If we do not accurately predict customer trends, spending levels, or price sensitivity, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely affect our financial results. We continue to focus on ways to reduce these risks, but we cannot make assurances that we will be successful in our inventory management. If we are not successful in managing our inventory balances, our cash flows from operations and financial condition may be negatively affected.

Failure to maintain the security of our business, customer, employee or vendor information or to comply with privacy laws could expose us to litigation, government enforcement actions and costly response measures, and could materially harm our reputation and affect our business and financial performance.

In connection with sales, we transmit confidential credit and debit card information which is encrypted using point-to-point encryption. We also have access to, collect or maintain certain private or confidential information regarding our customers, employees and their dependents, and vendors, as well as our business. Some of this information is stored electronically in connection with our e-commerce and mobile applications, some of which may leverage third-party service providers. Additionally, we may share information with select vendors that assist us in conducting our business. While we have implemented procedures and technology intended to protect such information and require appropriate controls of our service providers, cyberattackers could compromise such controls and obtain such information, as cyberattacks are becoming increasingly sophisticated and do not always immediately produce signs of intrusion. Moreover, inadvertent or malicious employee actions could result in a defeat of security measures and compromise our or our third-party vendors' information systems. Like other retailers, we and our vendors have experienced threats to data and systems, including by perpetrators of attempted random or targeted malicious cyberattacks, computer viruses, worms, bot attacks or other destructive or disruptive software and attempts to misappropriate our information and cause system failures and disruptions. If cyberattackers obtain customer, employee or vendor passwords through unrelated third-party breaches, these passwords could be used to gain access to their information or accounts with us.

Because we accept debit and credit cards for payment, we are subject to industry data protection standards and protocols, such as the Payment Card Industry Data Security Standards, issued by the Payment Card

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Industry Security Standards Council. Nonetheless, we may be vulnerable to, and unable to detect and appropriately respond to, data security breaches and data loss, including cybersecurity attacks or other breaches of cardholder data.

A significant security breach of any kind experienced by us or one of our vendors, which could be undetected for a period of time, or a significant failure by us or one of our vendors to comply with applicable privacy and information security laws, regulations and standards could expose us to risks of data loss, litigation, government enforcement actions, fines or penalties, credit card brand assessments, negative publicity and reputational harm, business disruption and costly response measures (for example, providing notification to, and credit monitoring services for, affected individuals, as well as further upgrades to our security measures) which may not be covered by or may exceed the coverage limits of our insurance policies, and could materially disrupt our operations. Any resulting negative publicity could significantly harm our reputation which could cause us to lose market share as a result of customers discontinuing the use of our e-commerce and mobile applications or debit or credit cards in our stores or not shopping in our stores altogether and could materially adversely affect our business and financial performance.

Material damage or interruptions to our information systems as a result of external factors, staffing shortages or challenges in maintaining or updating our existing technology or developing or implementing new technology could materially adversely affect our business and results of operations.

We depend on a variety of information technology systems, including systems owned and managed by third-party vendors, for the efficient functioning of our business, including, without limitation, transaction processing and the management of our employees, facilities, logistics, inventories, stores and customer-facing digital applications and operations. Our technology initiatives may not deliver desired results or may do so on a delayed schedule. Additionally, such systems are subject to damage or interruption from power surges and outages, facility damage, physical theft, computer and telecommunications failures, inadequate or ineffective redundancy, malicious code (including computer viruses, worms, ransomware, or similar), cyberattacks (including account compromise; phishing; denial of service attacks; and application, network or system vulnerability exploitation), software upgrade failures or code defects, natural disasters and human error. Design defects or damage or interruption to these systems may require a significant investment to fix or replace, disrupt our operations, result in the loss or corruption of critical data, and harm our reputation, all of which could materially adversely affect our business or results of operations.

We also rely heavily on our information technology staff. Failure to meet these staffing needs may negatively affect our ability to fulfill our technology initiatives while continuing to provide maintenance on existing systems. We rely on third parties to maintain and periodically upgrade many of these systems so that they can continue to support our business. We license the software programs supporting many of our systems from independent software developers. The inability of these vendors, developers or us to continue to maintain and upgrade these systems and software programs could disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner and could expose us to greater risk of a cyberattack. In addition, costs and delays associated with the implementation of new or upgraded systems and technology, including the migration of applications to the cloud, or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations, fail to operate as designed, result in the potential loss or corruption of data or information, disrupt operations and affect our ability to meet business and reporting requirements and adversely affect our profitability.

A significant disruption to our distribution network, the capacity of our distribution centers or the timely receipt of inventory could adversely affect sales or increase our transportation costs, which would decrease our profitability.

We rely on our distribution and transportation network to provide goods to our stores timely and cost-effectively. Using various transportation modes, including ocean, rail, and truck, we and our vendors move goods from vendor locations to our distribution centers and our stores. Any disruption, unanticipated or unusual expense or operational failure related to this process (for example, delivery delays, including as a result of pandemic outbreaks, or increases in transportation costs, including increased fuel costs, import freight costs, carrier or driver wages as a result of driver shortages; a decrease in transportation capacity for overseas shipments; labor shortages; or work stoppages for slowdowns) could negatively impact sales and profits. Labor shortages or work stoppages in the transportation industry or disruptions to the national and international transportation infrastructure that lead to delivery delays or that necessitate our securing alternative labor or shipping suppliers could also increase our costs or otherwise negatively affect our business. The recent outbreak of the strain of COVID-19 has led various governments to take precautionary measures to limit the spread of the virus, including port closures and other restrictions, which could disrupt the global transportation and distribution of goods resulting in product delivery delays or higher delivery prices. As of the date of this filing, we do not anticipate that supply chain disruptions either known or experienced to date as a result of the COVID-19 outbreak are likely to have a material impact on our financial results in 2020. However, the extent to which the COVID-19 outbreak may impact our distribution network, results of operations (including sales) or business in the future is uncertain as the situation continues to evolve, and such impact could be more significant.

We maintain a network of distribution facilities and are moving forward with plans to build or lease new facilities to support our growth objectives and strategic initiatives. Delays in opening such facilities could adversely affect our financial performance by slowing store growth or the rollout of certain strategic initiatives such as our DG Fresh initiative, which may in turn reduce revenue growth, or by increasing transportation and product costs. In addition, distribution-related construction or expansion projects entail risks that could cause delays and cost overruns, such as: shortages of materials or skilled labor; work stoppages; unforeseen construction, scheduling, engineering, environmental or geological problems; weather interference; fires or other casualty losses; and unanticipated cost increases. For these reasons, the completion date and ultimate cost of these projects could differ significantly from initial expectations, and we cannot guarantee that any project will be completed on time or within established budgets.

Risks associated with or faced by our suppliers could adversely affect our financial performance.

We source our merchandise from a wide variety of domestic and international suppliers, and we depend on them to supply merchandise in a timely and efficient manner. In 2019, our two largest suppliers each accounted for approximately 8% of our purchases. If one or more of our current sources of supply became unavailable, we believe we generally would be able to obtain alternative sources, but it could increase our merchandise costs and supply chain lead time, result in a temporary reduction in store inventory levels, and reduce the selection and quality of our merchandise. An inability to obtain alternative sources could materially decrease our sales. Additionally, if a supplier fails to deliver on its commitments, we could experience merchandise out-of-stocks that could lead to lost sales and reputational harm. Further, failure of suppliers to meet our compliance protocols could prolong our procurement lead time, resulting in lost sales and adverse margin impact.

We directly imported approximately 6% of our purchases (measured at cost) in 2019, but many of our domestic vendors directly import their products or components of their products. Changes to the prices and flow of these goods for any reason, such as political unrest, acts of war, currency fluctuations, disruptions in maritime lanes, port labor disputes, economic conditions and instability in countries in which foreign suppliers are located, the financial instability of suppliers, failure to meet our standards, issues with our suppliers' labor practices or labor problems they may experience (such as strikes, stoppages or slowdowns, which could also increase labor costs during and following the disruption), the availability and cost of raw materials, pandemic outbreaks, merchandise quality or safety issues, transport availability and cost, increases in wage rates and taxes, transport

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security, inflation, and other factors relating to suppliers and the countries in which they are located or from which they import, often are beyond our control and could adversely affect our operations and profitability.

While we are working to diversify our sources of imported goods, a substantial amount of our imported merchandise comes from China, and thus, a change in the Chinese leadership, the effects of pandemic outbreaks including COVID-19, economic and market conditions, internal economic stimulus actions, or currency or other policies, as well as trade relations between China and the United States and increases in costs of labor and wage taxes, could negatively impact our merchandise costs. We currently expect delays in the receipt of certain goods as a result of the COVID-19 outbreak, but as of the date of this filing, we do not anticipate that these known supply chain disruptions experienced to date as a result of the COVID-19 outbreak are likely to have a material impact on our financial results in 2020. However, the extent to which the COVID-19 outbreak may impact our supply chain, results of operations (including sales) or business in the future is uncertain as the situation continues to evolve, and such impact could be more significant. In addition, the United States' foreign trade policies, duties, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries (particularly China), import limitations on certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade and port labor agreements are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our business and financial performance. If we increase our product imports from foreign vendors, the risks associated with these imports also will increase, and we may be exposed to additional or different risks as we increase imports of goods produced in countries other than China.

Product liability, product recall or other product safety or labeling claims could adversely affect our business, reputation and financial performance.

We are dependent on our vendors to ensure that the products we buy from them comply with applicable product safety and labeling laws and regulations and to inform us of all applicable restrictions on the sale of such products. Nonetheless, product liability, personal injury or other claims may be asserted against us relating to product contamination, tampering, expiration, mislabeling, recall and other safety or labeling issues, including those relating to products that we may self-distribute through our DG Fresh initiative.

We seek but may not be successful in obtaining contractual indemnification and insurance coverage from our vendors. If we do not have adequate contractual indemnification or insurance available, such claims could materially adversely affect our business, financial condition and results of operations. Our ability to obtain indemnification from foreign vendors may be hindered by our ability to obtain jurisdiction over them to enforce contractual obligations. Even with adequate insurance and indemnification, such claims could significantly harm our reputation and consumer confidence in our products and we could incur significant litigation expenses, which also could materially affect our results of operations even if a product liability claim is unsuccessful or not fully pursued.

A significant change in governmental regulations and requirements could materially increase our cost of doing business, and noncompliance with governmental regulations could materially adversely affect our financial performance.

We routinely incur significant costs in complying with numerous and frequently changing laws and regulations. The complexity of this regulatory environment and related compliance costs are increasing due to additional legal and regulatory requirements, our expanding operations, and increased regulatory scrutiny and enforcement efforts. New or revised laws, regulations, policies and related interpretations and enforcement practices, particularly those dealing with environmental compliance, product and food safety or labeling, information security and privacy, labor and employment, employee wages, and those governing the sale of products, may significantly increase our expenses or require extensive system and operating changes that could materially increase our cost of doing business. Violations of applicable laws and regulations or untimely or incomplete execution of a required product recall can result in significant penalties (including loss of licenses, eligibility to accept certain government benefits such as SNAP or significant fines), class action or other litigation,

and reputational damage. Additionally, changes in tax laws, the interpretation of existing laws, or our failure to sustain our reporting positions on examination could adversely affect our overall effective tax rate.

Legal proceedings may adversely affect our reputation, business, results of operations and financial condition.

Our business is subject to the risk of litigation or other legal proceedings by employees, consumers, suppliers, competitors, shareholders, government agencies and others through private actions, class actions, multi-district litigation, arbitrations, derivative actions, administrative proceedings, regulatory actions or other litigation. For example, we are involved in certain legal proceedings as discussed in Note 7 to the consolidated financial statements. The outcome of legal proceedings, particularly class action or multi-district litigation or mass arbitrations and regulatory actions, can be difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for lengthy periods. In addition, certain of these matters, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required, and sometimes these developments are unanticipated. Legal proceedings in general, and class actions, multi-district litigation and derivative actions in particular, can be expensive and disruptive, and adverse publicity could harm our reputation, regardless of the validity of the allegations. As a result, legal proceedings may adversely affect our business, results of operations and financial condition. See also Note 7 to the consolidated financial statements.

Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.

Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, certain crimes, including employee crime, certain wage and hour and other employment-related claims and litigation, actions based on certain consumer protection laws, and some natural and other disasters or similar events. If we incur material uninsured losses, our financial performance could suffer. Certain material events may result in sizable losses for the insurance industry and adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage. In addition, we self-insure a significant portion of expected losses under our workers' compensation, automobile liability, general liability (including claims made against certain of our landlords) and group health insurance programs. Significant changes in actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including expected increases in medical and indemnity costs, could result in materially different expenses than expected under these programs, which could materially adversely affect our results of operations and financial condition. Although we maintain property insurance for catastrophic events at our store support center and distribution centers, we are effectively self-insured for other property losses. If we experience a greater number of these losses than we anticipate, our financial performance could be adversely affected.

Natural disasters and unusual weather conditions (whether or not caused by climate change), pandemic outbreaks or other health crises, acts of violence or terrorism, and global political events could disrupt business and result in lower sales and otherwise adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, fires, floods, tornadoes and earthquakes, unusual weather conditions, pandemic outbreaks or other health crises (including but not limited to the COVID-19 outbreak), acts of violence or terrorism (including within our stores, distribution centers or other Company property), or disruptive global political events, such as civil unrest in countries in which our suppliers are located, or similar disruptions could adversely affect our reputation, business and financial performance. If any of these events result in the closure of one or more of our distribution centers, a significant number of stores, or our corporate headquarters or impact one or more of our key suppliers, our operations and financial

performance could be materially adversely affected through an inability to make deliveries or provide other support functions to our stores and through lost sales. These events also could affect consumer shopping patterns or prevent customers from reaching our stores, which could lead to lost sales and higher markdowns, or result in increases in fuel or other energy prices, a fuel shortage, store or distribution center opening delays, the temporary lack of an adequate work force in a market, the temporary or long-term disruption of product availability in our stores, the temporary or long-term inability to obtain technology needed to effectively run our business, and disruption of our utility services or information systems. These events may also increase the costs of insurance if they result in significant loss of property or other insurable damage.

Failure to attract, train and retain qualified employees while controlling labor costs, as well as other labor issues, could adversely affect our financial performance.

Our future growth and performance, positive customer experience and legal and regulatory compliance depends on our ability to attract, train, retain and motivate qualified employees while operating in an industry challenged by historically high rates of employee turnover. Our ability to meet our labor needs, while controlling our labor costs, is subject to many external factors, including competition for and availability of qualified personnel, unemployment levels, wage rates, minimum wage laws, health and other insurance costs, changes in employment and labor laws or other workplace regulations (including changes in employee benefit programs such as health insurance and paid leave programs), employee activism, and our reputation and relevance within the labor market. If we are unable to attract, train and retain adequate numbers of qualified employees, our operations, customer service levels, legal and regulatory compliance, and support functions could suffer. In addition, to the extent a significant portion of our employee base unionizes, or attempts to unionize, our labor and other related costs could increase. Our ability to pass along labor and other related costs to our customers is constrained by our everyday low price model, and we may not be able to offset such increased costs elsewhere in our business.

Our success depends on our executive officers and other key personnel. If we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed.

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and other key personnel. The unexpected loss of the services of any of such persons could adversely affect our operations. There can be no assurance that our executive succession planning, retention or hiring efforts will be successful. Competition for skilled and experienced management personnel is intense, and our future success will also depend on our ability to attract and retain qualified personnel, and a failure to attract and retain new qualified personnel could adversely affect our operations.

Our private brands may not be successful in improving our gross profit rate and may increase certain of the risks we face.

The sale of private brand items is an important component of our sales growth and gross profit rate enhancement plans. Broad market acceptance of our private brands depends on many factors, including pricing, quality, customer perception, and timely development and introduction of new products. We cannot give assurance that we will achieve or maintain our expected level of private brand sales. The sale and expansion of these offerings also subjects us to or increases certain risks, such as: product liability claims and product recalls; disruptions in raw material and finished product supply and distribution chains; inability to successfully protect our proprietary rights; claims related to the proprietary rights of third parties; and other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail. Failure to appropriately address these risks could materially adversely affect our private brand initiatives, reputation, results of operations and financial condition.

Because our business is somewhat seasonal, adverse events during the fourth quarter could materially affect our financial statements as a whole.

Primarily because of sales of Christmas-related merchandise, our most profitable sales mix generally occurs in the fourth quarter. In anticipation of this holiday, we purchase substantial amounts of seasonal inventory, and if sales fall below seasonal norms or our expectations it could result in unanticipated markdowns. Adverse events, such as deteriorating economic conditions, high unemployment rates, high gas prices, transportation disruptions, or unusual or unanticipated adverse weather could result in lower-than-planned sales during the Christmas selling season, which in turn could reduce our profitability and otherwise adversely affect our financial performance and operating results.

Deterioration in market conditions or changes in our credit profile could adversely affect our business operations and financial condition.

We rely on the positive cash flow we generate from our operating activities and our access to the credit and capital markets to fund our operations, growth strategy, and return of cash to our shareholders through share repurchases and dividends. Changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to these potential sources of future liquidity. Our continued access to liquidity sources on favorable terms depends on multiple factors, including our operating performance and credit ratings. Our debt securities currently are rated investment grade, and a downgrade of this rating likely would negatively impact our access to the debt capital markets and increase our cost of borrowing. As a result, disruptions in the debt markets or any downgrade of our credit ratings could adversely affect our business operations and financial condition and our ability to return cash to our shareholders. We can make no assurances that our ability to obtain additional financing through the debt markets will not be adversely affected by economic conditions or that we will be able to maintain or improve our current credit ratings.

New accounting guidance or changes in the interpretation or application of existing accounting guidance could adversely affect our financial performance.

The implementation of new accounting standards could require certain systems, internal process and controls and other changes that could increase our operating costs, and will result in changes to our financial statements. In 2019 for example, the implementation of accounting standards related to leases, as issued by the Financial Accounting Standards Board, required us to make significant changes to our lease management and other accounting systems, and resulted in a material impact to our consolidated financial statements.

U.S. generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business involve many subjective assumptions, estimates and judgments by our management. Changes in these rules or their interpretation or in underlying management assumptions, estimates or judgments could significantly change our reported or expected financial performance. The outcome of such changes could include litigation or regulatory actions which could adversely affect our financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of February 28, 2020, we operated 16,368 retail stores located in 45 states as follows:

<u>State</u>	<u>Number of Stores</u>	<u>State</u>	<u>Number of Stores</u>
Alabama	796	Nevada	22
Arizona	121	New Hampshire	40
Arkansas	452	New Jersey	148
California	226	New Mexico	99
Colorado	51	New York	495
Connecticut	64	North Carolina	870
Delaware	47	North Dakota	42
Florida	900	Ohio	858
Georgia	915	Oklahoma	461
Illinois	578	Oregon	57
Indiana	566	Pennsylvania	781
Iowa	264	Rhode Island	20
Kansas	247	South Carolina	564
Kentucky	565	South Dakota	55
Louisiana	574	Tennessee	815
Maine	58	Texas	1,552
Maryland	140	Utah	11
Massachusetts	50	Vermont	37
Michigan	574	Virginia	435
Minnesota	163	West Virginia	249
Mississippi	538	Wisconsin	192
Missouri	547	Wyoming	1
Nebraska	128		

Most of our stores are located in leased premises. Individual store leases vary as to their terms, rental provisions and expiration dates. Many stores, including a significant portion of our new stores, are subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of up to 15 years with multiple renewal options. We also have stores subject to shorter-term leases, and many of these leases have renewal options.

As of February 28, 2020, we operated 17 distribution centers for non-refrigerated merchandise with approximately 16.9 million square feet, four of which are leased and the remainder of which are owned. Approximately 7.25 acres of the land for one of the distribution centers is subject to a ground lease. We also leased approximately 1.1 million square feet of warehouse space in support of our distribution network for non-refrigerated merchandise. In addition, we operated five cold storage distribution centers with approximately 1.1 million square feet, four of which are leased and one of which is owned, and we have executed leases for two additional cold storage distribution centers with approximately 0.7 million square feet, which are expected to be operational later in 2020.

Our executive offices are located in approximately 302,000 square feet of owned buildings and approximately 42,000 square feet of leased office space in Goodlettsville, Tennessee.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 7 to the consolidated financial statements under the heading “Legal proceedings” contained in Part II, Item 8 of this report is incorporated herein by this reference.

ITEM 4. MINE SAFETY DISCLOSURES

None.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information regarding our current executive officers as of March 19, 2020 is set forth below. Each of our executive officers serves at the discretion of our Board of Directors and is elected annually by the Board to serve until a successor is duly elected. There are no familial relationships between any of our directors or executive officers.

Name	Age	Position
Todd J. Vasos	58	Chief Executive Officer and Director
John W. Garratt	51	Executive Vice President and Chief Financial Officer
Jeffery C. Owen	50	Chief Operating Officer
Michael J. Kindy	54	Executive Vice President, Global Supply Chain
Jason S. Reiser	51	Executive Vice President and Chief Merchandising Officer
Steven G. Sunderland	56	Executive Vice President, Store Operations
Rhonda M. Taylor	52	Executive Vice President and General Counsel
Carman R. Wenkoff	52	Executive Vice President and Chief Information Officer
Anita C. Elliott	55	Senior Vice President and Chief Accounting Officer
Kathleen A. Reardon	48	Senior Vice President and Chief People Officer

Mr. Vasos has served as Chief Executive Officer and a member of our Board since June 2015. He joined Dollar General in December 2008 as Executive Vice President, Division President and Chief Merchandising Officer and was promoted to Chief Operating Officer in November 2013. Prior to joining Dollar General, Mr. Vasos served in executive positions with Longs Drug Stores Corporation for seven years, including Executive Vice President and Chief Operating Officer (February 2008 to November 2008) and Senior Vice President and Chief Merchandising Officer (2001 to 2008), where he was responsible for all pharmacy and front-end marketing, merchandising, procurement, supply chain, advertising, store development, store layout and space allocation, and the operation of three distribution centers. He also previously served in leadership positions at Phar-Mor Food and Drug Inc. and Eckerd Corporation.

Mr. Garratt has served as Executive Vice President and Chief Financial Officer since December 2015. He joined Dollar General in October 2014 as Senior Vice President, Finance & Strategy and subsequently served as Interim Chief Financial Officer from July 2015 to December 2015. Mr. Garratt previously held various positions of increasing responsibility in corporate strategy and financial planning with Yum! Brands, Inc., one of the world's largest restaurant companies, between May 2004 and October 2014, including Vice President, Finance and Division Controller for the KFC division and earlier for the Pizza Hut division and for Yum Restaurants International (October 2013 to October 2014); Senior Director, Yum Corporate Strategy (March 2010 to October 2013), reporting directly to the corporate Chief Financial Officer and leading corporate strategy as well as driving key cross-divisional initiatives; and various other financial positions. He previously held financial management positions at Alcoa Inc. (April 2002 to May 2004) and General Electric (March 1999 to April 2002), after beginning his career with Alcoa in May 1990. Mr. Garratt has served as a director of Humana Inc. since February 2020.

Mr. Owen has served as Chief Operating Officer since August 27, 2019. He returned to Dollar General in June 2015 as Executive Vice President of Store Operations, with over 21 years of previous employment experience with the Company. Prior to his departure from Dollar General in July 2014, he was Senior Vice President, Store Operations. Prior to August 2011, Mr. Owen served as Vice President, Division Manager, and from November 2006 to March 2007 he served as Retail Division Manager. Prior to November 2006, he was Senior Director, Operations Process Improvement. Mr. Owen also served the Company in various operations

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roles of increasing importance and responsibility from December 1992 to September 2004. Mr. Owen has served as a director of Kirkland's Inc. since March 2015.

Mr. Kindy has served as Executive Vice President, Global Supply Chain since August 2018. He joined Dollar General as Vice President, Distribution Centers in December 2008, became Vice President, Transportation in May 2013, and was promoted to Senior Vice President, Global Supply Chain in June 2015. Prior to joining Dollar General, Mr. Kindy had 14 years of grocery distribution management and 5 years of logistics and distribution consulting experience. He served as Senior Director, Warehouse Operations, for ConAgra Foods from November 2007 to December 2008. Since beginning his career in July 1989, Mr. Kindy also held various distribution and warehouse leadership positions at Safeway, Inc., Crum & Crum Logistics, and Specialized Distribution Management, Inc., and served as a principal consultant for PricewaterhouseCoopers.

Mr. Reiser has served as Executive Vice President and Chief Merchandising Officer since July 2017. He previously served as Executive Vice President and Chief Operating Officer of Vitamin Shoppe, Inc., a multi-channel specialty retailer and contract manufacturer of health and wellness products, from July 2016 to July 2017, where he led merchandising, operations, end-to-end supply chain, information technology, real estate and construction, planning, pricing and merchandising operations. He also previously served as Executive Vice President, Chief Merchandising Officer (January 2014 to June 2016) and as Senior Vice President, Hardlines Merchandising (July 2013 to January 2014) for discount retailer Dollar Tree, Inc. (successor to Family Dollar Stores, Inc.) and was employed by Walmart Stores, Inc. for 17 years in a variety of roles, including Vice President, Merchandising, Health & Family Care of Sam's Club (November 2010 to June 2013); Vice President, Operations & Compliance, Health & Wellness of Sam's Club (May 2010 to November 2010); Divisional Merchandise Manager, Wellness (May 2009 to May 2010); Senior Buyer Pharmacy/OTC of Sam's Club (November 2006 to May 2009); Director, Government Relations and Regulatory Affairs (August 2002 to November 2006); Pharmacy District Manager (August 2000 to August 2002); and Pharmacy Manager (October 1995 to August 2000).

Mr. Sunderland has served as Executive Vice President, Store Operations, since August 2019. He joined Dollar General as Senior Vice President, Store Operations, in September 2014. Mr. Sunderland previously served as Senior Vice President, Retail Operations, of Office Depot, Inc. (November 2013 to January 2014); Senior Vice President, Retail Operations, of OfficeMax Incorporated (May 2012 to November 2013); Chief Operating Officer of Bally Total Fitness Holding Corporation (2011 to April 2012); and World Kitchen, LLC's President of Retail (2009 to 2011). Mr. Sunderland began his career with Sears in 1987, holding various positions of increasing responsibility, including Vice President of Strategic Operations for Sears Holdings Corporation from 2007 until 2009.

Ms. Taylor has served as Executive Vice President and General Counsel since March 2015. She joined Dollar General as an Employment Attorney in March 2000 and was subsequently promoted to Senior Employment Attorney in 2001, Deputy General Counsel in 2004, Vice President and Assistant General Counsel in March 2010, and Senior Vice President and General Counsel in June 2013. Prior to joining Dollar General, she practiced law with Ogletree, Deakins, Nash, Smoak & Stewart, P.C., where her practice was focused on labor law and employment litigation. She has also held attorney positions with Ford & Harrison LLP and Stokes Bartholomew.

Mr. Wenkoff has served as Executive Vice President and Chief Information Officer since July 2017. He previously served as the Chief Information Officer (May 2012 to June 2017) and Chief Digital Officer (June 2016 to June 2017) of Franchise World Headquarters, LLC ("Subway"), a restaurant chain, where he was responsible for global technology and digital strategy, execution and operations for the Subway brand and all of its restaurants. He owned a Subway franchise from July 2015 until October 2017. He also previously served as Chairman of the Board and Co-President of Retail Gift Card Association (February 2008 to May 2012); Deputy Chief Information Officer for Independent Purchase Cooperative, Inc. (May 2005 to May 2012) and President of its subsidiary, Value Pay Services LLC (May 2005 to February 2011); founder and President of Stored Value Management, Inc. (January 2004 to May 2005); and Vice President, Operations and Finance, and General Counsel

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of Ontain Corporation (January 2000 to December 2004). Mr. Wenkoff began his career in 1993 as an articulated student, and then attorney with Douglas Symes & Brissenden and served in various legal positions, including General Counsel, with Pivotal Corporation from 1997 to 2000.

Ms. Elliott has served as Senior Vice President and Chief Accounting Officer since December 2015. She joined Dollar General as Senior Vice President and Controller in August 2005. Prior to joining Dollar General, she served as Vice President and Controller of Big Lots, Inc. from May 2001 to August 2005, where she was responsible for accounting operations, financial reporting and internal audit. Prior to serving at Big Lots, she served as Vice President and Controller for Jitney-Jungle Stores of America, Inc. from April 1998 to March 2001, where she was responsible for the accounting operations and the internal and external financial reporting functions. Prior to serving at Jitney-Jungle, she practiced public accounting for 12 years, 6 of which were with Ernst & Young LLP.

Ms. Reardon has served as Senior Vice President and Chief People Officer since May 2019. She joined Dollar General as Director, Human Resources in September 2009 and was promoted to Vice President, Talent Management in October 2012. She became Vice President, Retail Human Resources in October 2014 and was promoted to Senior Vice President, Human Resources in March 2019. Prior to joining Dollar General, Ms. Reardon held several positions of increasing responsibility at Centex from August 2005 until September 2009, serving as Director of Human Resources from October 2007 until September 2009. Since beginning her career in May 1998, Ms. Reardon also held various roles with Carrier Corporation, including Manager of Human Resources from August 2003 until August 2005, and was also a Career Consultant at the Darden Graduate School of Business Administration, University of Virginia, from August 2001 until August 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the New York Stock Exchange under the symbol "DG." On March 12, 2020, there were approximately 2,613 shareholders of record of our common stock.

Dividends

We have paid quarterly cash dividends since 2015. Our Board of Directors most recently increased the amount of the quarterly cash dividend to \$0.36 beginning with the dividend payable on April 21, 2020. While our Board of Directors currently expects to continue regular quarterly cash dividends, the declaration and amount of future cash dividends are subject to the Board's sole discretion and will depend upon, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Board may deem relevant in its sole discretion.

Issuer Purchases of Equity Securities

The following table contains information regarding purchases of our common stock made during the quarter ended January 31, 2020 by or on behalf of Dollar General or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Securities Exchange Act of 1934:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)
11/02/19-11/30/19	—	\$ —	—	\$ 560,822,000
12/01/19-12/31/19	1,940,912	\$ 154.87	1,940,912	\$ 1,260,241,000
01/01/20-01/31/20	745,100	\$ 153.66	745,100	\$ 1,145,749,000
Total	2,686,012	\$ 154.53	2,686,012	\$ 1,145,749,000

(a) On September 5, 2012, the Company announced a program permitting the Company to repurchase a portion of its outstanding shares not to exceed a dollar maximum established by the Company's Board of Directors. The program was most recently amended on December 3, 2019 to increase the repurchase authorization by \$1.0 billion, bringing the cumulative total value of authorized share repurchases under the program since its inception to \$8.0 billion. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. This repurchase authorization has no expiration date.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and operating information of Dollar General Corporation as of the dates and for the periods indicated. The selected historical statement of income data and statement of cash flows data for the fiscal years ended January 31, 2020, February 1, 2019, and February 2, 2018, and balance sheet data as of January 31, 2020 and February 1, 2019, have been derived from our historical audited consolidated financial statements included elsewhere in this report. The selected historical statement of income data and statement of cash flows data for the fiscal years ended February 3, 2017 and January 29, 2016 and balance sheet data as of February 2, 2018, February 3, 2017, and January 29, 2016 presented in this table have been derived from audited consolidated financial statements not included in this report.

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The information set forth below should be read in conjunction with, and is qualified by reference to, the Consolidated Financial Statements and related notes included in Part II, Item 8 of this report and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this report. Certain financial disclosures relating to prior periods have been reclassified to conform to the current year presentation.

(Amounts in millions, excluding per share data, number of stores, selling square feet, and net sales per square foot)	Year Ended				
	January 31, 2020	February 1, 2019	February 2, 2018	February 3, 2017(1)	January 29, 2016
Statement of Income Data:					
Net sales	\$ 27,754.0	\$ 25,625.0	\$ 23,471.0	\$ 21,986.6	\$ 20,368.6
Cost of goods sold	19,264.9	17,821.2	16,249.6	15,204.0	14,062.5
Gross profit	8,489.1	7,803.9	7,221.4	6,782.6	6,306.1
Selling, general and administrative expenses	6,186.8	5,687.6	5,213.5	4,719.2	4,365.8
Operating profit	2,302.3	2,116.3	2,007.8	2,063.4	1,940.3
Interest expense	100.6	99.9	97.0	97.8	86.9
Other (income) expense	—	1.0	3.5	—	0.3
Income before income taxes	2,201.7	2,015.4	1,907.3	1,965.6	1,853.0
Income tax expense	489.2	425.9	368.3	714.5	687.9
Net income	\$ 1,712.6	\$ 1,589.5	\$ 1,539.0	\$ 1,251.1	\$ 1,165.1
Earnings per share—basic	\$ 6.68	\$ 5.99	\$ 5.64	\$ 4.45	\$ 3.96
Earnings per share—diluted	6.64	5.97	5.63	4.43	3.95
Dividends per share	1.28	1.16	1.04	1.00	0.88
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	\$ 2,238.0	\$ 2,143.6	\$ 1,802.1	\$ 1,605.0	\$ 1,391.7
Investing activities	(782.5)	(731.6)	(645.0)	(550.9)	(503.4)
Financing activities	(1,450.7)	(1,443.9)	(1,077.6)	(1,024.1)	(1,310.2)
Total capital expenditures	(784.8)	(734.4)	(646.5)	(560.3)	(504.8)
Other Financial and Operating Data:					
Same store sales growth(2)	3.9 %	3.2 %	2.7 %	0.9 %	2.8 %
Same store sales(2)	\$ 26,374.0	\$ 23,854.0	\$ 21,871.6	\$ 20,348.1	\$ 19,254.3
Number of stores included in same store sales calculation	15,209	14,283	13,150	12,383	11,706
Number of stores (at period end)	16,278	15,370	14,534	13,320	12,483
Selling square feet (in thousands at period end)	120,342	113,755	107,821	98,943	92,477
Net sales per square foot(3)	\$ 237	\$ 231	\$ 227	\$ 229	\$ 226
Consumables sales	78.0 %	77.5 %	76.9 %	76.4 %	75.9 %
Seasonal sales	11.7 %	11.9 %	12.1 %	12.2 %	12.4 %
Home products sales	5.8 %	5.9 %	6.0 %	6.2 %	6.3 %
Apparel sales	4.5 %	4.7 %	5.0 %	5.2 %	5.4 %
Balance Sheet Data (at period end):					
Cash and cash equivalents and short-term investments	\$ 240.3	\$ 235.5	\$ 267.4	\$ 187.9	\$ 157.9
Total assets	22,825.1	13,204.0	12,516.9	11,672.3	11,257.9
Long-term debt(4)	2,912.0	2,864.7	3,006.0	3,211.5	2,970.6
Total shareholders' equity	6,702.5	6,417.4	6,125.8	5,406.3	5,377.9

(1) The fiscal year ended February 3, 2017 was comprised of 53 weeks.

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- (2) Same-store sales are calculated based upon stores that were open at least 13 full fiscal months and remain open at the end of the reporting period. We include stores that have been remodeled, expanded or relocated in our same-store sales calculation. Changes in same-store sales are calculated based on the comparable 52 calendar weeks in the current and prior years.
- (3) Net sales per square foot was calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters.
- (4) Debt issuance costs are reflected as a deduction from the corresponding debt liability for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. It also should be read in conjunction with the Cautionary Disclosure Regarding Forward-Looking Statements and the Risk Factors disclosures set forth in the Introduction and in Item 1A of this report, respectively.

Executive Overview

We are among the largest discount retailers in the United States by number of stores, with 16,368 stores located in 45 states as of February 28, 2020, with the greatest concentration of stores in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home decor and domestics, and basic apparel. Our merchandise includes national brands from leading manufacturers, as well as our own private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically \$10 or less) in our convenient small-box locations.

We believe our convenient store formats, locations, and broad selection of high-quality products at compelling values have driven our substantial growth and financial success over the years and through a variety of economic cycles. We are mindful that the majority of our customers are value-conscious, and many have low and/or fixed incomes. As a result, we are intensely focused on helping our customers make the most of their spending dollars. Our core customers are often among the first to be affected by negative or uncertain economic conditions and among the last to feel the effects of improving economic conditions particularly when trends are inconsistent and of an uncertain duration. The primary macroeconomic factors that affect our core customers include the unemployment and underemployment rates, wage growth, changes in U.S. and global trade policy (including price increases from tariffs), and changes to certain government assistance programs, such as the Supplemental Nutrition Assistance Program. Additionally, our customers are impacted by increases in those expenses that generally comprise a large portion of their household budget, such as rent, healthcare and fuel prices. Finally, significant unseasonable or unusual weather patterns can impact customer shopping behaviors.

We remain committed to the following long-term operating priorities as we consistently strive to improve our performance while retaining our customer-centric focus: 1) driving profitable sales growth, 2) capturing growth opportunities, 3) enhancing our position as a low-cost operator, and 4) investing in our people as a competitive advantage.

We seek to drive profitable sales growth through initiatives aimed at increasing customer traffic and average transaction amount. As we work to provide everyday low prices and meet our customers' affordability needs, we remain focused on enhancing our margins through effective category management, inventory shrink reduction initiatives, private brands penetration, distribution and transportation efficiencies, global sourcing, and pricing and markdown optimization. Several of our sales-driving initiatives are also designed to capture growth opportunities and are discussed in more detail below.

Historically, our sales of consumables, which tend to have lower gross margins, have been the key drivers of net sales and customer traffic, while sales of non-consumables, which tend to have higher gross margins, have contributed to more profitable sales growth and an increase in average transaction amount. Our sales mix has continued to shift slightly toward consumables, and, within consumables, slightly toward lower margin departments such as perishables. While we expect some sales mix challenges to persist, certain of our initiatives are intended to address these trends, although there can be no assurance we will be successful in reversing them.

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We continue to make progress on and invest in certain strategic initiatives that we believe will help drive profitable sales growth and capture long-term growth opportunities. Such opportunities include leveraging existing and developing new digital tools and technology to provide our customers with additional shopping access points and even greater convenience. Additionally, our refreshed approach to our non-consumable product offerings has been implemented in approximately 2,400 stores as of the end of 2019. This merchandising strategy, which is continuing to evolve and help shape our approach to non-consumable categories throughout the chain, offers a new, differentiated and limited assortment that will change throughout the year. As we extend this initiative more broadly, as well as incorporate certain related merchandising efforts throughout our chain, our goal is to continue to improve the shopping experience while delivering exceptional value within key areas of our non-consumable categories.

We are continuing our rollout of the “DG Fresh” initiative, a self-distribution model for fresh and frozen products that is designed to enhance sales, reduce product costs, improve our in-stock position and enhance item assortment. We currently operate five DG Fresh distribution facilities, which served more than 6,000 stores as of February 28, 2020.

Tariffs on products from China, as applied to both our direct imports and domestic purchases, did not have a net material impact on our financial results in 2019. We believe we can mitigate the potential sales and margin impact of such increased tariffs on our financial results in 2020 through various sourcing, merchandising and pricing efforts. However, as noted above, changes in trade policy that result in higher prices for our customers may negatively impact their budgets, and consequently, their spending, and additional increases in tariff rates or expansion of products subject to tariffs may have a more significant impact on our future business. There can be no assurance we will be successful in our efforts to mitigate the impacts of existing or future tariffs in whole or in part, including but not limited to any impacts on customer spending.

We have limited insight into the extent to which our business may be impacted by the COVID-19 coronavirus outbreak, and there are many unknowns. While we currently expect delays in the receipt of certain goods in 2020 as a result of this outbreak, we do not currently anticipate a material impact to our financial results in 2020 due to these delays. Further delays in the receipt of goods, or other unanticipated impacts to our supply chain, including on direct imports or goods purchased domestically, our stores or our customers, could have a more significant impact on our future business (including sales), and we are continuing to monitor this evolving situation.

To support our other operating priorities, we remain focused on capturing growth opportunities. In 2019, we opened 975 new stores, remodeled 1,024 stores, and relocated 100 stores. For 2020, we plan to open approximately 1,000 new stores, remodel approximately 1,500 stores, and relocate approximately 80 stores for a total of 2,580 real estate projects.

We continue to innovate within our channel and are able to utilize the most productive of our various store formats based on the specific market opportunity. We expect that our traditional 7,300 square foot store format will continue to be the primary store layout for new stores in 2020. We expect approximately 1,125 of the planned 1,500 remodels in 2020 to use a higher-cooler-count store format that enables us to offer an increased selection of perishable items, with the traditional store format the primary store layout for the remainder of the real estate projects. Additionally, the majority of both new stores and remodels will incorporate higher-capacity coolers. The acceleration of remodels in 2020 and the increased usage of the higher-cooler-count formats is expected to allow us to capture additional growth opportunities within our existing markets. In addition, our smaller format store (less than 6,000 square feet) is expected to allow us to capture growth opportunities in urban areas. We continue to incorporate lessons learned from our various store formats and layouts into our existing store base with a goal of driving increased customer traffic, average transaction amount, same-store sales and overall store productivity.

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To support our new store growth and drive productivity, we have continued to make investments in our traditional distribution center network for non-refrigerated merchandise. We began shipping from our distribution centers in Longview, Texas and Amsterdam, New York in January 2019 and December 2019, respectively.

We have established a position as a low-cost operator, always seeking ways to reduce or control costs that do not affect our customers' shopping experiences. We plan to continue enhancing this position over time while employing ongoing cost discipline to reduce certain expenses as a percentage of sales. Nonetheless, we seek to maintain flexibility to invest in the business as necessary to enhance our long-term profitability.

We also have launched "Fast Track", an initiative aimed at further enhancing our convenience proposition and in-stock position as well as increasing labor productivity within our stores. The first phase of Fast Track involved sorting process optimization within our distribution centers, as well as increased shelf-ready packaging, to allow for greater store-level stocking efficiencies, followed by the second-phase pilot of a self-checkout option in a limited number of stores. We have completed the sorting process optimization at all of our non-refrigerated distribution centers. Additionally, we have launched the self-checkout pilot in a select number of stores. These and certain other strategic initiatives will require us to incur upfront expenses for which, in some respects, there may not be an immediate or acceptable return in terms of sales or enhanced profitability.

Certain of our operating expenses, such as wage rates and occupancy costs, have continued to increase in recent years, due primarily to market forces. While we expect these increases to persist, certain of our initiatives and plans are intended to help offset these challenges, although there can be no assurance we will be successful in mitigating them.

Our employees are a competitive advantage, and we proactively seek ways to continue investing in them. Our goal is to create an environment that attracts and retains talented personnel, particularly at the store level, because employees who are promoted from within our company generally have longer tenures and are greater contributors to improvements in our financial performance. We believe our investments in compensation and training for our store managers have contributed to improved customer experience scores, higher sales and improved turnover metrics.

To further enhance shareholder returns, we repurchased shares of our common stock and paid quarterly cash dividends throughout 2019. In 2020, we intend to continue our share repurchase activity, and to pay quarterly cash dividends, subject to Board discretion and approval.

We utilize key performance indicators ("KPIs") in the management of our business. Our KPIs include same-store sales, average sales per square foot, and inventory turnover. Same-store sales are calculated based upon stores that were open at least 13 full fiscal months and remain open at the end of the reporting period. We include stores that have been remodeled, expanded or relocated in our same-store sales calculation. Changes in same-store sales are calculated based on the comparable 52 calendar weeks in the current and prior years. Net sales per square foot is calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. Inventory turnover is calculated based on total cost of goods sold for the preceding four quarters divided by the average inventory balance as of the ending date of the reporting period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. Each of these measures is commonly used by investors in retail companies to measure the health of the business. We use these measures to maximize profitability and for decisions about the allocation of resources.

A continued focus on our four operating priorities as discussed above, coupled with strong cash flow management and share repurchases resulted in solid overall operating and financial performance in 2019 as

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compared to 2018, as set forth below. Basis points, as referred to below, are equal to 0.01% as a percentage of net sales.

- Net sales in 2019 increased 8.3% over 2018. Sales in same-stores increased 3.9%, primarily due to increases in average transaction amount and customer traffic. Average sales per square foot in 2019 were \$237 compared to \$231 in 2018.
- Our gross profit rate increased by 14 basis points due primarily to higher initial markups on inventory purchases.
- SG&A increased by 9 basis points primarily reflecting our estimate for the settlement of certain legal matters.
- Operating profit increased 8.8% to \$2.30 billion in 2019 compared to \$2.12 billion in 2018.
- The increase in the effective income tax rate to 22.2% in 2019 from 21.1% in 2018 was due primarily to changes in state income tax laws and income tax benefits arising from the Tax Cuts and Jobs Act in 2018 that did not reoccur in 2019.
- We reported net income of \$1.71 billion, or \$6.64 per diluted share, for 2019 compared to net income of \$1.59 billion, or \$5.97 per diluted share, for 2018.
- We generated approximately \$2.24 billion of cash flows from operating activities in 2019, an increase of 4.4% compared to 2018.
- Inventory turnover was 4.4 times, and inventories increased 7.8% on a per store basis compared to 2018.
- We repurchased approximately 8.3 million shares of our outstanding common stock for \$1.2 billion.

Readers should refer to the detailed discussion of our operating results below for additional comments on financial performance in the current year as compared with the prior years presented.

Results of Operations

Accounting Periods. The following text contains references to years 2019, 2018, and 2017, which represent fiscal years ended January 31, 2020, February 1, 2019, and February 2, 2018, respectively. Our fiscal year ends on the Friday closest to January 31. Fiscal years 2019, 2018 and 2017 were each 52-week accounting periods.

Seasonality. The nature of our business is somewhat seasonal. Primarily because of sales of Christmas-related merchandise, operating profit in our fourth quarter (November, December and January) has historically been higher than operating profit achieved in each of the first three quarters of the fiscal year. Expenses, and to a greater extent operating profit, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

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The following table contains results of operations data for fiscal years 2019, 2018 and 2017, and the dollar and percentage variances among those years.

(amounts in millions, except per share amounts)	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
				Amount Change	% Change	Amount Change	% Change
<u>Net sales by category:</u>							
Consumables	\$ 21,635.9	\$ 19,865.1	\$ 18,054.8	\$ 1,770.8	8.9 %	\$ 1,810.3	10.0 %
% of net sales	77.96 %	77.52 %	76.92 %				
Seasonal	3,258.9	3,050.3	2,837.3	208.6	6.8	213.0	7.5
% of net sales	11.74 %	11.90 %	12.09 %				
Home products	1,611.9	1,506.1	1,400.6	105.8	7.0	105.4	7.5
% of net sales	5.81 %	5.88 %	5.97 %				
Apparel	1,247.3	1,203.6	1,178.3	43.7	3.6	25.4	2.2
% of net sales	4.49 %	4.70 %	5.02 %				
Net sales	\$ 27,754.0	\$ 25,625.0	\$ 23,471.0	\$ 2,128.9	8.3 %	\$ 2,154.1	9.2 %
Cost of goods sold	19,264.9	17,821.2	16,249.6	1,443.7	8.1	1,571.6	9.7
% of net sales	69.41 %	69.55 %	69.23 %				
Gross profit	8,489.1	7,803.9	7,221.4	685.2	8.8	582.5	8.1
% of net sales	30.59 %	30.45 %	30.77 %				
Selling, general and administrative expenses	6,186.8	5,687.6	5,213.5	499.2	8.8	474.0	9.1
% of net sales	22.29 %	22.20 %	22.21 %				
Operating profit	2,302.3	2,116.3	2,007.8	186.0	8.8	108.5	5.4
% of net sales	8.30 %	8.26 %	8.55 %				
Interest expense	100.6	99.9	97.0	0.7	0.7	2.8	2.9
% of net sales	0.36 %	0.39 %	0.41 %				
Other (income) expense	—	1.0	3.5	(1.0)	—	(2.5)	—
% of net sales	0.00 %	0.00 %	0.01 %				
Income before income taxes	2,201.7	2,015.4	1,907.3	186.3	9.2	108.1	5.7
% of net sales	7.93 %	7.87 %	8.13 %				
Income tax expense	489.2	425.9	368.3	63.2	14.8	57.6	15.6
% of net sales	1.76 %	1.66 %	1.57 %				
Net income	\$ 1,712.6	\$ 1,589.5	\$ 1,539.0	\$ 123.1	7.7 %	\$ 50.5	3.3 %
% of net sales	6.17 %	6.20 %	6.56 %				
Diluted earnings per share	\$ 6.64	\$ 5.97	\$ 5.63	\$ 0.67	11.2 %	\$ 0.34	6.0 %

Net Sales. The net sales increase in 2019 reflects a same-store sales increase of 3.9% compared to 2018. In 2019, our 15,209 same-stores accounted for sales of \$26.4 billion. The increase in same-store sales primarily reflects an increase in average transaction amount and customer traffic compared to 2018. The increase in average transaction amount was driven by higher average item retail prices. Same-store sales in 2019 increased in each of the consumables, seasonal and home products and apparel categories, compared to 2018. The 2019 net sales increase was positively affected by new stores, modestly offset by sales from closed stores.

The net sales increase in 2018 reflects a same-store sales increase of 3.2% compared to 2017. In 2018, our 14,283 same-stores accounted for sales of \$23.9 billion. The increase in same-store sales primarily reflects an increase in average transaction amount relative to 2017. The increase in average transaction amount was driven by higher average item retail prices and to a lesser extent, an increase in average items per transaction, while customer traffic was essentially unchanged. Same-store sales in 2018 increased in the consumables, seasonal and home products categories, and declined in the apparel category, compared to 2017. Same-store sales results in 2018 for the three non-consumables categories, when aggregated, were positive. The 2018 net sales increase was positively affected by new stores, modestly offset by sales from closed stores.

Of our four major merchandise categories, the consumables category, which generally has a lower gross profit rate than the other three categories, is our largest category and has continued to become a larger percentage

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of our total sales. Because of the impact of sales mix on gross profit, we continually review our merchandise mix and strive to adjust it when appropriate.

Gross Profit. In 2019, gross profit increased by 8.8%, and as a percentage of net sales increased by 14 basis points to 30.6% compared to 2018. Higher initial markups on inventory purchases and a lower LIFO provision contributed to the increase in the gross profit rate. These factors were partially offset by increased distribution and transportation costs, a greater proportion of sales of consumables, which generally have a lower gross profit rate than our other product categories, and sales of lower margin products comprising a higher proportion of consumables sales, as well as a higher rate of inventory shrinkage.

In 2018, gross profit increased by 8.1%, and as a percentage of net sales decreased by 32 basis points to 30.5% compared to 2017. Higher markdowns, a greater proportion of sales of consumables, which generally have a lower gross profit rate than our other product categories, and sales of lower margin products comprising a higher proportion of consumables sales, as well as increases in transportation costs and an increased LIFO provision reduced the gross profit rate. These factors were partially offset by an improved rate of inventory shrinkage and higher initial markups on inventory purchases.

SG&A. SG&A as a percentage of sales was 22.3% in 2019 compared to 22.2% in 2018, an increase of 9 basis points. We recorded expenses of \$31.0 million in 2019 reflecting our estimate for the settlement of significant legal matters discussed in Note 7 to the consolidated financial statements. SG&A in 2019 included a decrease of approximately \$22.8 million in hurricane and other disaster-related expenses compared to 2018 as well as an increase in retail labor costs at a rate less than the increase in net sales.

SG&A as a percentage of sales decreased by 1 basis point, rounding to 22.2% in both 2018 and 2017. The 2018 amounts reflect a reduction in repairs and maintenance expenses which were offset by occupancy costs and depreciation expenses, each of which increased at a rate greater than the increase in net sales. The 2018 amounts reflect an increase in hurricane and other disaster-related expenses of approximately \$14.3 million compared to 2017. The 2017 amounts include costs of \$24.0 million related to the closure of 35 underperforming stores, primarily expenses for remaining lease liabilities.

Interest Expense. Interest expense increased \$0.7 million to \$100.6 million in 2019 compared to 2018, and increased \$2.8 million to \$99.9 million in 2018 compared to 2017. See the detailed discussion under “Liquidity and Capital Resources” regarding the financing of various long-term obligations.

We had consolidated outstanding variable-rate debt of \$430.1 million and \$373.3 million as of January 31, 2020 and February 1, 2019, respectively, and the remainder of our outstanding indebtedness as of each of those dates was fixed rate debt.

Other (income) expense. Other (income) expense in 2018 reflects expenses associated with the voluntary prepayment of our senior unsecured term loan facility, and in 2017 reflects expenses associated with the issuance and refinancing of long-term debt.

Income Taxes. The effective income tax rate for 2019 was 22.2% compared to a rate of 21.1% for 2018 which represents a net increase of 1.1 percentage points. The effective income tax rate was higher in 2019 primarily due to an increase in income taxes resulting from changes in state income tax laws and a federal income tax benefit arising from the Tax Cuts and Jobs Act (the “TCJA”) in 2018 that did not reoccur in 2019.

The effective income tax rate for 2018 was 21.1% compared to a rate of 19.3% for 2017 which represents a net increase of 1.8 percentage points. The effective income tax rate was higher in 2018 primarily due to the one-time remeasurement of the federal portion of our deferred tax assets and liabilities at 21% in 2017, which was offset by the reduction in the current federal tax rate from 33.7% in 2017 to 21% in 2018.

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Our 2017 provision for income taxes reflected an estimate due to the changes in the federal income tax law arising from the TCJA, signed into law on December 22, 2017. The provisional tax benefit consisted of \$310.8 million related to the one-time remeasurement of the federal portion of our deferred tax assets and liabilities at the 21% rate and \$24.2 million related to the reduced statutory tax rate of 33.7%, compared to 35% in prior years. Subsequent to the signing of the TCJA, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year after the enactment date while the accounting impact is still under analysis. In 2018, we concluded our analysis of the accounting impact of the TCJA pursuant to SAB 118 and recorded immaterial adjustments related to our 2017 provision for income taxes.

Off Balance Sheet Arrangements

We are not party to any material off balance sheet arrangements.

Effects of Inflation

In 2019 and 2018, we experienced increases in product costs due in part to tariffs on certain items imported from China. We experienced minimal overall commodity cost inflation or deflation in 2017.

Liquidity and Capital Resources

Current Financial Condition and Recent Developments

During the past three years, we have generated an aggregate of approximately \$6.2 billion in cash flows from operating activities and incurred approximately \$2.2 billion in capital expenditures. During that period, we expanded the number of stores we operate by 2,958, representing growth of approximately 22%, and we remodeled or relocated 3,053 stores, or approximately 23% of the stores we operated as of the beginning of the three-year period. In 2020, we intend to continue our current strategy of pursuing store growth, remodels and relocations.

At January 31, 2020, we had a \$1.25 billion unsecured revolving credit agreement (the “Revolving Facility”), \$2.5 billion aggregate principal amount of senior notes, and a commercial paper program that may provide borrowing availability of up to \$1.0 billion. At January 31, 2020, we had total consolidated outstanding debt (including the current portion of long-term obligations) of \$2.9 billion, which includes commercial paper borrowings (“CP Notes”) and senior notes, all of which are described in greater detail below. Our borrowing availability under the Revolving Facility may be effectively limited by our CP Notes as further described below. The information contained in Note 5 to the consolidated financial statements contained in Part II, Item 8 of this report is incorporated herein by reference.

We believe our cash flow from operations, and our existing cash balances, combined with availability under the Revolving Facility, CP Notes and access to the debt markets, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending and anticipated dividend payments for a period that includes the next twelve months as well as the next several years. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside of our control. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the issuance of debt, equity or other securities, the proceeds of which could provide additional liquidity for our operations.

For fiscal 2020, we anticipate potential combined borrowings under the Revolving Facility and CP Notes to be a maximum of approximately \$800 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

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Revolving Credit Facility

On September 10, 2019, we entered into the Revolving Facility consisting of a \$1.25 billion senior unsecured revolving credit facility of which up to \$175.0 million is available for the issuance of letters of credit and which is scheduled to mature on September 10, 2024.

Borrowings under the Revolving Facility bear interest at a rate equal to an applicable interest rate margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of January 31, 2020 was 1.015% for LIBOR borrowings and 0.015% for base-rate borrowings. We must also pay a facility fee, payable on any used and unused commitment amounts of the Revolving Facility, and customary fees on letters of credit issued under the Revolving Facility. As of January 31, 2020, the facility fee rate was 0.11%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Revolving Facility are subject to adjustment from time to time based on our long-term senior unsecured debt ratings.

The Revolving Facility contains a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, our (including our subsidiaries') ability to: incur additional liens; sell all or substantially all of our assets; consummate certain fundamental changes or change in our lines of business; and incur additional subsidiary indebtedness. The Revolving Facility also contains financial covenants that require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of January 31, 2020, we were in compliance with all such covenants. The Revolving Facility also contains customary events of default.

As of January 31, 2020, under the Revolving Facility, we had no outstanding borrowings, outstanding letters of credit of \$5.4 million, and borrowing availability of \$1.24 billion that, due to our intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$638.4 million at January 31, 2020. In addition, as of January 31, 2020 we had outstanding letters of credit of \$41.4 million which were issued pursuant to separate agreements.

Commercial Paper

As of January 31, 2020, our consolidated balance sheet reflected outstanding unsecured CP Notes of \$425.2 million classified as long-term obligations due to our intent and ability to refinance these obligations as long-term debt. An additional \$181.0 million of outstanding CP Notes were held by a wholly-owned subsidiary and are therefore not reflected on the consolidated balance sheet. Under this program, we may issue the CP Notes from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes may have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness. We intend to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of January 31, 2020, the consolidated outstanding CP Notes had a weighted average borrowing rate of 1.7%.

Senior Notes

In April 2013 we issued \$900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the "2023 Senior Notes") at a discount of \$2.4 million, which are scheduled to mature on April 15, 2023. In October 2015 we issued \$500.0 million aggregate principal amount of 4.150% senior notes due 2025 (the "2025 Senior Notes") at a discount of \$0.8 million, which are scheduled to mature on November 1, 2025. In April 2017 we issued \$600.0 million aggregate principal amount of 3.875% senior notes due 2027 (the "2027 Senior Notes") at a discount of \$0.4 million, which are scheduled to mature on April 15, 2027. In April 2018 we issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2028 (the "2028 Senior Notes") at a discount of \$0.5 million, which are scheduled to mature on May 1, 2028. Collectively, the 2023 Senior Notes, 2025 Senior Notes, 2027 Senior Notes and 2028 Senior Notes comprise the "Senior Notes", each of which were issued pursuant to an indenture as supplemented and amended by supplemental indentures relating to each series of Senior Notes (as so

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supplemented and amended, the “Senior Indenture”). Interest on the 2023 Senior Notes and the 2027 Senior Notes is payable in cash on April 15 and October 15 of each year. Interest on the 2025 and 2028 Senior Notes is payable in cash on May 1 and November 1 of each year.

We may redeem some or all of the Senior Notes at any time at redemption prices set forth in the Senior Indenture. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of our Senior Notes has the right to require us to repurchase some or all of such holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The Senior Indenture contains covenants limiting, among other things, our ability (subject to certain exceptions) to consolidate, merge, or sell or otherwise dispose of all or substantially all of our assets; and our ability and the ability of our subsidiaries to incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on our Senior Notes to become or to be declared due and payable, as applicable.

Rating Agencies

Our senior unsecured debt is rated “Baa2,” by Moody’s with a stable outlook and “BBB” by Standard & Poor’s with a stable outlook, and our commercial paper program is rated “P-2” by Moody’s and “A-2” by Standard and Poor’s. Our current credit ratings, as well as future rating agency actions, could (i) impact our ability to finance our operations on satisfactory terms; (ii) affect our financing costs; and (iii) affect our insurance premiums and collateral requirements necessary for our self-insured programs. There can be no assurance that we will maintain or improve our current credit ratings.

Contractual Obligations

The following table summarizes our significant contractual obligations and commercial commitments as of January 31, 2020 (in thousands):

Contractual obligations	Payments Due by Period				
	Total	< 1 year	1 - 3 years	3 - 5 years	5+ years
Long-term debt obligations	\$ 2,930,095	\$ 425,755	\$ 1,190	\$ 901,300	\$ 1,601,850
Interest(a)	558,518	101,257	187,873	135,422	133,966
Self-insurance liabilities(b)	238,254	106,911	85,160	29,370	16,813
Operating lease obligations(c)	10,770,814	1,313,935	2,465,113	2,185,022	4,806,744
Subtotal	\$ 14,497,681	\$ 1,947,858	\$ 2,739,336	\$ 3,251,114	\$ 6,559,373

Commercial commitments(d)	Commitments Expiring by Period				
	Total	< 1 year	1 - 3 years	3 - 5 years	5+ years
Letters of credit	\$ 13,405	\$ 13,405	\$ —	\$ —	\$ —
Purchase obligations(e)	790,215	790,215	—	—	—
Subtotal	\$ 803,620	\$ 803,620	\$ —	\$ —	\$ —
Total contractual obligations and commercial commitments(f)	\$ 15,301,301	\$ 2,751,478	\$ 2,739,336	\$ 3,251,114	\$ 6,559,373

- (a) Represents obligations for interest payments on long-term debt and includes projected interest on variable rate long-term debt using 2019 year end rates and balances. Variable rate long-term debt includes the Revolving Facility (although such facility had a balance of zero as of January 31, 2020), the CP Notes (which had a

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balance of \$425.2 million as of January 31, 2020, which amount is net of \$181 million held by a wholly-owned subsidiary), and the balance of an outstanding tax increment financing of \$4.9 million.

- (b) We retain a significant portion of the risk for our workers' compensation, employee health, general liability, property loss, automobile, and third-party landlord claims exposures. As these obligations do not have scheduled maturities, these amounts represent undiscounted estimates based upon actuarial assumptions. Substantially all amounts are reflected on an undiscounted basis in our consolidated balance sheets.
- (c) Commercial commitments include information technology license and support agreements, supplies, fixtures, letters of credit for import merchandise, and other inventory purchase obligations.
- (d) Purchase obligations include legally binding agreements for software licenses and support, supplies, fixtures, and merchandise purchases (excluding such purchases subject to letters of credit).
- (e) We have potential payment obligations associated with uncertain tax positions that are not reflected in these totals. We are currently unable to make reasonably reliable estimates of the period of cash settlement with the taxing authorities for the \$5.1 million of reserves for uncertain tax positions.

Share Repurchase Program

Our existing common stock repurchase program had a total remaining authorization of approximately \$1.1 billion at January 31, 2020. Under the authorization, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market and other conditions. The authorization has no expiration date and may be modified or terminated from time to time at the discretion of our Board of Directors. For more detail about our share repurchase program, see Note 11 to the consolidated financial statements.

Other Considerations

On March 11, 2020, the Board of Directors declared a quarterly cash dividend of \$0.36 per share which is payable on or before April 21, 2020 to shareholders of record of our common stock on April 7, 2020. We paid quarterly cash dividends of \$0.32 per share in 2019. Although the Board currently expects to continue regular quarterly cash dividends, the declaration and amount of future cash dividends are subject to the Board's sole discretion and will depend upon, among other factors, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board may deem relevant in its sole discretion.

Our inventory balance represented approximately 55% of our total assets exclusive of goodwill, operating lease assets, and other intangible assets as of January 31, 2020. Our ability to effectively manage our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 7 to the consolidated financial statements, we are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity.

Cash Flows

Cash flows from operating activities. Cash flows from operating activities were \$2.24 billion in 2019, which represents a \$94.4 million increase compared to 2018. Changes in accounts payable resulted in a \$428.6 million increase in 2019 compared to a \$375.2 million increase in 2018, due primarily to the timing of receipts and payments which was partially impacted by certain changes in payment terms. In addition, net income increased by \$123.1 million in 2019 over 2018. These items were offset by changes in merchandise inventories

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which resulted in a \$578.8 million decrease in 2019 as compared to a decrease of \$521.3 million in 2018. Changes in income taxes in 2019 compared to 2018 are primarily due to the timing of payments for income taxes.

Cash flows from operating activities were \$2.1 billion in 2018, which represents a \$341.4 million increase compared to 2017. Changes in accounts payable resulted in a \$375.2 million increase in 2018 compared to a \$427.9 million increase in 2017, due primarily to the timing of receipts and payments which was partially impacted by certain changes in payment terms. In addition, net income increased by \$50.5 million in 2018 over 2017. These items were offset by changes in merchandise inventories which resulted in a \$521.3 million decrease in 2018 as compared to a decrease of \$348.4 million in 2017. Changes in income taxes in 2018 compared to 2017 are primarily due to the reduction in the federal income tax rate to 21% from 35% and the timing of payments for income taxes.

On an ongoing basis, we closely monitor and manage our inventory balances, and they may fluctuate from period to period based on new store openings, the timing of purchases, and other factors. Merchandise inventories increased by 14% in 2019, by 14% in 2018 and by 11% in 2017. Inventory levels in the consumables category increased by \$371.9 million, or 14%, in 2019, by \$320.9 million, or 14%, in 2018, and by \$322.9 million, or 16% in 2017. The seasonal category increased by \$127.3 million, or 17%, in 2019, by \$108.4 million, or 17%, in 2018, and by \$14.9 million, or 2%, in 2017. The home products category increased by \$82.8 million, or 23%, in 2019, by \$24.0 million, or 7%, in 2018, and by \$10.6 million, or 3%, in 2017. The apparel category decreased by \$2.1 million, or 1%, in 2019, and increased by \$34.7 million, or 10%, in 2018, and by \$1.9 million, or 1%, in 2017.

Cash flows from investing activities. Significant components of property and equipment purchases in 2019 included the following approximate amounts: \$338 million for improvements, upgrades, remodels and relocations of existing stores; \$217 million for distribution and transportation-related projects; \$149 million for new leased stores, primarily for leasehold improvements, fixtures and equipment; and \$59 million for information systems upgrades and technology-related projects. The timing of new, remodeled and relocated store openings along with other factors may affect the relationship between such openings and the related property and equipment purchases in any given period. During 2019, we opened 975 new stores and remodeled or relocated 1,124 stores.

Significant components of property and equipment purchases in 2018 included the following approximate amounts: \$289 million for improvements, upgrades, remodels and relocations of existing stores; \$242 million for distribution and transportation-related projects; \$138 million for new leased stores, primarily for leasehold improvements, fixtures and equipment; and \$47 million for information systems upgrades and technology-related projects. During 2018, we opened 900 new stores and remodeled or relocated 1,165 stores.

Significant components of property and equipment purchases in 2017 included the following approximate amounts: \$231 million for improvements, upgrades, remodels and relocations of existing stores; \$203 million for new leased stores, primarily for leasehold improvements, fixtures and equipment; \$176 million for distribution and transportation-related projects; and \$30 million for information systems upgrades and technology-related projects. During 2017, we opened 1,315 new stores and remodeled or relocated 764 stores.

Capital expenditures during 2020 are projected to be in the range of \$925 million to \$975 million. We anticipate funding 2020 capital requirements with a combination of some or all of the following: existing cash balances, cash flows from operations, availability under our Revolving Facility and/or the issuance of additional senior notes or CP Notes. We plan to continue to invest in store growth and development of approximately 1,000 new stores and approximately 1,580 stores to be remodeled or relocated. Capital expenditures in 2020 are anticipated to support our store growth as well as our remodel and relocation initiatives, including capital outlays for leasehold improvements, fixtures and equipment; the construction of new stores; costs to support and enhance our supply chain initiatives including new and existing distribution center facilities and our private fleet; technology initiatives; as well as routine and ongoing capital requirements.

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Cash flows from financing activities. In 2019, we had a net increase in consolidated commercial paper borrowings of \$58.3 million and had no borrowings or repayments under the Revolving Facility. We repurchased 8.3 million outstanding shares of our common stock in 2019 at a total cost of \$1.2 billion, and paid cash dividends of \$327.6 million.

In 2018, we had net proceeds from the issuance of the 2028 Senior Notes of \$499.5 million, redeemed the 2018 Senior Notes for \$400.0 million, and made a principal payment on the Term Facility of \$175.0 million. We had a net decrease in consolidated commercial paper borrowings in 2018 of \$63.3 million and had no borrowings or repayments under the Revolving Facility. We repurchased 9.9 million outstanding shares of our common stock in 2018 at a total cost of \$1.0 billion, and paid cash dividends of \$306.5 million.

In 2017, we had net proceeds from the issuance of the 2027 Senior Notes of \$599.6 million, redeemed the 2017 Senior Notes for \$500.0 million, and made a principal payment on the Term Facility of \$250.0 million. We had a net decrease in consolidated commercial paper borrowings in 2017 of \$60.3 million and had no borrowings or repayments under the Revolving Facility. We repurchased 7.1 million outstanding shares of our common stock in 2017 at a total cost of \$579.7 million, and paid cash dividends of \$282.9 million.

Accounting Standards

In January 2017, the FASB issued amendments to existing guidance related to the subsequent measurement of goodwill. These amendments modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. Subsequent to adoption, an entity will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments should be applied on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. We do not anticipate a material effect on our consolidated results of operations, financial position or cash flows to result from the adoption of this guidance.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect reported amounts and related disclosures. In addition to the estimates presented below, there are other items within our financial statements that require estimation, but are not deemed critical as defined below. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

Management believes the following policies and estimates are critical because they involve significant judgments, assumptions, and estimates. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates. See Note 1 to the consolidated financial statements for a detailed discussion of our principal accounting policies.

Merchandise Inventories. Merchandise inventories are stated at the lower of cost or market ("LCM") with cost determined using the retail last in, first out ("LIFO") method. We use the retail inventory method ("RIM") to calculate gross profit and the resulting valuation of inventories at cost, which are computed utilizing a calculated cost-to-retail inventory ratio at an inventory department level. We apply the RIM to these departments, which are groups of products that are fairly uniform in terms of cost, selling price relationship and turnover. The

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RIM will result in valuing inventories at LCM if permanent markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain management judgments and estimates that may impact the ending inventory valuation at cost, as well as the gross profit recognized. These judgments include ensuring departments consist of similar products, recording estimated shrinkage between physical inventories, and timely recording of markdowns needed to sell inventory.

We perform an annual LIFO analysis whereby all merchandise units are considered for inclusion in the index formulation. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. In contrast, interim LIFO calculations are based on management's annual estimates of sales, the rate of inflation or deflation, and year-end inventory levels. We also perform analyses for determining obsolete inventory, adjusting inventory on a quarterly basis to an LCM value based on various management assumptions including estimated below cost markdowns not yet recorded, but required to liquidate such inventory in future periods.

Factors considered in the determination of markdowns include current and anticipated demand based on changes in competitors' practices, consumer preferences, consumer spending, significant weather events and unseasonable weather patterns. Certain of these factors are outside of our control and may result in greater than estimated markdowns to entice consumer purchases of excess inventory. The amount and timing of markdowns may vary significantly from year to year.

We perform physical inventories in virtually all of our stores on an annual basis. We calculate our shrink provision based on actual physical inventory results during the fiscal period and an accrual for estimated shrink occurring subsequent to a physical inventory through the end of the fiscal reporting period. This accrual is calculated as a percentage of sales at each retail store, at a department level, based on the store's most recent historical shrink rate. To the extent that subsequent physical inventories yield different results than the estimated accrual, our effective shrink rate for a given reporting period will include the impact of adjusting to the actual results.

We believe our estimates and assumptions related to the application of the RIM results in a merchandise inventory valuation that reasonably approximates cost on a consistent basis.

Impairment of Long-lived Assets. Impairment of long-lived assets results when the carrying value of the assets exceeds the estimated undiscounted future cash flows generated by the assets. Our estimate of undiscounted future store cash flows is based upon historical operations of the stores and estimates of future profitability which encompasses many factors that are subject to variability and are difficult to predict. If our estimates of future cash flows are not materially accurate, our impairment analysis could be impacted accordingly. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon projected future cash flows (discounted at our credit adjusted risk-free rate) or other reasonable estimates of fair market value. Although not currently anticipated, changes in these estimates, assumptions or projections could materially affect the determination of fair value or impairment.

Insurance Liabilities. We retain a significant portion of the risk for our workers' compensation, employee health, general liability, property loss, automobile and third-party landlord claim exposures. These represent significant costs primarily due to our large employee base and number of stores. Provisions are made for these liabilities on an undiscounted basis. Certain of these liabilities are based on actual claim data and estimates of incurred but not reported claims developed using actuarial methodologies based on historical claim trends, which have been and are anticipated to continue to be materially accurate. If future claim trends deviate from recent historical patterns, or other unanticipated events affect the number and significance of future claims, we may be required to record additional expenses or expense reductions, which could be material to our future financial results.

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Contingent Liabilities – Income Taxes. Income tax reserves are determined using the methodology established by accounting standards relating to uncertainty in income taxes. These standards require companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and liabilities to be estimated based on provisions of the tax law which may be subject to change or varying interpretation. If our determinations and estimates prove to be inaccurate, the resulting adjustments could be material to our future financial results.

Lease Accounting. We adopted new accounting guidance related to leases as of February 2, 2019, using the modified retrospective approach. Under this approach, existing leases were recorded at the adoption date, and comparative periods were not restated and are presented under previously existing guidance. Adoption of the leasing standard resulted in right of use operating lease assets and operating lease liabilities of approximately \$8.0 billion each as of February 2, 2019. Significant judgments and estimates were utilized in calculating these initial balances, including the determination of appropriate lease discount rates.

Many of our stores are subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of up to 15 years with multiple renewal options. We also have stores subject to shorter-term leases and many of these leases have renewal options. Certain of our stores have provisions for contingent rentals based upon a percentage of defined sales volume. We recognize contingent rental expense when the achievement of specified sales targets is considered probable. We record single lease expense on a straight-line basis over the lease term including any option periods that are reasonably certain to be renewed, commencing on the date that we take physical possession of the property from the landlord which normally includes a period prior to store opening to make necessary leasehold improvements and install store fixtures. When a lease contains a predetermined fixed escalation of the minimum rent, the related lease expense is recognized on a straight-line basis. Tenant allowances, to the extent received, are recorded as a reduction of the right of use asset. Improvements of leased properties are amortized over the shorter of the life of the applicable lease term or the estimated useful life of the asset.

Share-Based Payments. Our stock option awards are valued on an individual grant basis using the Black-Scholes-Merton closed form option pricing model. We believe that this model fairly estimates the value of our stock option awards. The application of this valuation model involves assumptions that are judgmental in the valuation of stock options, which affects compensation expense related to these options. These assumptions include the term that the options are expected to be outstanding, the historical volatility of our stock price, applicable interest rates and the dividend yield of our stock. Other factors involving judgments that affect the expensing of share-based payments include estimated forfeiture rates of share-based awards. Historically, these estimates have been materially accurate; however, if our estimates differ materially from actual experience, we may be required to record additional expense or reductions of expense, which could be material to our future financial results.

Fair Value Measurements. Accounting standards for the measurement of fair value of assets and liabilities establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Therefore, Level 3 inputs are typically based on an entity's own assumptions, as there is little, if any, related market activity, and thus require the use of significant judgment and estimates. Currently, we have no assets or liabilities that are valued based solely on Level 3 inputs.

Our fair value measurements are primarily associated with our outstanding debt instruments. We use various valuation models in determining the values of these liabilities. We believe that in recent years these methodologies have produced materially accurate valuations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

We are exposed to market risk primarily from adverse changes in interest rates, and to a lesser degree commodity prices. To minimize this risk, we may periodically use financial instruments, including derivatives. All derivative financial instrument transactions must be authorized and executed pursuant to approval by the Board of Directors. As a matter of policy, we do not buy or sell financial instruments for speculative or trading purposes, and any such derivative financial instruments are intended to be used to reduce risk by hedging an underlying economic exposure. Our objective is to correlate derivative financial instruments and the underlying exposure being hedged, so that fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure.

Interest Rate Risk

We manage our interest rate risk through the strategic use of fixed and variable interest rate debt and, from time to time, derivative financial instruments. Our principal interest rate exposure relates to outstanding amounts under our Revolving Facility as well as our commercial paper program. As of January 31, 2020, we had consolidated borrowings of \$425.2 million under our commercial paper program and no borrowings outstanding under our Revolving Facility. In order to mitigate a portion of the variable rate interest exposure under the credit facilities, in prior years we have entered into various interest rate swaps. As of January 31, 2020, no such interest rate swaps were outstanding and, as a result, we are exposed to fluctuations in variable interest rates under the Revolving Facility and our commercial paper program. For a detailed discussion of our Revolving Facility and our commercial paper program, see Note 5 to the consolidated financial statements.

A change in interest rates on variable rate debt impacts our pre-tax earnings and cash flows; whereas a change in interest rates on fixed rate debt impacts the economic fair value of debt but not our pre-tax earnings and cash flows. Based on our variable rate borrowing levels as of January 31, 2020 and February 1, 2019, the annualized effect of a one percentage point increase in variable interest rates would have resulted in a pretax reduction of our earnings and cash flows of approximately \$4.3 million in 2019 and \$3.7 million in 2018.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Dollar General Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dollar General Corporation and subsidiaries (the Company) as of January 31, 2020 and February 1, 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and February 1, 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 19, 2020, expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for lease contracts on February 2, 2019, due to the adoption of ASU 2016-02 *Leases* (ASC 842). See below for discussion of our related critical audit matter.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our

opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Estimate of Workers' Compensation and General Liability Reserves

Description of the Matter

The Company records expenses and reserves for workers' compensation matters related to alleged work-related employee accidents and injuries, as well as general liability matters related to alleged non-employee incidents and injuries. At January 31, 2020, the Company's reserves for self-insurance risks were \$240.6 million, which includes workers' compensation and general liability reserves. As discussed in Note 1 of the consolidated financial statements, the Company retains a significant portion of risk related to its workers' compensation and general liability exposures. Accordingly, provisions are recorded for the Company's estimates of such losses. The undiscounted future claim costs for the workers' compensation and general liability exposures are estimated using actuarial methods.

Auditing management's assessment of the recorded self-insurance exposure reserves was complex and judgmental due to the significant assumptions required in projecting the exposure on incurred claims (including those which have not been reported to the Company). In particular, the estimate was sensitive to significant assumptions such as loss development factors, trend factors, pure loss rates, and projected claim counts.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's accounting for these self-insurance exposures. For example, we tested controls over the appropriateness of the assumptions management used in the calculation and the completeness and accuracy of the data underlying the reserves.

To test the Company's determination of the estimated required self-insurance reserves, we performed audit procedures that included, among others, assessing the actuarial valuation methodologies utilized by management, testing the significant assumptions discussed above, testing the completeness and accuracy of the underlying data used by the Company in its evaluation, and testing the mathematical accuracy of the calculations. We also compared the significant assumptions used by management to industry accepted actuarial assumptions, reassessed the accuracy of management's historical estimates utilized in prior period evaluations, and utilized an actuarial valuation specialist to assist in assessing the valuation methodologies and significant assumptions used in the valuation analysis, as well as to compare the Company's recorded reserve to an independently developed range of actuarial reserves.

Adoption of New Lease Accounting Standard

Description of the Matter

As described above and in Note 1 to the consolidated financial statements, the Company adopted ASU 2016-02, *Leases* (ASC 842), on February 2, 2019. The adoption of ASC 842 resulted in the recognition of right-of-use operating lease assets and lease liabilities of approximately \$8.0 billion as of February 2, 2019. The cumulative effect of adopting the standard resulted in an adjustment to retained earnings of \$28.8 million at the same date. Among the elements of management estimation in connection with the adoption was the determination of incremental borrowing rates (“IBR”) which were used to calculate its operating right-of-use assets and lease liabilities. Management estimates certain adjustments to observed borrowing rates in order to derive the IBRs that are representative of the rate the lessee would have to borrow on a collateralized basis over a similar term as the subject lease.

Auditing the Company’s adoption of ASC 842 was complex and involved subjective auditor judgement because the Company is party to a significant number of lease contracts, and certain aspects of adopting ASC 842 required management to exercise significant judgment in applying ASC 842 to its portfolio of lease contracts. In particular, auditing management’s estimate of the IBRs used to determine the operating right-of-use assets and lease liabilities was especially challenging and required the evaluation of the significant assumptions utilized by management including the selection of appropriate yield curves and adjustments for collateralization.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company’s accounting for the adoption of ASC 842. For example, we tested controls over management’s review of the application of accounting policy elections to its portfolio of leases and over management’s review of the estimation of the IBRs.

To test the Company’s adoption of ASC 842, we performed audit procedures that included, among others, evaluating the completeness of the population of contracts that meet the definition of a lease under ASC 842, testing the accuracy of lease terms by agreement of such terms to the original lease contract, and testing the accuracy of the Company’s calculations of initial right-of-use assets and lease liabilities. We involved our specialist to assist in our evaluation of the Company’s methodology, model and significant assumptions utilized in developing the IBRs. We also compared the Company’s IBRs to ranges developed by our specialists based on independently observed data.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2001.

Nashville, Tennessee
March 19, 2020

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS***(In thousands, except per share amounts)*

	January 31, 2020	February 1, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 240,320	\$ 235,487
Merchandise inventories	4,676,848	4,097,004
Income taxes receivable	76,537	57,804
Prepaid expenses and other current assets	184,163	272,725
Total current assets	<u>5,177,868</u>	<u>4,663,020</u>
Net property and equipment	3,278,359	2,970,806
Operating lease assets	8,796,183	—
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,200,006	1,200,217
Other assets, net	34,079	31,406
Total assets	<u>\$ 22,825,084</u>	<u>\$ 13,204,038</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	\$ 555	\$ 1,950
Current portion of operating lease liabilities	964,805	—
Accounts payable	2,860,682	2,385,469
Accrued expenses and other	709,156	618,405
Income taxes payable	8,362	10,033
Total current liabilities	<u>4,543,560</u>	<u>3,015,857</u>
Long-term obligations	2,911,438	2,862,740
Long-term operating lease liabilities	7,819,683	—
Deferred income taxes	675,227	609,687
Other liabilities	172,676	298,361
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	—	—
Common stock; \$0.875 par value, 1,000,000 shares authorized, 251,936 and 259,511 shares issued and outstanding at January 31, 2020 and February 1, 2019, respectively	220,444	227,072
Additional paid-in capital	3,322,531	3,252,421
Retained earnings	3,162,660	2,941,107
Accumulated other comprehensive loss	(3,135)	(3,207)
Total shareholders' equity	<u>6,702,500</u>	<u>6,417,393</u>
Total liabilities and shareholders' equity	<u>\$ 22,825,084</u>	<u>\$ 13,204,038</u>

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME***(In thousands, except per share amounts)*

	For the Year Ended		
	January 31, 2020	February 1, 2019	February 2, 2018
Net sales	\$ 27,753,973	\$ 25,625,043	\$ 23,470,967
Cost of goods sold	19,264,912	17,821,173	16,249,608
Gross profit	8,489,061	7,803,870	7,221,359
Selling, general and administrative expenses	6,186,757	5,687,564	5,213,541
Operating profit	2,302,304	2,116,306	2,007,818
Interest expense	100,574	99,871	97,036
Other (income) expense	—	1,019	3,502
Income before income taxes	2,201,730	2,015,416	1,907,280
Income tax expense	489,175	425,944	368,320
Net income	\$ 1,712,555	\$ 1,589,472	\$ 1,538,960
Earnings per share:			
Basic	\$ 6.68	\$ 5.99	\$ 5.64
Diluted	\$ 6.64	\$ 5.97	\$ 5.63
Weighted average shares outstanding:			
Basic	256,553	265,155	272,751
Diluted	258,053	266,105	273,362
Dividends per share	\$ 1.28	\$ 1.16	\$ 1.04

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the Year Ended		
	January 31, 2020	February 1, 2019	February 2, 2018
Net income	\$ 1,712,555	\$ 1,589,472	\$ 1,538,960
Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of \$345, \$344, and \$509, respectively	973	974	809
Comprehensive income	<u>\$ 1,713,528</u>	<u>\$ 1,590,446</u>	<u>\$ 1,539,769</u>

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except per share amounts)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, February 3, 2017	275,212	\$ 240,811	\$ 3,154,606	\$ 2,015,867	\$ (4,990)	\$ 5,406,294
Net income	—	—	—	1,538,960	—	1,538,960
Dividends paid, \$1.04 per common share	—	—	—	(282,941)	—	(282,941)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	809	809
Share-based compensation expense	—	—	34,323	—	—	34,323
Repurchases of common stock	(7,060)	(6,178)	—	(573,534)	—	(579,712)
Other equity and related transactions	581	508	7,533	—	—	8,041
Balances, February 2, 2018	268,733	\$ 235,141	\$ 3,196,462	\$ 2,698,352	\$ (4,181)	\$ 6,125,774
Net income	—	—	—	1,589,472	—	1,589,472
Dividends paid, \$1.16 per common share	—	—	—	(306,562)	—	(306,562)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	974	974
Share-based compensation expense	—	—	40,879	—	—	40,879
Repurchases of common stock	(9,891)	(8,655)	—	(998,839)	—	(1,007,494)
Transition adjustment upon adoption of accounting standard (see Note 1)	—	—	—	(41,316)	—	(41,316)
Other equity and related transactions	669	586	15,080	—	—	15,666
Balances, February 1, 2019	259,511	\$ 227,072	\$ 3,252,421	\$ 2,941,107	\$ (3,207)	\$ 6,417,393
Net income	—	—	—	1,712,555	—	1,712,555
Dividends paid, \$1.28 per common share	—	—	—	(327,578)	—	(327,578)
Unrealized net gain (loss) on hedged transactions	—	—	—	—	973	973
Share-based compensation expense	—	—	48,589	—	—	48,589
Repurchases of common stock	(8,252)	(7,221)	—	(1,193,155)	—	(1,200,376)
Transition adjustment upon adoption of accounting standard (see Note 1)	—	—	—	28,830	—	28,830
Other equity and related transactions	677	593	21,521	901	(901)	22,114
Balances, January 31, 2020	<u>251,936</u>	<u>\$ 220,444</u>	<u>\$ 3,322,531</u>	<u>\$ 3,162,660</u>	<u>\$ (3,135)</u>	<u>\$ 6,702,500</u>

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Year Ended		
	January 31, 2020	February 1, 2019	February 2, 2018
<i>Cash flows from operating activities:</i>			
Net income	\$ 1,712,555	\$ 1,589,472	\$ 1,538,960
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	504,804	454,134	404,231
Deferred income taxes	55,407	52,325	(137,648)
Loss on debt retirement	—	1,019	3,502
Noncash share-based compensation	48,589	40,879	34,323
Other noncash (gains) and losses	8,293	41,851	11,088
Change in operating assets and liabilities:			
Merchandise inventories	(578,783)	(521,342)	(348,363)
Prepaid expenses and other current assets	(14,453)	(12,097)	(49,406)
Accounts payable	428,627	375,214	427,911
Accrued expenses and other liabilities	100,322	65,857	75,647
Income taxes	(20,404)	56,390	(156,504)
Other	(6,959)	(152)	(1,633)
Net cash provided by (used in) operating activities	<u>2,237,998</u>	<u>2,143,550</u>	<u>1,802,108</u>
<i>Cash flows from investing activities:</i>			
Purchases of property and equipment	(784,843)	(734,380)	(646,456)
Proceeds from sales of property and equipment	2,358	2,777	1,428
Net cash provided by (used in) investing activities	<u>(782,485)</u>	<u>(731,603)</u>	<u>(645,028)</u>
<i>Cash flows from financing activities:</i>			
Issuance of long-term obligations	—	499,495	599,556
Repayments of long-term obligations	(1,465)	(577,321)	(752,676)
Net increase (decrease) in commercial paper outstanding	58,300	(63,300)	(60,300)
Costs associated with issuance and retirement of debt	(1,675)	(4,384)	(9,524)
Repurchases of common stock	(1,200,376)	(1,007,494)	(579,712)
Payments of cash dividends	(327,568)	(306,523)	(282,931)
Other equity and related transactions	22,104	15,626	8,033
Net cash provided by (used in) financing activities	<u>(1,450,680)</u>	<u>(1,443,901)</u>	<u>(1,077,554)</u>
Net increase (decrease) in cash and cash equivalents	4,833	(31,954)	79,526
Cash and cash equivalents, beginning of period	235,487	267,441	187,915
Cash and cash equivalents, end of period	<u>\$ 240,320</u>	<u>\$ 235,487</u>	<u>\$ 267,441</u>
<i>Supplemental cash flow information:</i>			
Cash paid for:			
Interest	\$ 100,033	\$ 98,012	\$ 88,749
Income taxes	\$ 457,119	\$ 313,457	\$ 660,510
<i>Supplemental noncash investing and financing activities:</i>			
Right of use assets obtained in exchange for new operating lease liabilities	\$ 1,705,988		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 110,248	\$ 63,662	\$ 63,178

The accompanying notes are an integral part of the consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

Basis of presentation

These notes contain references to the years 2019, 2018, and 2017, which represent fiscal years ended January 31, 2020, February 1, 2019, and February 2, 2018, respectively. The Company's 2019, 2018 and 2017 accounting periods were each comprised of 52-weeks. The Company's fiscal year ends on the Friday closest to January 31. The consolidated financial statements include all subsidiaries of the Company, except for its not-for-profit subsidiary which the Company does not control. Intercompany transactions have been eliminated.

The Company sells general merchandise on a retail basis through 16,278 stores (as of January 31, 2020) in 44 states with the greatest concentration of stores in the southern, southwestern, midwestern and eastern United States. The Company owns 13 and leases four distribution centers for non-refrigerated merchandise. At January 31, 2020, the Company also operated one owned and four leased cold storage and distribution facilities.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of three months or less when purchased. Such investments primarily consist of money market funds, bank deposits, certificates of deposit, and commercial paper. The carrying amounts of these items are a reasonable estimate of their fair value due to the short maturity of these investments.

Payments due from processors for electronic tender transactions classified as cash and cash equivalents totaled approximately \$101.9 million and \$99.5 million at January 31, 2020 and February 1, 2019, respectively.

Investments in debt and equity securities

The Company accounts for investments in debt and marketable equity securities as held-to-maturity, available-for-sale, or trading, depending on their classification. Debt securities categorized as held-to-maturity are stated at amortized cost. Debt and equity securities categorized as available-for-sale are stated at fair value, with any unrealized gains and losses, net of deferred income taxes, reported as a component of Accumulated other comprehensive loss. Trading securities are stated at fair value, with changes in fair value recorded as a component of Selling, general and administrative ("SG&A") expense. The cost of securities sold is based upon the specific identification method.

Merchandise inventories

Inventories are stated at the lower of cost or market ("LCM") with cost determined using the retail last-in, first-out ("LIFO") method as this method results in a better matching of costs and revenues. Under the Company's retail inventory method ("RIM"), the calculation of gross profit and the resulting valuation of inventories at cost are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. The use of the RIM will result in valuing inventories at LCM if markdowns are currently taken as a reduction of the retail value of inventories. Costs directly associated with warehousing and distribution are capitalized into inventory.

The excess of current cost over LIFO cost was approximately \$110.7 million and \$103.7 million at January 31, 2020 and February 1, 2019, respectively. Current cost is determined using the RIM on a first-in, first-out basis. Under the LIFO inventory method, the impacts of rising or falling market price changes increase or decrease cost of sales (the LIFO provision or benefit). The Company recorded a LIFO provision (benefit) of \$7.0

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million in 2019, \$25.2 million in 2018, and \$(2.2) million in 2017, which is included in cost of goods sold in the consolidated statements of income.

The Company purchases its merchandise from a wide variety of suppliers. The Company's two largest suppliers each accounted for approximately 8% of the Company's purchases in 2019.

Vendor rebates

The Company accounts for all cash consideration received from vendors in accordance with applicable accounting standards pertaining to such arrangements. Cash consideration received from a vendor is generally presumed to be a rebate or an allowance and is accounted for as a reduction of merchandise purchase costs as earned. However, certain specific, incremental and otherwise qualifying SG&A expenses related to the promotion or sale of vendor products may be offset by cash consideration received from vendors, in accordance with arrangements such as cooperative advertising, when earned for dollar amounts up to but not exceeding actual incremental costs.

Prepaid expenses and other current assets

Prepaid expenses and other current assets include prepaid amounts for maintenance, business licenses, advertising, and insurance, and amounts receivable for certain vendor rebates (primarily those expected to be collected in cash) and coupons.

Property and equipment

In 2007, the Company's property and equipment was recorded at estimated fair values as the result of a merger transaction. Property and equipment acquired subsequent to the merger has been recorded at cost. The Company records depreciation and amortization on a straight-line basis over the assets' estimated useful lives. The Company's property and equipment balances and depreciable lives are summarized as follows:

(In thousands)	Depreciable Life	January 31, 2020	February 1, 2019
Land	Indefinite	\$ 220,228	\$ 214,632
Land improvements	20	86,636	85,093
Buildings	39 - 40	1,290,673	1,219,852
Leasehold improvements	(a)	656,234	583,531
Furniture, fixtures and equipment	3 - 10	3,782,016	3,298,594
Construction in progress		62,183	117,275
		<u>6,097,970</u>	<u>5,518,977</u>
Less accumulated depreciation and amortization		2,819,611	2,548,171
Net property and equipment		<u>\$ 3,278,359</u>	<u>\$ 2,970,806</u>

(a) Amortized over the lesser of the life of the applicable lease term or the estimated useful life of the asset.

Depreciation expense related to property and equipment was approximately \$500.4 million, \$454.1 million and \$403.3 million for 2019, 2018 and 2017, respectively. Interest on borrowed funds during the construction of property and equipment is capitalized where applicable. Interest costs of \$2.7 million, \$3.7 million, and \$2.0 million were capitalized in 2019, 2018 and 2017, respectively.

Impairment of long-lived assets

When indicators of impairment are present, the Company evaluates the carrying value of long-lived assets, excluding goodwill and other indefinite-lived intangible assets, in relation to the operating performance and future cash flows or the appraised values of the underlying assets. Generally, the Company's policy is to review

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for impairment stores open more than three years for which current cash flows from operations are negative. Impairment results when the carrying value of the assets exceeds the undiscounted future cash flows expected to be generated by the assets. The Company's estimate of undiscounted future cash flows is based upon historical operations of the stores and estimates of future store profitability which encompasses many factors that are subject to variability and difficult to predict. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon estimated future cash flows over the asset's remaining useful life (discounted at the Company's credit adjusted risk-free rate) or other reasonable estimates of fair market value. Assets to be disposed of are adjusted to the fair value less the cost to sell if less than the book value.

The Company recorded impairment charges included in SG&A expense of approximately \$3.6 million in 2019, \$4.1 million in 2018 and \$7.8 million in 2017, to reduce the carrying value of certain of its stores' assets. Such action was deemed necessary based on the Company's evaluation that such amounts would not be recoverable primarily due to insufficient sales or excessive costs resulting in the carrying value of the assets exceeding the estimated undiscounted future cash flows generated by the assets at these locations.

Goodwill and other intangible assets

If not deemed indefinite, the Company amortizes intangible assets over their estimated useful lives. Goodwill and intangible assets with indefinite lives are tested for impairment annually or more frequently if indicators of impairment are present. Definite lived intangible assets are tested for impairment if indicators of impairment are present. Impaired assets are written down to fair value as required. No impairment of intangible assets has been identified during any of the periods presented.

In accordance with accounting standards for goodwill and indefinite-lived intangible assets, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that goodwill or an indefinite-lived intangible asset is impaired. If after such assessment an entity concludes that the asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the asset using a quantitative impairment test, and if impaired, the associated assets must be written down to fair value as described in further detail below.

The quantitative goodwill impairment test is a two-step process that would require management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of an entity's reporting units based on valuation techniques (including a discounted cash flow model using revenue and profit forecasts) and comparing that estimated fair value with the recorded carrying value, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of the implied fair value of goodwill would require the entity to allocate the estimated fair value of its reporting unit to its assets and liabilities. Any unallocated fair value would represent the implied fair value of goodwill, which would be compared to its corresponding carrying value.

The quantitative impairment test for intangible assets compares the fair value of the intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Company's goodwill balance has an indefinite life and is not expected to be deductible for tax purposes. Substantially all of the Company's other intangible assets are trade names and trademarks which have an indefinite life.

Other assets

Noncurrent Other assets consist primarily of qualifying prepaid expenses for maintenance, beer and wine licenses, and utility, security and other deposits.

Accrued expenses and other liabilities

Accrued expenses and other consist of the following:

(In thousands)	January 31, 2020	February 1, 2019
Compensation and benefits	\$ 135,492	\$ 121,375
Self-insurance reserves	109,291	107,380
Taxes (other than taxes on income)	192,656	183,941
Other	271,717	205,709
	<u>\$ 709,156</u>	<u>\$ 618,405</u>

Included in other accrued expenses are liabilities for freight expense, interest, utilities, and maintenance.

Insurance liabilities

The Company retains a significant portion of risk for its workers' compensation, employee health, general liability, property, automobile, and third-party landlord liability claim exposures. Accordingly, provisions are made for the Company's estimates of such risks which are recorded as self-insurance reserves pursuant to Company policy. The undiscounted future claim costs for the workers' compensation, general liability, landlord liability, and health claim risks are derived using actuarial methods which are sensitive to significant assumptions such as loss development factors, trend factors, pure loss rates, and projected claim counts. To the extent that subsequent claim costs vary from the Company's estimates, future results of operations will be affected as the reserves are adjusted.

Ashley River Insurance Company ("ARIC"), a Tennessee-based wholly owned captive insurance subsidiary of the Company, charges the operating subsidiary companies premiums to insure the retained workers' compensation, medical stop-loss, and non-property general liability exposures. Pursuant to Tennessee insurance regulations, ARIC maintains certain levels of cash and cash equivalents related to its self-insured exposures.

Leases

Effective in 2019, the Company records right of use lease assets and lease liabilities on its balance sheet. Lease liabilities are recorded at a discount based upon the Company's estimated collateralized incremental borrowing rate. Factors incorporated into the calculation of lease discount rates include the valuations and yields of the Company's senior notes, their credit spread over comparable U.S. Treasury rates, and an index of the credit spreads for all North American investment grade companies by rating. To determine an indicative secured rate, the Company uses the estimated credit spread improvement that would result from an upgrade of one ratings classification by tenor.

Also effective in 2019, the Company records single lease cost on a straight-line basis over the base, non-cancelable lease term commencing on the date that the Company takes physical possession of the property from the landlord, which may include a period prior to the opening of a store or other facility to make any necessary leasehold improvements and install fixtures. Any tenant allowances received are recorded as a reduction of the right of use asset. Leases with an initial term of 12 months or less are not recorded on the balance sheet and lease expense for such leases is recognized on a straight-line basis over the lease term. The Company combines lease and nonlease components. Many leases include one or more options to renew, and the exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

For periods prior to 2019, rent expense was recognized over the term of the lease. The Company recorded minimum rental expense on a straight-line basis over the base, non-cancelable lease term commencing

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on the date that the Company took physical possession of the property from the landlord. When a lease contained a predetermined fixed escalation of the minimum rent, the Company recognized the related rent expense on a straight-line basis and recorded the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. Tenant allowances, to the extent received, were recorded as deferred incentive rent and were amortized as a reduction to rent expense over the term of the lease. The difference between the calculated expense and the amounts paid result in a liability which was classified in other long-term liabilities in the consolidated balance sheet, totaling approximately \$70.1 million at February 1, 2019.

The Company recognizes contingent rental expense when the achievement of specified sales targets is considered probable. The amount expensed but not paid as of January 31, 2020 and February 1, 2019 was approximately \$2.3 million and \$2.4 million, respectively, and is included in Accrued expenses and other in the consolidated balance sheets.

Other liabilities

Noncurrent Other liabilities consist of the following:

<u>(In thousands)</u>	<u>January 31,</u> <u>2020</u>	<u>February 1,</u> <u>2019</u>
Self-insurance reserves	\$ 131,281	\$ 130,022
Deferred rent	—	70,139
Deferred gain on sale leaseback	—	40,303
Other	41,395	57,897
	<u>\$ 172,676</u>	<u>\$ 298,361</u>

The deferred rent balance was reclassified and the deferred gain on sale leaseback balance was eliminated on February 2, 2019 as a result of the adoption of a new lease accounting standard discussed in greater detail in Note 1 and Note 4 below.

Fair value accounting

The Company utilizes accounting standards for fair value, which include the definition of fair value, the framework for measuring fair value, and disclosures about fair value measurements. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are based on an entity's own assumptions, as there is little, if any, observable market activity. In instances where the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Other comprehensive income

The Company previously recorded a loss on the settlement of derivatives associated with the issuance of long-term debt in 2013 which was deferred to other comprehensive income and is being amortized as an increase to interest expense over the 10-year period of the debt's maturity.

Revenue recognition

The Company recognizes retail sales in its stores at the time the customer takes possession of merchandise. All sales are net of discounts and are presented net of taxes assessed by governmental authorities that are imposed concurrent with those sales.

The Company recognizes gift card sales revenue at the time of redemption. The liability for gift cards is established for the cash value at the time of purchase of the gift card. The liability for outstanding gift cards was approximately \$6.0 million and \$5.2 million at January 31, 2020 and February 1, 2019, respectively, and is recorded in Accrued expenses and other liabilities. Estimated breakage revenue, a percentage of gift cards that will never be redeemed based on historical redemption rates, is recognized over time in proportion to actual gift card redemptions. The Company recorded breakage revenue of \$1.0 million, \$0.8 million and \$0.6 million in 2019, 2018 and 2017, respectively.

Advertising costs

Advertising costs are expensed upon performance, "first showing" or distribution, and are reflected in SG&A expenses net of earned cooperative advertising amounts provided by vendors which are specific, incremental and otherwise qualifying expenses related to the promotion or sale of vendor products for dollar amounts up to but not exceeding actual incremental costs. Advertising costs were \$91.0 million, \$70.5 million and \$68.8 million in 2019, 2018 and 2017, respectively. These costs primarily include promotional circulars, targeted circulars supporting new stores, television and radio advertising, and in-store signage. Vendor funding for cooperative advertising offset reported expenses by \$34.7 million, \$35.0 million and \$33.8 million in 2019, 2018 and 2017, respectively.

Share-based payments

The Company recognizes compensation expense for share-based compensation based on the fair value of the awards on the grant date. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate may be adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the prior estimate. The forfeiture rate is the estimated percentage of share-based awards granted that are expected to be forfeited or canceled before becoming fully vested. The Company bases this estimate on historical experience or estimates of future trends, as applicable. An increase in the forfeiture rate will decrease compensation expense.

The fair value of each option grant is separately estimated and amortized into compensation expense on a straight-line basis between the applicable grant date and each vesting date. The Company has estimated the fair value of all stock option awards as of the grant date by applying the Black-Scholes-Merton option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense.

The Company calculates compensation expense for restricted stock, share units and similar awards as the difference between the market price of the underlying stock or similar award on the grant date and the purchase price, if any. Such expense is recognized on a straight-line basis for time-based awards and on an accelerated or straight-line basis for performance awards depending on the period over which the recipient earns the awards.

Store pre-opening costs

Pre-opening costs related to new store openings and the related construction periods are expensed as incurred.

Income taxes

Under the accounting standards for income taxes, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns. Deferred income tax expense or benefit is the net change during the year in the Company's deferred income tax assets and liabilities.

The Company includes income tax related interest and penalties as a component of the provision for income tax expense.

Income tax reserves are determined using a methodology which requires companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to the Company's future financial results.

Management estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Accounting standards

The Company adopted new accounting guidance related to leases as of February 2, 2019, using the modified retrospective approach. Under this approach, existing leases were recorded at the adoption date, and comparative periods were not restated and are presented under previously existing guidance. In addition, the Company elected the package of practical expedients permitted under the transition guidance in the standard, which among other things, allowed the carry forward of historical conclusions for lease identification, lease classification, and initial direct costs. The Company is accounting for leases with a term of less than one year under the short-term policy election. The Company also elected the practical expedient to not separate lease components from the nonlease components (typically fixed common-area maintenance costs at its retail store locations) for all classes of leased assets. The Company chose not to elect the hindsight practical expedient. Factors incorporated into the calculation of lease discount rates include the valuations and yields of the Company's senior notes, their credit spread over comparable U.S. Treasury rates, and an index of the credit spreads for all North American investment grade companies by rating. To determine an indicative secured rate, the Company uses the estimated credit spread improvement that would result from an upgrade of one ratings classification by tenor.

Adoption of the leasing standard resulted in right of use operating lease assets and operating lease liabilities of approximately \$8.0 billion each as of February 2, 2019. The cumulative effect of applying the standard resulted in an adjustment to retained earnings of \$28.8 million at February 2, 2019, primarily for the

elimination of deferred gain on a 2013 sale-leaseback transaction. Because the standard was adopted under the modified retrospective approach, it did not impact the Company's historical consolidated net income or cash flows.

In February 2018, the FASB issued new accounting guidance for the reclassification of certain tax effects from accumulated other comprehensive income which gives entities the option to reclassify to retained earnings tax effects related to items that have been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act ("TCJA"). An entity that elects to reclassify these amounts must reclassify stranded tax effects related to the TCJA's change in US federal tax rate for all items accounted for in other comprehensive income. These entities can also elect to reclassify other stranded effects that relate to the TCJA but do not directly relate to the change in the federal tax rate. The Company adopted this standard in the first quarter of 2019 and recorded a transition adjustment of \$0.9 million, which is reflected as a reclassification from accumulated other comprehensive loss to retained earnings in the accompanying consolidated financial statements.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory, which affected the Company's historical accounting for intra-entity transfers of certain intangible assets. This guidance was effective for the Company in 2018. The amendments were applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company adopted this guidance effective February 3, 2018 which resulted in an increase in deferred income tax liabilities and a decrease in retained earnings of \$41.3 million.

In January 2017, the FASB issued amendments to existing guidance related to the subsequent measurement of goodwill. These amendments modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. Subsequent to adoption, an entity will perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments should be applied on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. The Company does not anticipate a material effect on its consolidated results of operations, financial position or cash flows to result from the adoption of this guidance.

Reclassifications

Certain financial disclosures relating to prior periods have been reclassified to conform to the current year presentation where applicable.

2. Earnings per share

Earnings per share is computed as follows (in thousands except per share data):

	2019		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 1,712,555	256,553	\$ 6.68
Effect of dilutive share-based awards		1,500	
Diluted earnings per share	<u>\$ 1,712,555</u>	<u>258,053</u>	<u>\$ 6.64</u>
	2018		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 1,589,472	265,155	\$ 5.99
Effect of dilutive share-based awards		950	
Diluted earnings per share	<u>\$ 1,589,472</u>	<u>266,105</u>	<u>\$ 5.97</u>
	2017		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	\$ 1,538,960	272,751	\$ 5.64
Effect of dilutive share-based awards		611	
Diluted earnings per share	<u>\$ 1,538,960</u>	<u>273,362</u>	<u>\$ 5.63</u>

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is determined based on the dilutive effect of share-based awards using the treasury stock method.

Share-based awards that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings per share because the effect of exercising such options would be antidilutive, were 0.3 million, 0.8 million and 2.1 million in 2019, 2018 and 2017, respectively.

3. Income taxes

The provision (benefit) for income taxes consists of the following:

(In thousands)	2019	2018	2017
Current:			
Federal	\$ 368,451	\$ 320,361	\$ 426,933
Foreign	102	159	105
State	65,215	53,091	79,011
	<u>433,768</u>	<u>373,611</u>	<u>506,049</u>
Deferred:			
Federal	45,966	48,262	(159,728)
Foreign	(15)	(38)	(22)
State	9,456	4,109	22,021
	<u>55,407</u>	<u>52,333</u>	<u>(137,729)</u>
	<u>\$ 489,175</u>	<u>\$ 425,944</u>	<u>\$ 368,320</u>

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A reconciliation between actual income taxes and amounts computed by applying the federal statutory rate to income before income taxes is summarized as follows:

(Dollars in thousands)	2019		2018		2017	
U.S. federal statutory rate on earnings						
before income taxes	\$ 462,364	21.0 %	\$ 423,237	21.0 %	\$ 643,326	33.7 %
Impact of federal tax rate changes	—	—	(12,222)	(0.6)	(310,756)	(16.3)
State income taxes, net of federal income tax benefit	60,936	2.8	44,584	2.2	61,201	3.2
Jobs credits, net of federal income taxes	(27,768)	(1.3)	(27,506)	(1.4)	(26,759)	(1.4)
Increase (decrease) in valuation allowances, net of federal taxes	(356)	(0.0)	—	—	4,435	0.2
Stock-based compensation programs	(6,177)	(0.3)	(3,682)	(0.2)	(2,227)	(0.1)
Increase (decrease) in income tax reserves	(513)	(0.0)	3,952	0.2	(1,837)	(0.1)
Other, net	689	0.0	(2,419)	(0.1)	937	0.1
	<u>\$ 489,175</u>	<u>22.2 %</u>	<u>\$ 425,944</u>	<u>21.1 %</u>	<u>\$ 368,320</u>	<u>19.3 %</u>

The effective income tax rate for 2019 was 22.2% compared to a rate of 21.1% for 2018 which represents a net increase of 1.1 percentage points. The effective income tax rate was higher in 2019 primarily due to an increase in income taxes resulting from changes in state income tax laws and a federal income tax benefit arising from the Tax Cuts and Jobs Act (the “TCJA”) in 2018 that did not reoccur in 2019.

The effective income tax rate for 2018 was 21.1% compared to a rate of 19.3% for 2017 which represents a net increase of 1.8 percentage points. The effective income tax rate was higher in 2018 primarily due to the one-time remeasurement of the deferred tax assets and liabilities at 21% in 2017, which was offset by the reduction in the current federal tax rate from 33.7% in 2017 to 21% in 2018.

On December 22, 2017, the TCJA was signed into law. Among other changes, the TCJA reduced the federal corporate tax rate to 21% from 35% effective January 1, 2018, including a reduction in the Company’s federal corporate tax rate for 2017 to 33.7% as a result of the Company’s 2017 fiscal year ending approximately one month after the effective date of the TCJA.

The Company’s 2017 provision for income taxes reflected an estimate due to the changes in the federal income tax law arising from the TCJA. The provisional tax benefit consisted of \$310.8 million related to the one-time remeasurement of the federal portion of our deferred tax assets and liabilities at the 21% rate and \$24.2 million related to the reduced statutory tax rate of 33.7%, compared to 35% in prior years. Subsequent to the signing of the TCJA, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year after the enactment date while the accounting impact is still under analysis. In 2018, the Company concluded its analysis of the accounting impact of the TCJA pursuant to SAB 118 and recorded immaterial adjustments related to its 2017 provision for income taxes.

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Deferred taxes reflect the effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

(In thousands)	January 31, 2020	February 1, 2019
Deferred tax assets:		
Deferred compensation expense	\$ 7,556	\$ 6,490
Accrued expenses	16,788	3,278
Accrued rent	401	22,668
Operating lease liabilities	2,167,780	—
Accrued insurance	5,895	6,869
Accrued incentive compensation	16,721	15,219
Share based compensation	16,321	15,713
Interest rate hedges	1,076	1,421
Tax benefit of income tax and interest reserves related to uncertain tax positions	164	472
Deferred gain on sale-leaseback	—	11,649
Other	3,702	3,942
State tax net operating loss carry forwards, net of federal tax	555	598
State tax credit carry forwards, net of federal tax	7,534	8,245
	<u>2,244,493</u>	<u>96,564</u>
Less valuation allowances, net of federal income taxes	(4,077)	(4,433)
Total deferred tax assets	<u>2,240,416</u>	<u>92,131</u>
Deferred tax liabilities:		
Property and equipment	(389,080)	(322,575)
Operating lease assets	(2,143,996)	—
Inventories	(59,075)	(56,221)
Trademarks	(310,862)	(308,793)
Prepaid insurance	(11,933)	(12,639)
Other	(697)	(1,590)
Total deferred tax liabilities	<u>(2,915,643)</u>	<u>(701,818)</u>
Net deferred tax liabilities	<u>\$ (675,227)</u>	<u>\$ (609,687)</u>

In the year ended January 31, 2020, the Company recorded a deferred tax asset related to its operating lease liabilities and a deferred tax liability related to its operating lease assets pursuant to the adoption of a new lease accounting standard as described in Note 1 above.

The Company has state tax credit carryforwards of approximately \$7.5 million (net of federal benefit) that will expire beginning in 2022 through 2028 and the Company has approximately \$15.6 million of state apportioned net operating loss carryforwards, which will begin to expire in 2033 and will continue through 2039.

The Company established a valuation allowance for the state tax credit carryforwards, in the amount of \$4.4 million (net of federal benefit) increasing income tax expense in 2017. In 2019, the Company updated its projections, releasing \$0.4 million of valuation allowance (net of federal benefit), but management continues to believe that results from operations will not generate sufficient taxable income to realize the remaining state tax credits before they expire.

Management believes that it is more likely than not that the Company's results of operations and its existing deferred tax liabilities will generate sufficient taxable income to realize the remaining deferred tax assets.

The Company's 2015 and earlier tax years are not open for further examination by the Internal Revenue Service ("IRS"). The IRS, at its discretion, may choose to examine the Company's 2016 through 2018 fiscal year income tax filings. The Company has various state income tax examinations that are currently in progress.

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Generally, with few exceptions, the Company's 2016 and later tax years remain open for examination by the various state taxing authorities.

As of January 31, 2020, accruals for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$5.1 million, \$0.4 million and \$0.0 million, respectively, for a total of \$5.5 million. As of February 1, 2019, accruals for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$5.0 million, \$0.8 million and \$0.9 million, respectively, for a total of \$6.7 million. These totals are reflected in noncurrent Other liabilities in the consolidated balance sheets.

The Company's reserve for uncertain tax positions is not expected to be reduced in the coming twelve months as a result of expiring statutes of limitations. As of January 31, 2020 and February 1, 2019, approximately \$5.1 million and \$5.0 million, respectively, of the uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions.

The amounts associated with uncertain tax positions included in income tax expense consists of the following:

(In thousands)	2019	2018	2017
Income tax expense (benefit)	\$ 130	\$ 3,919	\$ (2,076)
Income tax related interest expense (benefit)	(406)	133	(123)
Income tax related penalty expense (benefit)	(882)	33	(9)

A reconciliation of the uncertain income tax positions from February 4, 2017 through January 31, 2020 is as follows:

(In thousands)	2019	2018	2017
Beginning balance	\$ 4,960	\$ 1,041	\$ 3,117
Increases—tax positions taken in the current year	—	95	66
Increases—tax positions taken in prior years	1,239	3,914	27
Decreases—tax positions taken in prior years	(1,109)	—	—
Statute expirations	—	—	(2,169)
Settlements	—	(90)	—
Ending balance	<u>\$ 5,090</u>	<u>\$ 4,960</u>	<u>\$ 1,041</u>

4. Leases

As of January 31, 2020, the Company's primary leasing activities were real estate leases for most of its retail store locations and certain of its distribution facilities. Many of the Company's store locations are subject to build-to-suit arrangements with landlords which typically carry a primary lease term of up to 15 years. The Company does not control build-to-suit properties during the construction period. Store locations not subject to build-to-suit arrangements are typically shorter-term leases. Certain of the Company's leased store locations have variable payments based upon actual costs of common area maintenance, real estate taxes and property and liability insurance. In addition, some of the Company's leased store locations have provisions for variable payments based upon a specified percentage of defined sales volume. The Company's lease agreements generally do not contain material restrictive covenants.

Most of the Company's leases include one or more options to renew and extend the lease term. The exercise of lease renewal options is at the Company's sole discretion. Generally, a renewal option is not deemed to be reasonably certain to be exercised until such option is legally executed. The Company's leases do not include purchase options or residual value guarantees on the leased property. The depreciable life of leasehold improvements is limited by the expected lease term.

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All of the Company's leases are classified as operating leases and the associated assets and liabilities are presented as separate captions in the consolidated balance sheet. At January 31, 2020, the weighted-average remaining lease term for the Company's leases is 10.1 years, and the weighted average discount rate is 4.2%. For 2019, operating lease cost of \$1.27 billion and variable lease cost of \$0.23 billion were reflected as selling, general and administrative expenses in the consolidated statement of income. Cash paid for amounts included in the measurement of operating lease liabilities of \$1.28 billion was reflected in cash flows from operating activities in the consolidated statement of cash flows for 2019.

The scheduled maturity of the Company's operating lease liabilities is as follows:

(In thousands)	
2020	\$ 1,312,605
2021	1,264,655
2022	1,200,056
2023	1,132,968
2024	1,052,032
Thereafter	4,806,745
Total lease payments (a)	<u>10,769,061</u>
Less imputed interest	<u>(1,984,573)</u>
Present value of lease liabilities	<u>\$ 8,784,488</u>

- a) Excludes approximately \$0.6 billion of legally binding minimum lease payments for leases signed which have not yet commenced.

Rent expense under all operating leases prior to the adoption of new lease accounting guidance in 2019 is as follows:

(In thousands)	2018	2017
Minimum rentals	\$ 1,154,429	\$ 1,075,984
Contingent rentals	4,656	5,532
	<u>\$ 1,159,085</u>	<u>\$ 1,081,516</u>

5. Current and long-term obligations

Consolidated current and long-term obligations consist of the following:

(In thousands)	January 31, 2020	February 1, 2019
Revolving Facility	\$ —	\$ —
3.250% Senior Notes due April 15, 2023 (net of discount of \$837 and \$1,084)	899,163	898,916
4.150% Senior Notes due November 1, 2025 (net of discount of \$489 and \$562)	499,511	499,438
3.875% Senior Notes due April 15, 2027 (net of discount of \$336 and \$375)	599,664	599,625
4.125% Senior Notes due May 1, 2028 (net of discount of \$428 and \$471)	499,572	499,529
Unsecured commercial paper notes	425,200	366,900
Other	4,895	17,337
Debt issuance costs, net	(16,012)	(17,055)
	<u>2,911,993</u>	<u>2,864,690</u>
Less: current portion	<u>(555)</u>	<u>(1,950)</u>
Long-term portion	<u>\$ 2,911,438</u>	<u>\$ 2,862,740</u>

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At January 31, 2020, the Company maintained a \$1.25 billion senior unsecured revolving credit facility (the “Revolving Facility”) that provides for the issuance of letters of credit up to \$175.0 million and is scheduled to mature on September 10, 2024.

Borrowings under the Revolving Facility bear interest at a rate equal to an applicable interest rate margin plus, at the Company’s option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable interest rate margin for borrowings as of January 31, 2020 was 1.015% for LIBOR borrowings and 0.015% for base-rate borrowings. The Company is also required to pay a facility fee, payable on any used and unused commitment amounts of the Revolving Facility, and customary fees on letters of credit issued under the Revolving Facility. As of January 31, 2020, the facility fee rate was 0.11%. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Revolving Facility are subject to adjustment from time to time based on the Company’s long-term senior unsecured debt ratings.

The Revolving Facility contains a number of customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, the Company’s ability to: incur additional liens; sell all or substantially all of the Company’s assets; consummate certain fundamental changes or change in the Company’s lines of business; and incur additional subsidiary indebtedness. The Revolving Facility also contains financial covenants which require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of January 31, 2020, the Company was in compliance with all such covenants. The Revolving Facility also contains customary events of default.

On June 11, 2018, the Company voluntarily prepaid the entire \$175.0 million outstanding balance of its senior unsecured term loan facility and recognized an associated loss of \$1.0 million which is reflected in Other (income) expense in the consolidated statement of income for the year ended February 1, 2019.

As of January 31, 2020, the Company had no outstanding borrowings, outstanding letters of credit of \$5.4 million, and borrowing availability of \$1.24 billion under the Revolving Facility that, due to its intention to maintain borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$638.4 million. In addition, the Company had outstanding letters of credit of \$41.4 million which were issued pursuant to separate agreements.

As of January 31, 2020, the Company had a commercial paper program under which the Company may issue unsecured commercial paper notes (the “CP Notes”) from time to time in an aggregate amount not to exceed \$1.0 billion outstanding at any time. The CP Notes have maturities of up to 364 days from the date of issue and rank equal in right of payment with all of the Company’s other unsecured and unsubordinated indebtedness. The Company intends to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. As of January 31, 2020, the Company’s consolidated balance sheet reflected outstanding CP notes of \$425.2 million, which were classified as long-term obligations due to the Company’s intent and ability to refinance these obligations as long-term debt. An additional \$181.0 million of outstanding CP Notes were held by a wholly-owned subsidiary of the Company and are therefore not reflected on the consolidated balance sheet. As of January 31, 2020, the outstanding CP Notes had a weighted average borrowing rate of 1.7%.

On April 10, 2018, the Company issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2028 (the “2028 Senior Notes”), net of discount of \$0.5 million, which are scheduled to mature on May 1, 2028. Interest on the 2028 Senior Notes is payable in cash on May 1 and November 1 of each year. The Company incurred \$4.4 million of debt issuance costs associated with the issuance of the 2028 Senior Notes.

Effective April 15, 2018, the Company redeemed \$400.0 million aggregate principal amount of outstanding 1.875% senior notes due 2018 (the “2018 Senior Notes”). There was no gain or loss associated with the redemption. The Company funded the redemption price for the 2018 Senior Notes with proceeds from the issuance of the 2028 Senior Notes.

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On April 11, 2017, the Company issued \$600.0 million aggregate principal amount of 3.875% senior notes due 2027 (the “2027 Senior Notes”), at a discount of \$0.4 million, which are scheduled to mature on April 15, 2027. Interest on the 2027 Senior Notes is payable in cash on April 15 and October 15 of each year. The Company incurred \$5.2 million of debt issuance costs associated with the issuance of the 2027 Senior Notes.

On April 27, 2017, the Company redeemed \$500.0 million aggregate principal amount of outstanding 4.125% senior notes due 2017 (the “2017 Senior Notes”), resulting in a pretax loss of \$3.4 million which is reflected in Other (income) expense in the consolidated statement of income for the year ended February 2, 2018.

Collectively, the 2028 Senior Notes, the 2027 Senior Notes and the Company’s other Senior Notes due 2023 and 2025 as reflected in the table above comprise the “Senior Notes”, each of which were issued pursuant to an indenture as supplemented and amended by supplemental indentures relating to each series of Senior Notes (as so supplemented and amended, the “Senior Indenture”). The Company may redeem some or all of its Senior Notes at any time at redemption prices set forth in the Senior Indenture. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of the Senior Notes has the right to require the Company to repurchase some or all of such holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The Senior Indenture contains covenants limiting, among other things, the ability of the Company and its subsidiaries to (subject to certain exceptions): consolidate, merge, sell or otherwise dispose of all or substantially all of the Company’s assets; and to incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Senior Notes to become or to be declared due and payable, as applicable.

Scheduled debt maturities at January 31, 2020 for the Company’s fiscal years listed below are as follows (in thousands): 2020 - \$425,755; 2021 - \$580; 2022 - \$610; 2023 - \$900,635; 2024 - \$665; thereafter - \$1,601,850.

6. Assets and liabilities measured at fair value

The following table presents the Company’s assets and liabilities required to be measured at fair value as of January 31, 2020, aggregated by the level in the fair value hierarchy within which those measurements are classified.

(In thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value at January 31, 2020
Liabilities:				
Long-term obligations (a)	\$ 2,711,924	\$ 430,095	\$ —	\$ 3,142,019
Deferred compensation (b)	28,862	—	—	28,862

- (a) Included in the consolidated balance sheet at book value as Current portion of long-term obligations of \$555 and Long-term obligations of \$2,911,438.
- (b) Reflected at fair value in the consolidated balance sheet as a component of Accrued expenses and other current liabilities of \$1,644 and a component of noncurrent Other liabilities of \$27,218.

The carrying amounts reflected in the consolidated balance sheets for cash, cash equivalents, short-term investments, receivables and payables approximate their respective fair values. The Company does not have any recurring fair value measurements using significant unobservable inputs (Level 3) as of January 31, 2020.

7. Commitments and contingencies

Legal proceedings

From time to time, the Company is a party to various legal matters in the ordinary course of its business, including actions by employees, consumers, suppliers, government agencies, or others. The Company has recorded accruals with respect to these matters, where appropriate, which are reflected in the Company's consolidated financial statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. In 2019, the Company recorded an accrual of \$31.0 million for losses the Company believes are both probable and reasonably estimable relating to certified class actions and associated matters, including certain wage and hour litigation as well as the matters discussed below under Consumer/Product Litigation.

Except as described below and based on information currently available, the Company believes that its pending legal matters, both individually and in the aggregate, will be resolved without a material adverse effect on the Company's consolidated financial statements as a whole. However, litigation and other legal matters involve an element of uncertainty. Adverse decisions and settlements, including any required changes to the Company's business, or other developments in such matters could affect our consolidated operating results in future periods or result in liability or other amounts material to the Company's annual consolidated financial statements.

Consumer/Product Litigation

In December 2015 the Company was first notified of several lawsuits in which plaintiffs allege violation of state law, including state consumer protection laws, relating to the labeling, marketing and sale of certain Dollar General private-label motor oil. Each of these lawsuits, as well as additional, similar lawsuits filed after December 2015, was filed in, or removed to, various federal district courts of the United States (collectively "Motor Oil Lawsuits").

On June 2, 2016, the Motor Oil Lawsuits were centralized in a matter styled *In re Dollar General Corp. Motor Oil Litigation*, Case MDL No. 2709, before the United States District Court for the Western District of Missouri ("Motor Oil MDL"). In their consolidated amended complaint, the plaintiffs in the Motor Oil MDL sought to certify two nationwide classes and multiple statewide sub-classes and for each putative class member some or all of the following relief: compensatory damages, injunctive relief, statutory damages, punitive damages and attorneys' fees. The Company's motion to dismiss the allegations raised in the consolidated amended complaint was granted in part and denied in part on August 3, 2017. To the extent additional consumer lawsuits alleging violation of laws relating to the labeling, marketing and sale of Dollar General private-label motor oil have been or will be filed, the Company expects that such lawsuits will be transferred to the Motor Oil MDL.

In May 2017, the Company received a Notice of Proposed Action from the Office of the New Mexico Attorney General (the "New Mexico AG") which alleges that the Company's labeling, marketing and sale of certain Dollar General private-label motor oil violated New Mexico law (the "New Mexico Motor Oil Matter"). The State is represented in connection with this matter by counsel for plaintiffs in the Motor Oil MDL.

On June 20, 2017, the New Mexico AG filed an action in the First Judicial District Court, County of Santa Fe, New Mexico pertaining to the New Mexico Motor Oil Matter. (*Hector H. Balderas v. Dolgencorp, LLC*, Case No. D-101-cv-2017-01562). The Company's motion to dismiss the action is pending.

On September 1, 2017, the Mississippi Attorney General (the "Mississippi AG"), who also is represented by the counsel for plaintiffs in the Motor Oil MDL, filed an action in the Chancery Court of the First Judicial District of Hinds County, Mississippi alleging that the Company's labeling, marketing and sale of certain Dollar

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General private-label motor oil violated Mississippi law. (*Jim Hood v. Dollar General Corporation*, Case No. G2017-1229 T/1) (the “Mississippi Motor Oil Matter”). The Company removed this matter to Mississippi federal court on October 5, 2017, and filed a motion to dismiss the action. The matter was transferred to the Motor Oil MDL and the Mississippi AG moved to remand it to state court. (*Jim Hood v. Dollar General Corporation*, N.D. Miss., Case No. 3:17-cv-801-LG-LRA). On May 7, 2019, the Mississippi AG renewed its motion to remand. The Company’s and the Mississippi AG’s above-referenced motions are pending.

On January 30, 2018, the Company received a Civil Investigative Demand (“CID”) from the Office of the Louisiana Attorney General (the “Louisiana AG”) requesting information concerning the Company’s labeling, marketing and sale of certain Dollar General private-label motor oil (the “Louisiana Motor Oil Matter”). In response to the CID, the Company filed a petition for a protective order on February 20, 2018 in the 19th Judicial District Court for the Parish of East Baton Rouge, Louisiana seeking to set aside the CID. (*In re Dollar General Corp. and Dolgencorp, LLC*, Case No. 666499). On February 7, 2020, the Company reached an agreement with the Louisiana AG to resolve this matter for an amount that is immaterial to the Company’s consolidated financial statements as a whole.

On August 20, 2018, plaintiffs moved to certify two nationwide classes relating to their claims of alleged unjust enrichment and breach of implied warranties. In addition, plaintiffs moved to certify a multi-state class relating to their claims of breach of implied warranties and multiple statewide classes relating to alleged unfair trade practices/consumer fraud, unjust enrichment and breach of implied warranty claims. The Company opposed the plaintiffs’ certification motion. On March 21, 2019, the court granted the plaintiffs’ certification motion as to 16 statewide classes regarding claims of unjust enrichment and 16 statewide classes regarding state consumer protection laws. Subsequently, the court certified an additional class, bringing the total to 17 statewide classes. The court denied plaintiffs’ certification motion in all other respects. On June 25, 2019, the United States Court of Appeals for the Eighth Circuit granted the Company’s Petition to Appeal the lower court’s certification rulings. The Company’s appeal is pending.

The Company is vigorously defending these matters and believes that the labeling, marketing and sale of its private-label motor oil comply with applicable federal and state requirements and are not misleading. The Company further believes that these matters are not appropriate for class or similar treatment. At this time, however, except as to the Louisiana Motor Oil Matter, it is not possible to predict whether these matters ultimately will be permitted to proceed as a class or in a similar fashion or the size of any putative class or classes. Likewise, except as to the Louisiana Motor Oil Matter, no assurances can be given that the Company will be successful in its defense of these matters on the merits or otherwise. Based on its belief that a loss in these matters is both probable and reasonably estimable, during 2019, the Company recorded an accrual for an amount that is immaterial to the Company’s consolidated financial statements as a whole.

8. Benefit plans

The Dollar General Corporation 401(k) Savings and Retirement Plan, which became effective on January 1, 1998, is a safe harbor defined contribution plan and is subject to the Employee Retirement and Income Security Act (“ERISA”).

A participant’s right to claim a distribution of his or her account balance is dependent on the plan, ERISA guidelines and Internal Revenue Service regulations. All active participants are fully vested in all contributions to the 401(k) plan. During 2019, 2018 and 2017, the Company expensed approximately \$25.0 million, \$20.2 million and \$17.5 million, respectively, for matching contributions.

The Company also has a compensation deferral plan (“CDP”) and a nonqualified supplemental retirement plan (“SERP”), known as the Dollar General Corporation CDP/SERP Plan, for a select group of management and other key employees. The Company incurred compensation expense for these plans of approximately \$0.8 million in 2019, and \$0.7 million in each of 2018 and 2017, respectively.

The deferred compensation liability associated with the CDP/SERP Plan is reflected in the consolidated balance sheets as further disclosed in Note 6.

9. Share-based payments

The Company accounts for share-based payments in accordance with applicable accounting standards, under which the fair value of each award is separately estimated and amortized into compensation expense over the service period. The fair value of the Company's stock option grants are estimated on the grant date using the Black-Scholes-Merton valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The fair value of the Company's other share-based awards discussed below are estimated using the Company's closing stock price on the grant date. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period.

On July 6, 2007, the Company's Board of Directors adopted the 2007 Stock Incentive Plan, which plan was subsequently amended and restated on several occasions (as so amended and restated, the "Plan"). The Plan allows the granting of stock options, stock appreciation rights, and other stock-based awards or dividend equivalent rights to key employees, directors, consultants or other persons having a service relationship with the Company, its subsidiaries and certain of its affiliates. The number of shares of Company common stock authorized for grant under the Plan is 31,142,858.

Generally, share-based awards issued by the Company are in the form of stock options, restricted stock units and performance share units, and unless noted otherwise, the disclosures that follow refer to such awards. With limited exceptions, stock options and restricted stock units granted to employees generally vest ratably on an annual basis over four-year and three-year periods, respectively. Awards granted to board members generally vest over a one-year period. The number of performance share units earned are based on performance criteria measured over a period of one to three years, and such awards generally vest over a three-year period. With limited exceptions, the performance share unit and restricted stock unit awards are payable in shares of common stock on the vesting date.

The weighted average for key assumptions used in determining the fair value of all stock options granted in the years ended January 31, 2020, February 1, 2019, and February 2, 2018, and a summary of the methodology applied to develop each assumption, are as follows:

	January 31, 2020	February 1, 2019	February 2, 2018
Expected dividend yield	1.1 %	1.2 %	1.3 %
Expected stock price volatility	25.3 %	25.0 %	25.5 %
Weighted average risk-free interest rate	2.3 %	2.7 %	2.1 %
Expected term of options (years)	6.2	6.3	6.3

Expected dividend yield - This is an estimate of the expected dividend yield on the Company's stock. An increase in the dividend yield will decrease compensation expense.

Expected stock price volatility - This is a measure of the amount by which the price of the Company's common stock has fluctuated or is expected to fluctuate. An increase in the expected volatility will increase compensation expense.

Weighted average risk-free interest rate - This is the U.S. Treasury rate for the week of the grant having a term approximating the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Expected term of options - This is the period of time over which the options granted are expected to remain outstanding. An increase in the expected term will increase compensation expense.

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A summary of the Company's stock option activity during the year ended January 31, 2020 is as follows:

<u>(Intrinsic value amounts reflected in thousands)</u>	<u>Options Issued</u>	<u>Average Exercise Price</u>	<u>Remaining Contractual Term in Years</u>	<u>Intrinsic Value</u>
Balance, February 1, 2019	3,257,250	\$ 76.76		
Granted	649,139	119.05		
Exercised	(470,777)	71.33		
Canceled	(115,893)	90.13		
Balance, January 31, 2020	<u>3,319,719</u>	<u>\$ 85.34</u>	<u>6.9</u>	<u>\$ 225,983</u>
Exercisable at January 31, 2020	<u>1,533,231</u>	<u>\$ 72.81</u>	<u>5.6</u>	<u>\$ 123,582</u>

The weighted average grant date fair value per share of options granted was \$30.67, \$24.37 and \$17.66 during 2019, 2018 and 2017, respectively. The intrinsic value of options exercised during 2019, 2018 and 2017, was \$26.6 million, \$15.4 million and \$7.3 million, respectively.

The number of performance share unit awards earned is based upon the Company's financial performance as specified in the award agreement. A summary of performance share unit award activity during the year ended January 31, 2020 is as follows:

<u>(Intrinsic value amounts reflected in thousands)</u>	<u>Units Issued</u>	<u>Intrinsic Value</u>
Balance, February 1, 2019	210,989	
Granted	108,584	
Converted to common stock	(89,562)	
Canceled	(12,563)	
Balance, January 31, 2020	<u>217,448</u>	<u>\$ 33,359</u>

All performance share unit awards at January 31, 2020 are unvested, and the number of such awards which will ultimately vest will be based in part on the Company's financial performance in future years. The weighted average grant date fair value per share of performance share units granted was \$117.13, \$92.98 and \$70.68 during 2019, 2018 and 2017, respectively.

A summary of restricted stock unit award activity during the year ended January 31, 2020 is as follows:

<u>(Intrinsic value amounts reflected in thousands)</u>	<u>Units Issued</u>	<u>Intrinsic Value</u>
Balance, February 1, 2019	450,039	
Granted	230,577	
Converted to common stock	(211,511)	
Canceled	(50,436)	
Balance, January 31, 2020	<u>418,669</u>	<u>\$ 64,228</u>

The weighted average grant date fair value per share of restricted stock units granted was \$117.20, \$93.16 and \$70.90 during 2019, 2018 and 2017, respectively.

At January 31, 2020, the total unrecognized compensation cost related to unvested stock-based awards was \$76.1 million with an expected weighted average expense recognition period of 2.1 years.

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The fair value method of accounting for share-based awards resulted in share-based compensation expense (a component of SG&A expenses) and a corresponding reduction in income before and net of income taxes as follows:

(In thousands)	Stock Options	Performance Share Units	Restricted Stock Units	Total
Year ended January 31, 2020				
Pre-tax	\$ 16,128	\$ 13,343	\$ 19,118	\$ 48,589
Net of tax	\$ 12,080	\$ 9,994	\$ 14,319	\$ 36,393
Year ended February 1, 2019				
Pre-tax	\$ 14,556	\$ 8,597	\$ 17,726	\$ 40,879
Net of tax	\$ 10,902	\$ 6,439	\$ 13,277	\$ 30,618
Year ended February 2, 2018				
Pre-tax	\$ 11,599	\$ 6,159	\$ 16,565	\$ 34,323
Net of tax	\$ 7,223	\$ 3,835	\$ 10,315	\$ 21,373

10. Segment reporting

The Company manages its business on the basis of one reportable operating segment. See Note 1 for a brief description of the Company's business. As of January 31, 2020, all of the Company's operations were located within the United States with the exception of certain subsidiaries in Hong Kong and China, which collectively are not material with regard to assets, results of operations or otherwise, to the consolidated financial statements. The following net sales data is presented in accordance with accounting standards related to disclosures about segments of an enterprise.

(in thousands)	2019	2018	2017
Classes of similar products:			
Consumables	\$ 21,635,890	\$ 19,865,086	\$ 18,054,785
Seasonal	3,258,874	3,050,282	2,837,310
Home products	1,611,899	1,506,054	1,400,618
Apparel	1,247,310	1,203,621	1,178,254
Net sales	\$ 27,753,973	\$ 25,625,043	\$ 23,470,967

11. Common stock transactions

On August 29, 2012, the Company's Board of Directors authorized a common stock repurchase program, which the Board has since increased on several occasions. On December 3, 2019, the Company's Board of Directors authorized a \$1.0 billion increase to the existing common stock repurchase program and a cumulative total of \$8.0 billion has been authorized under the program since its inception. The repurchase authorization has no expiration date and allows repurchases from time to time in the open market or in privately negotiated transactions. The timing and number of shares purchased depends on a variety of factors, such as price, market conditions, compliance with the covenants and restrictions under the Company's debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings including under the Company's Revolving Facility and issuance of CP Notes discussed in further detail in Note 5.

During the years ended January 31, 2020, February 1, 2019, and February 2, 2018, the Company repurchased approximately 8.3 million shares of its common stock at a total cost of \$1.2 billion, approximately 9.9 million shares of its common stock at a total cost of \$1.0 billion, and approximately 7.1 million shares of its common stock at a total cost of \$0.6 billion, respectively, pursuant to its common stock repurchase program.

The Company paid quarterly cash dividends of \$0.32 per share in 2019. On March 11, 2020, the Company's Board of Directors declared a quarterly cash dividend of \$0.36 per share, which is payable on or before April 21, 2020 to shareholders of record on April 7, 2020. The amount and declaration of future cash dividends is subject to the sole discretion of the Company's Board of Directors and will depend upon, among

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other things, the Company's results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Board may deem relevant in its sole discretion.

12. Quarterly financial data (unaudited)

The following is selected unaudited quarterly financial data for the fiscal years ended January 31, 2020 and February 1, 2019. Each quarterly period listed below was a 13-week accounting period. The sum of the four quarters for any given year may not equal annual totals due to rounding.

(In thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019:				
Net sales	\$ 6,623,185	\$ 6,981,753	\$ 6,991,393	\$ 7,157,642
Gross profit	2,002,276	2,148,936	2,065,086	2,272,763
Operating profit	512,237	577,775	491,417	720,875
Net income	385,013	426,555	365,550	535,437
Basic earnings per share	1.49	1.65	1.43	2.11
Diluted earnings per share	1.48	1.65	1.42	2.10

(In thousands)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018:				
Net sales	\$ 6,114,463	\$ 6,443,309	\$ 6,417,462	\$ 6,649,809
Gross profit	1,862,249	1,974,873	1,895,059	2,071,689
Operating profit	490,184	545,476	442,143	638,503
Net income	364,852	407,237	334,142	483,241
Basic earnings per share	1.36	1.53	1.26	1.85
Diluted earnings per share	1.36	1.52	1.26	1.84

In the second quarter of 2019, the Company incurred expenses for losses the Company believes are both probable and reasonably estimable relating to certified class actions and associated legal matters totaling \$31.0 million (\$24.1 million net of tax, or \$0.09 per diluted share), which was recognized in Selling, general and administrative expense in the second quarter of 2019.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Management’s Annual Report on Internal Control Over Financial Reporting. Our management prepared and is responsible for the consolidated financial statements and all related financial information contained in this report. This responsibility includes establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles.

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, management designed and implemented a structured and comprehensive assessment process to evaluate the effectiveness of its internal control over financial reporting. Such assessment was based on criteria established in *Internal Control—Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Management regularly monitors our internal control over financial reporting, and actions are taken to correct any deficiencies as they are identified. Based on its assessment, management has concluded that our internal control over financial reporting is effective as of January 31, 2020.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements, has issued an attestation report on our internal control over financial reporting. Such attestation report is contained below.

(c) Attestation Report of Independent Registered Public Accounting Firm.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Dollar General Corporation

Opinion on Internal Control over Financial Reporting

We have audited Dollar General Corporation and subsidiaries' internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Dollar General Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated March 19, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that

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controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 19, 2020

(d) *Changes in Internal Control Over Financial Reporting.* There have been no changes during the quarter ended January 31, 2020 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) or Rule 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Long-Term Incentive Program: 2020 Annual Equity Grants

On March 17, 2020, the Company's Compensation Committee (the "Committee") awarded 133,723 non-qualified stock options ("Options") and 28,494 performance share units ("PSUs") to Mr. Vasos, 32,688 Options and 6,965 PSUs to Mr. Owen, 23,773 Options and 5,066 PSUs to Mr. Garratt and 20,058 Options and 4,274 PSUs to Mr. Reiser on the terms and subject to the conditions set forth in the form of Option award agreement (as applicable, the "Form Option Agreement") and form of PSU award agreement (as applicable, the "Form PSU Agreement") attached hereto respectively as Exhibit 10.38 and Exhibit 10.39 for Mr. Vasos and as Exhibit 10.6 and Exhibit 10.14 for Messrs. Owen, Garratt and Reiser (collectively and as applicable, the "Form Award Agreements"), and subject to the terms and conditions of the previously filed Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan.

The Options, which were granted to each such officer on terms substantially similar to the prior year with the exceptions described below for Mr. Vasos, have a term of ten years and, subject to earlier forfeiture or accelerated vesting under certain circumstances described in the Form Option Agreement, generally will vest in four equal annual installments beginning on April 1, 2021. The Form Option Agreement applicable to Mr. Vasos includes additional expiration, forfeiture and accelerated vesting conditions in the event he terminates employment with the Company due to an Early Retirement after April 1, 2021.

The PSUs represent a target number of units that can be earned if certain performance measures are achieved during the applicable performance periods and if certain additional vesting requirements are met. Fifty percent of the target number of PSUs is subject to an adjusted EBITDA performance measure with a performance period of the Company's fiscal year 2020. The other fifty percent of the target number of PSUs is subject to an adjusted ROIC performance measure which is the average of adjusted ROIC for the Company's fiscal years 2020, 2021 and 2022. All performance measures were established by the Committee on the grant date. The number of PSUs earned will vary between 0% and 300% of the target amount based on actual performance compared to target performance on a graduated scale, with performance at the target level resulting in 100% of the target number of PSUs being earned. At the conclusion of each applicable performance period, the Committee will determine the level of achievement of each performance goal measure and the corresponding number of PSUs earned by each grantee.

Subject to certain pro-rata vesting conditions, one-third of the PSUs earned by each grantee for adjusted EBITDA performance will vest in equal installments on April 1, 2021, April 1, 2022 and April 1, 2023, in each case subject to the grantee's continued employment with the Company (except as noted below for Mr. Vasos) and certain accelerated vesting provisions described in the Form PSU Agreement. The Form PSU Agreement applicable to Mr. Vasos includes additional vesting, forfeiture and termination provisions in the event he

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terminates employment with the Company due to an Early Retirement after April 1, 2021. Subject to certain pro-rata vesting conditions, the PSUs earned by each grantee for adjusted ROIC performance will vest on April 1, 2023, subject to the grantee's continued employment with the Company and certain accelerated vesting provisions described in the Form PSU Agreement.

For purposes of Mr. Vasos's Form Award Agreements, Early Retirement means the voluntary termination of his employment with the Company after April 1, 2021, but prior to Normal Retirement (as defined in the applicable Form Award Agreement); provided that: (a) he has provided notice of voluntary termination in writing to the Board within a reasonable period of time prior to the date of his voluntary termination; (b) he has agreed in writing to provide reasonable transition services to the Board and his successor for up to twelve (12) months following his voluntary termination; (c) he agrees in writing to extend the "Restricted Period" of the business protection provisions, including his agreement not to compete and not to solicit, contained in his employment agreement with the Company (the "Business Protection Provisions") from two (2) years to three (3) years from the date of voluntary termination; and (d) there is no basis for the Company to terminate him with Cause (as defined in the applicable Form Award Agreement) at the time of his voluntary termination.

In the event of Mr. Vasos's Early Retirement after April 1, 2021, the Option shall remain outstanding and become vested and exercisable on the vesting dates described above, subject, however to immediate forfeiture in the event of a violation of any of the Business Protection Provisions following Early Retirement, and to accelerated vesting if he dies or incurs a Disability or there is a Change in Control (each as defined in his Form Option Agreement) following Early Retirement. Subject to such earlier forfeiture, Mr. Vasos will have five (5) years from the date of his termination of employment with the Company due to Early Retirement to exercise vested Options. Notwithstanding the foregoing, if the Company becomes aware of his violation following Early Retirement of any of the Business Protection Provisions, any portion of the Option that vested following Early Retirement shall immediately be forfeited and subject to clawback by the Company and the unvested portion of any Option shall immediately be forfeited.

In the event of Mr. Vasos's Early Retirement after April 1, 2021 (which is after the end of the applicable performance period), any unvested PSUs subject to the adjusted EBITDA performance measure shall remain outstanding and become vested and paid, to the extent earned based on all applicable performance requirements, on the vesting dates described above, subject, however to accelerated vesting if he dies or becomes Disabled or there is a Change in Control (each as defined in his Form PSU Agreement) following Early Retirement but payment shall not be accelerated and shall continue to be made on the vesting dates described above. Notwithstanding the foregoing, if the Company becomes aware of his violation following Early Retirement of any of the Business Protection Provisions, any portion of the PSUs that vested following Early Retirement shall immediately be forfeited and subject to clawback by the Company and any unvested portion of the PSUs shall immediately be forfeited. In the event of Mr. Vasos's Early Retirement after April 1, 2021 (which is after the end of the applicable performance period) and within two (2) years following a Change in Control (as defined in his Form PSU Agreement) and provided such Early Retirement also constitutes a "separation from service" within the meaning of Section 409A of the Internal Revenue Code, any unvested PSUs subject to the adjusted EBITDA performance measure shall become immediately vested, to the extent earned based on all applicable performance requirements, on his Early Retirement date and shall be paid six months later, subject to immediate forfeiture and clawback by the Company of any PSUs that became vested as a result of such Early Retirement if the Company becomes aware of his violation following Early Retirement of any of the Business Protection Provisions.

The foregoing descriptions of all Options and PSU awards and the Form Award Agreements are summaries only, do not purport to be complete, and are qualified in their entirety by reference to the filed Form Award Agreements attached hereto as Exhibits 10.6, 10.14, 10.38 and 10.39.

Short-Term Incentive Program: 2020 Teamshare

On March 17, 2020, the Committee approved the Company's 2020 short-term incentive bonus program applicable to the Company's named executive officers ("2020 Teamshare") on the terms and subject to the conditions set forth in the 2020 Teamshare bonus program document attached hereto as Exhibit 10.31.

The Committee again selected adjusted EBIT as the Company-wide performance measure for 2020 Teamshare and established the target level of adjusted EBIT consistent with adjusted EBIT in the Company's fiscal year 2020 financial plan previously approved by the Board of Directors. The Committee determined that adjusted EBIT shall mean the Company's Operating Profit as calculated in accordance with United States generally accepted accounting principles, but shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company's LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the implementation of accounting or tax legislative changes or (iii) any unplanned loss(es) or gain(s) of a non-recurring nature, provided that in the case of each of (i), (ii) and (iii) such amount equals or exceeds \$1 million from a single loss or gain, as applicable, and \$10 million in the aggregate. The Committee established the threshold below which no bonus may be paid under 2020 Teamshare at 90% of the target level of the adjusted EBIT performance measure and the maximum above which no additional bonus may be paid at 120% of the target level of the adjusted EBIT performance measure. The amount of bonus paid to named executive officers will vary between 0% and 300% of the target bonus payment amount based on actual Company performance compared to target performance on a graduated scale, with performance at the target level resulting in 100% of the target bonus amount being earned, subject to individual eligibility requirements and additional individual performance factors. If a named executive officer is determined to be eligible to receive a 2020 Teamshare bonus payout in accordance with the eligibility rules, adjustments to bonus payouts may be made upward or downward based upon individual performance or other factors. The target percentage of base salary payout for 2020 Teamshare for Mr. Vasos, Mr. Owen, Mr. Garratt and Mr. Reiser is 150%, 100%, 75% and 75%, respectively.

The foregoing description of 2020 Teamshare is a summary only, does not purport to be complete, and is qualified in its entirety by reference to the filed 2020 Teamshare Bonus Program document attached hereto as Exhibit 10.31.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

(a) *Information Regarding Directors and Executive Officers.* The information required by this Item 10 regarding our directors and director nominees is contained under the captions “Who are the nominees this year” and “Are there any family relationships between any of the directors, executive officers or nominees,” in each case under the heading “Proposal 1: Election of Directors” in our definitive Proxy Statement to be filed for our Annual Meeting of Shareholders to be held on May 27, 2020 (the “2020 Proxy Statement”), which information under such captions is incorporated herein by reference. Information required by this Item 10 regarding our executive officers is contained in Part I of this Form 10-K under the caption “Information About Our Executive Officers,” which information under such caption is incorporated herein by reference.

(b) *Compliance with Section 16(a) of the Exchange Act.* Information required by this Item 10 regarding compliance with Section 16(a) of the Exchange Act is contained under the caption “Delinquent Section 16(a) Reports” under the heading “Security Ownership” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

(c) *Code of Business Conduct and Ethics.* We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and Board members. This Code is posted on the Investor Information section of our Internet website at www.dollargeneral.com. If we choose to no longer post such Code, we will provide a free copy to any person upon written request to Dollar General Corporation, c/o Investor Relations Department, 100 Mission Ridge, Goodlettsville, TN 37072. We intend to provide any required disclosure of an amendment to or waiver from such Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our Internet website located at www.dollargeneral.com promptly following the amendment or waiver. We may elect to disclose any such amendment or waiver in a report on Form 8-K filed with the SEC either in addition to or in lieu of the website disclosure. The information contained on or connected to our Internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC.

(d) *Procedures for Shareholders to Recommend Director Nominees.* There have been no material changes to the procedures by which security holders may recommend nominees to the registrant’s Board of Directors.

(e) *Audit Committee Information.* Information required by this Item 10 regarding our audit committee and our audit committee financial experts is contained under the captions “What functions are performed by the Audit, Compensation and Nominating Committees” and “Does Dollar General have an audit committee financial expert serving on its Audit Committee,” in each case under the heading “Corporate Governance” in the 2020 Proxy Statement, which information pertaining to the audit committee and its membership and audit committee financial experts under such captions is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 regarding director and executive officer compensation, the Compensation Committee Report, the risks arising from our compensation policies and practices for employees, pay ratio disclosure, and compensation committee interlocks and insider participation is contained under the captions “Director Compensation” and “Executive Compensation” in the 2020 Proxy Statement, which information under such captions is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information.* The following table sets forth information about securities authorized for issuance under our compensation plans (including individual compensation arrangements) as of January 31, 2020:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	4,122,704	\$ 85.34	15,173,424
Equity compensation plans not approved by security holders	—	—	—
Total(1)	4,122,704	\$ 85.34	15,173,424

(1) Column (a) consists of shares of common stock issuable upon exercise of outstanding options and upon vesting and payment of outstanding restricted stock units, performance share units and deferred shares, including dividend equivalents accrued thereon, under the Amended and Restated 2007 Stock Incentive Plan. Restricted stock units, performance share units, deferred shares and dividend equivalents are settled for shares of common stock on a one-for-one basis and have no exercise price. Accordingly, they have been excluded for purposes of computing the weighted-average exercise price in column (b). Column (c) consists of shares reserved for issuance pursuant to the Amended and Restated 2007 Stock Incentive Plan, whether in the form of stock, restricted stock, restricted stock units, performance share units or other stock-based awards or upon the exercise of an option or right.

(b) *Other Information.* The information required by this Item 12 regarding security ownership of certain beneficial owners and our management is contained under the caption “Security Ownership” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 regarding certain relationships and related transactions is contained under the caption “Transactions with Management and Others” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

The information required by this Item 13 regarding director independence is contained under the caption “Director Independence” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 regarding fees we paid to our principal accountant and the pre-approval policies and procedures established by the Audit Committee of our Board of Directors is contained under the caption “Fees Paid to Auditors” in the 2020 Proxy Statement, which information under such caption is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)	Report of Independent Registered Public Accounting Firm	40
	Consolidated Balance Sheets	43
	Consolidated Statements of Income	44
	Consolidated Statements of Comprehensive Income	45
	Consolidated Statements of Shareholders' Equity	46
	Consolidated Statements of Cash Flows	47
	Notes to Consolidated Financial Statements	48
(b)	All schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable or the information is included in the Consolidated Financial Statements and, therefore, have been omitted.	
(c)	Exhibits:	

EXHIBIT INDEX

3.1	Amended and Restated Charter of Dollar General Corporation (complete copy as amended for SEC filing purposes only) (incorporated by reference to Exhibit 3.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the quarter ended May 3, 2013, filed with the SEC on June 4, 2013 (file no. 001-11421))	
3.2	Bylaws of Dollar General Corporation (as amended and restated on March 23, 2017) (incorporated by reference to Exhibit 3.2 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 3, 2017, filed with the SEC on March 24, 2017 (file no. 001-11421))	
4.1	Form of 3.250% Senior Notes due 2023 (included in Exhibit 4.7) (incorporated by reference to Exhibit 4.2 to Dollar General Corporation's Current Report on Form 8-K dated April 8, 2013, filed with the SEC on April 11, 2013 (file no. 001-11421))	
4.2	Form of 4.150% Senior Notes due 2025 (included in Exhibit 4.8) (incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated October 15, 2015, filed with the SEC on October 20, 2015 (file no. 001-11421))	
4.3	Form of 3.875% Senior Notes due 2027 (included in Exhibit 4.9) (incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated April 11, 2017, filed with the SEC on April 11, 2017 (file no. 001-11421))	
4.4	Form of 4.125% Senior Notes due 2028 (included in Exhibit 4.10) (incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated April 10, 2018, filed with the SEC on April 10, 2018 (file no. 001-11421))	
4.5	Indenture, dated as of July 12, 2012, between Dollar General Corporation, as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated July 12, 2012, filed with the SEC on July 17, 2012 (file no. 001-11421))	
4.6	Fourth Supplemental Indenture, dated as of April 11, 2013, between Dollar General Corporation, as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to Dollar General Corporation's Current Report on Form 8-K dated April 8, 2013, filed with the SEC on April 11, 2013 (file no. 001-11421))	

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- 4.7 [Fifth Supplemental Indenture, dated as of October 20, 2015, between Dollar General Corporation, as issuer, and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated October 15, 2015, filed with the SEC on October 20, 2015 \(file no. 001-11421\)\)](#)
- 4.8 [Sixth Supplemental Indenture, dated as of April 11, 2017, between Dollar General Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated April 11, 2017, filed with the SEC on April 11, 2017 \(file no. 001-11421\)\)](#)
- 4.9 [Seventh Supplemental Indenture, dated as of April 10, 2018, between Dollar General Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated April 10, 2018, filed with the SEC on April 10, 2018 \(file no. 001-11421\)\)](#)
- 4.10 [Amended and Restated Credit Agreement, dated as of September 10, 2019, among Dollar General Corporation, as borrower, Citibank, N.A., as administrative agent, and the other credit parties and lenders party thereto \(incorporated by reference to Exhibit 4.1 to Dollar General Corporation's Current Report on Form 8-K dated September 10, 2019, filed with the SEC on September 13, 2019 \(file no. 001-11421\)\)](#)
- 4.11 [Material terms of outstanding securities registered under Section 12 of the Exchange Act of 1934 as required by Item 202\(a\)-\(d\) and \(f\) of Regulation S-K](#)
- 10.1 [Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(adopted November 30, 2016 and approved by shareholders on May 31, 2017\) \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2016, filed with the SEC on December 1, 2016 \(file no. 001-11421\)\)*](#)
- 10.2 [Form of Stock Option Award Agreement \(approved March 20, 2012\) for awards beginning March 2012 and prior to March 2015 to certain employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.1 to Dollar General Corporation's Current Report on Form 8-K dated March 20, 2012, filed with the SEC on March 26, 2012 \(file no. 001-11421\)\)*](#)
- 10.3 [Form of Stock Option Award Agreement \(approved August 26, 2014\) for annual awards beginning March 2015 and prior to March 2016 to certain employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2014, filed with the SEC on December 4, 2014 \(file no. 001-11421\)\)*](#)
- 10.4 [Form of Stock Option Award Agreement \(approved March 16, 2016\) for awards beginning March 2016 and prior to March 2017 to certain employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.5 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 29, 2016, filed with the SEC on March 22, 2016 \(file no. 001-11421\)\)*](#)
- 10.5 [Form of Stock Option Award Agreement \(approved March 22, 2017\) for awards beginning March 2017 and prior to March 2018 to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.7 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 3, 2017, filed with the SEC on March 24, 2017 \(file no. 001-11421\)\)*](#)

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- 10.6 [Form of Stock Option Award Agreement \(approved March 21, 2018\) for awards beginning March 2018 to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.7 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 2, 2018, filed with the SEC on March 23, 2018 \(file no. 001-11421\)\)*](#)
- 10.7 [Form of Stock Option Award Agreement \(approved August 26, 2014\) for awards beginning December 2014 and prior to May 2016 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.3 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2014, filed with the SEC on December 4, 2014 \(file no. 001-11421\)\)*](#)
- 10.8 [Form of Stock Option Award Agreement \(approved May 24, 2016\) for awards beginning May 2016 and prior to March 2017 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.3 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2016, filed with the SEC on May 26, 2016 \(file no. 001-11421\)\)*](#)
- 10.9 [Form of Stock Option Award Agreement \(approved March 22, 2017\) for awards beginning March 2017 and prior to December 2017 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.10 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 3, 2017, filed with the SEC on March 24, 2017 \(file no. 001-11421\)\)*](#)
- 10.10 [Form of Stock Option Award Agreement \(approved December 5, 2017\) for awards beginning December 2017 to certain newly hired and promoted employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended November 3, 2017, filed with the SEC on December 7, 2017 \(file no. 001-11421\)\)*](#)
- 10.11 [Form of Performance Share Unit Award Agreement \(approved March 22, 2017\) for 2017 awards to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.13 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 3, 2017, filed with the SEC on March 24, 2017 \(file no. 001-11421\)\)*](#)
- 10.12 [Form of Performance Share Unit Award Agreement \(approved March 21, 2018\) for 2018 awards to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.15 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 2, 2018, filed with the SEC on March 23, 2018 \(file no. 001-11421\)\)*](#)
- 10.13 [Form of Performance Share Unit Award Agreement \(approved March 20, 2019\) for 2019 awards to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.15 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 1, 2019, filed with the SEC on March 22, 2019 \(file no. 001-11421\)\)*](#)
- 10.14 [Form of Performance Share Unit Award Agreement \(approved March 17, 2020\) for 2020 awards to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan*](#)

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- 10.15 [Form of Restricted Stock Unit Award Agreement \(approved March 22, 2017\) for awards beginning March 2017 and prior to March 2018 to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.16 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 3, 2017, filed with the SEC on March 24, 2017 \(file no. 001-11421\)\)*](#)
- 10.16 [Form of Restricted Stock Unit Award Agreement \(approved March 21, 2018\) for awards beginning March 2018 to certain employees of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.19 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 2, 2018, filed with the SEC on March 23, 2018 \(file no. 001-11421\)\)*](#)
- 10.17 [Form of Restricted Stock Unit Award Agreement for awards prior to May 2011 to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.15 to Dollar General Corporation's Registration Statement on Form S-1 \(file no. 333-161464\)\)](#)
- 10.18 [Form of Restricted Stock Unit Award Agreement \(approved May 24, 2011\) for awards beginning May 2011 and prior to May 2014 to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.3 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2011, filed with the SEC on June 1, 2011 \(file no. 001-11421\)\)](#)
- 10.19 [Form of Restricted Stock Unit Award Agreement \(approved May 28, 2014\) for awards beginning May 2014 and prior to February 2015 to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.4 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 2, 2014, filed with the SEC on June 3, 2014 \(file no. 001-11421\)\)](#)
- 10.20 [Form of Restricted Stock Unit Award Agreement \(approved December 3, 2014\) for awards beginning February 2015 and prior to May 2016 to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.7 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2014, filed with the SEC on December 4, 2014 \(file no. 001-11421\)\)](#)
- 10.21 [Form of Restricted Stock Unit Award Agreement \(approved May 24, 2016\) for awards beginning May 2016 and prior to May 2017 to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2016, filed with the SEC on May 26, 2016 \(file no. 001-11421\)\)](#)
- 10.22 [Form of Restricted Stock Unit Award Agreement \(approved May 30, 2017\) for awards beginning May 2017 to non-employee directors of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 5, 2017, filed with the SEC on June 1, 2017 \(file no. 001-11421\)\)](#)
- 10.23 [Form of Restricted Stock Unit Award Agreement \(approved January 26, 2016\) for awards beginning February 1, 2016 and prior to November 28, 2018 to non-executive Chairmen of the Board of Directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.20 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 29, 2016, filed with the SEC on March 22, 2016 \(file no. 001-11421\)\)](#)

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- 10.24 [Form of Restricted Stock Unit Award Agreement \(approved November 28, 2018\) for awards beginning after November 28, 2018 to non-executive Chairmen of the Board of Directors of Dollar General Corporation pursuant to the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.3 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended November 2, 2018, filed with the SEC on December 4, 2018 \(file no. 01-11421\)\)](#)
- 10.25 [Form of Stock Option Award Agreement for awards to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan \(incorporated by reference to Exhibit 10.16 to Dollar General Corporation's Registration Statement on Form S-1 \(file no. 333-161464\)\)](#)
- 10.26 [Dollar General Corporation CDP/SERP Plan \(as amended and restated effective December 31, 2007\) \(incorporated by reference to Exhibit 10.10 to Dollar General Corporation's Registration Statement on Form S-4 \(file no. 333-148320\)\)*](#)
- 10.27 [First Amendment to the Dollar General Corporation CDP/SERP Plan \(as amended and restated effective December 31, 2007\) \(incorporated by reference to Exhibit 10.11 to Dollar General Corporation's Registration Statement on Form S-4 \(file no. 333-148320\)\)*](#)
- 10.28 [Second Amendment to the Dollar General Corporation CDP/SERP Plan \(as amended and restated effective December 31, 2007\), dated as of June 3, 2008 \(incorporated by reference to Exhibit 10.6 to Dollar General Corporation's Quarterly Report on Form 10-Q for the quarter ended August 1, 2008, filed with the SEC on September 3, 2008 \(file no. 001-11421\)\)*](#)
- 10.29 [Dollar General Corporation Non-Employee Director Deferred Compensation Plan \(approved December 3, 2014\) \(incorporated by reference to Exhibit 10.6 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2014, filed with the SEC on December 4, 2014 \(file no. 001-11421\)\)](#)
- 10.30 [Dollar General Corporation 2019 Teamshare Bonus Program for Named Executive Officers \(incorporated by reference to Exhibit 10.34 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 1, 2019, filed with the SEC on March 22, 2019 \(file no. 001-11421\)\)*](#)
- 10.31 [Dollar General Corporation 2020 Teamshare Bonus Program for Named Executive Officers*](#)
- 10.32 [Summary of Dollar General Corporation Life Insurance Program as Applicable to Executive Officers \(incorporated by reference to Exhibit 10.36 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended February 2, 2018, filed with the SEC on March 23, 2018 \(file no. 001-11421\)\)*](#)
- 10.33 [Dollar General Corporation Executive Relocation Policy, as amended \(effective August 27, 2019\) \(incorporated by reference to Exhibit 10.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 2019, filed with the SEC on August 29, 2019\) \(file no. 001-11421\)\)*](#)
- 10.34 [Summary of Non-Employee Director Compensation effective February 1, 2020 \(incorporated by reference to Exhibit 10.4 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended November 1, 2019, filed with the SEC on December 5, 2019 \(file no. 001-11421\)\)*](#)
- 10.35 [Employment Agreement, effective June 3, 2018, between Dollar General Corporation and Todd J. Vasos \(incorporated by reference to Exhibit 99 to Dollar General Corporation's Current Report on Form 8-K dated May 31, 2018, filed with the SEC on May 31, 2018 \(file no. 001-11421\)\)*](#)

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- 10.36 [Form of Stock Option Award Agreement between Dollar General Corporation and Todd J. Vasos for June 3, 2015 award \(incorporated by reference to Exhibit 99.2 to Dollar General Corporation's Current Report on Form 8-K dated May 27, 2015, filed with the SEC on May 28, 2015 \(file no. 001-11421\)\)*](#)
- 10.37 [Form of Stock Option Award Agreement between Dollar General Corporation and Todd J. Vasos \(approved March 16, 2016\) for March 16, 2016 award \(incorporated by reference to Exhibit 10.38 to Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 29, 2016, filed with the SEC on March 22, 2016 \(file no. 001-11421\)\)*](#)
- 10.38 [Form of Stock Option Award Agreement between Dollar General Corporation and Todd J. Vasos \(approved March 17, 2020\)*](#)
- 10.39 [Form of Performance Share Unit Award Agreement between Dollar General Corporation and Todd J. Vasos \(approved March 17, 2020\)*](#)
- 10.40 [Form of Executive Vice President Employment Agreement with attached Schedule of Executive Vice Presidents who have executed the Executive Vice President Employment Agreement \(incorporated by reference to Exhibit 99 to Dollar General Corporation's Current Report on Form 8-K dated April 5, 2018, filed with the SEC on April 11, 2018 \(file no. 001-11421\)\)*](#)
- 10.41 [Amended Schedule of Executive Officers who have executed an employment agreement in the form of Executive Vice President Agreement filed as Exhibit 10.40 \(incorporated by reference to Exhibit 10.2 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended November 1, 2019, filed with the SEC on December 5, 2019 \(file no. 001-11421\)\)*](#)
- 10.42 [Form of Senior Vice President Employment Agreement with attached Schedule of Senior Vice President-level Executive Officers who have executed the Senior Vice President Employment Agreement \(incorporated by reference to Exhibit 10.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 2018, filed with the SEC on May 31, 2018 \(file no. 001-11421\)\)*](#)
- 10.43 [Amended Schedule of Senior Vice President-level Executive Officers who have executed a Senior Vice President Employment Agreement in the form filed as Exhibit 10.42 \(incorporated by reference to Exhibit 10.1 to Dollar General Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2019, filed with the SEC on May 30, 2019 \(file no. 01-11421\)\)*](#)
- 21 [List of Subsidiaries of Dollar General Corporation](#)
- 23 [Consent of Independent Registered Public Accounting Firm](#)
- 24 [Powers of Attorney \(included as part of the signature pages hereto\)](#)
- 31 [Certifications of CEO and CFO under Exchange Act Rule 13a-14\(a\)](#)
- 32 [Certifications of CEO and CFO under 18 U.S.C. 1350](#)
- 101 Interactive data files for Dollar General Corporation's Annual Report on Form 10-K for the year ended January 31, 2020, formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Shareholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements
- 104 The cover page from Dollar General Corporation's Annual Report on Form 10-K for the year ended January 31, 2020 (formatted in Inline XBRL and contained in Exhibit 101)

* Management Contract or Compensatory Plan

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOLLAR GENERAL CORPORATION

Date: March 19, 2020

By: /s/ Todd J. Vasos
 Todd J. Vasos,
 Chief Executive Officer

We, the undersigned directors and officers of the registrant, hereby severally constitute Todd J. Vasos, John W. Garratt and Anita C. Elliott, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, and in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Todd J. Vasos</u> TODD J. VASOS	Chief Executive Officer & Director (Principal Executive Officer)	March 19, 2020
<u>/s/ John W. Garratt</u> JOHN W. GARRATT	Executive Vice President & Chief Financial Officer (Principal Financial Officer)	March 19, 2020
<u>/s/ Anita C. Elliott</u> ANITA C. ELLIOTT	Senior Vice President & Chief Accounting Officer (Principal Accounting Officer)	March 19, 2020
<u>/s/ Warren F. Bryant</u> WARREN F. BRYANT	Director	March 19, 2020
<u>/s/ Michael M. Calbert</u> MICHAEL M. CALBERT	Director	March 19, 2020
<u>/s/ Sandra B. Cochran</u> SANDRA B. COCHRAN	Director	March 19, 2020
<u>/s/ Patricia D. Fili-Krushel</u> PATRICIA D. FILI-KRUSHEL	Director	March 19, 2020
<u>/s/ Timothy I. McGuire</u> TIMOTHY I. MCGUIRE	Director	March 19, 2020
<u>/s/ William C. Rhodes, III</u> WILLIAM C. RHODES, III	Director	March 19, 2020
<u>/s/ Ralph E. Santana</u> RALPH E. SANTANA	Director	March 19, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The description of the material features of the common stock, par value \$0.875 per share (the "common stock"), of Dollar General Corporation (the "Company," "we," "us," or "our") is a summary, does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to, the relevant provisions of our amended and restated charter, as amended (the "Charter"), our bylaws (as amended and restated on March 23, 2017) (the "Bylaws"), and applicable provisions of Tennessee law. Our Charter and our Bylaws are included as exhibits to the Annual Report on Form 10-K of which this exhibit is a part.

DESCRIPTION OF COMMON STOCK

Authorized Common Stock

We are currently authorized under the Charter to issue up to 1,000,000,000 shares of common stock, par value \$0.875 per share.

Dividend Rights

Holders of common stock are entitled to receive dividends ratably if, as and when dividends are declared from time to time by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any.

Voting Rights

Holders of common stock are entitled to one vote per share on all matters submitted for action by the shareholders. The holders of common stock do not have cumulative voting rights in the election of directors. Accordingly, the holders of more than 50% of the shares of common stock can, if they choose to do so, elect all the directors. In such event, the holders of the remaining shares of common stock will not be able to elect any directors.

Liquidation Rights

Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably the assets available for distribution to the shareholders after payment of liabilities and accumulated and unpaid dividends and liquidation preferences on outstanding preferred stock, if any.

Preemptive or Conversion Rights; Further Calls or Assessments; Redemption or Sinking Fund Provisions

Holders of common stock have no preemptive or conversion rights and, absent an individual agreement with us, are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to our common stock.

Listing

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "DG."

Transfer Agent and Registrar

EQ Shareowner Services is the transfer agent and registrar for our common stock.

Authorized but Unissued Shares

Tennessee law generally does not require shareholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which will apply as long as our common stock is listed on the NYSE, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the shareholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Removal of Directors; Vacancies

Our Charter and Bylaws provide that, unless otherwise provided in an applicable shareholders' agreement, any director may be removed from office, but only for cause, by the affirmative vote of the holders of a majority of the voting power of the shares entitled to vote in the election of directors. Additionally, our Charter provides that, unless otherwise provided in an applicable shareholders' agreement, any director may be removed from office, but only for cause, by the affirmative vote of a majority of our entire board of directors then in office. Our Charter and Bylaws provide that any vacancies on the board may be filled only by the board.

Calling of Special Meetings of Shareholders

Our Charter and Bylaws provide that special meetings of our shareholders may be called only by or at the direction of the board of directors, the chairman of our board of directors or the chief executive officer, and not by our shareholders.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Bylaws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual or special meeting of shareholders must provide timely notice of their proposal in writing to the Corporate Secretary. Generally, to be timely, a shareholder's notice must be received by our Corporate Secretary at our principal executive offices and within the following time periods:

- in the case of an annual meeting of shareholders, not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement

of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by us; and

- in the case of a special meeting of shareholders called for the purpose of electing directors, not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the date on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever occurs first.

In no event shall any adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period for the giving of a shareholder's notice as described above.

In addition, our Bylaws contain proxy access provisions that permit a shareholder, or a group of up to 20 shareholders, owning 3% or more of our stock continuously for at least three years, to nominate and include in our proxy materials candidates for election as directors. Such shareholder or group may nominate up to 20% of our board of directors, provided that the shareholder or group and the nominee(s) satisfy the requirements specified in our Bylaws. To use the proxy access procedure, a proper notice of proxy access nomination must be received by our Corporate Secretary at our principal executive offices not later than the close of business on the 120th day, nor earlier than the close of business on the 150th day, prior to the first anniversary of the date that we commenced mailing of our definitive proxy materials (as stated in such materials) for the immediately preceding annual meeting of shareholders. In the event that no annual meeting of shareholders was held in the previous year or the date of the upcoming annual meeting of shareholders is more than 30 days before or more than 60 days after the anniversary date of the previous annual meeting of shareholders, to be timely, a notice of proxy access nomination must be so received by our Corporate Secretary not earlier than the close of business on the 150th day prior to the date of such annual meeting of shareholders and not later than the close of business on the later of the 120th day prior to the date of such annual meeting of shareholders or, if the first public announcement of the date of such annual meeting of shareholders is less than 130 days prior to the date of such annual meeting of shareholders, the 10th day following the day on which we first make public announcement of the date of such annual meeting of shareholders. In no event shall any adjournment or postponement of an annual meeting of shareholders or the announcement thereof commence a new time period (or extend any time period) for the giving of a notice of proxy access nomination as described above.

Supermajority Provisions

Tennessee law provides generally that, unless the Charter, Tennessee law or our board of directors requires a greater vote, in order to amend our Charter, the votes cast for the amendment must exceed the votes cast against the amendment at a meeting of our shareholders at which a quorum is present and such an amendment was a proper item of business at that meeting.

Our Charter provides that the following provisions in the Charter and Bylaws may be amended only by a vote of 80% or more of all of the outstanding shares of our capital stock then entitled to vote:

- the removal of directors and ability of the board to fill vacancies; and
- the ability to call a special meeting of shareholders being vested solely in our board of directors, our chairman and our chief executive officer.

Our Bylaws provide that our shareholders may amend our Bylaws only by a vote of 80% or more of all of the outstanding shares of our capital stock then entitled to vote.

In addition, subject to the foregoing, our Bylaws grant our board of directors the authority to amend and repeal our Bylaws without a shareholder vote.

Tennessee Anti-Takeover Statutes

Under the Tennessee Business Combination Act and subject to certain exceptions, corporations subject to the Tennessee Business Combination Act may not engage in any "business combination" with an "interested shareholder" for a period of five years after the date on which the person became an interested shareholder unless the "business combination" or the transaction which resulted in the shareholder becoming an "interested shareholder" is approved by the corporation's board of directors prior to the date the "interested shareholder" attained that status.

“Business combinations” for this purpose generally include:

- mergers, consolidations, or share exchanges;
- sales, leases, exchanges, mortgages, pledges, or other transfers of assets representing 10% or more of the aggregate market value of consolidated assets, the aggregate market value of our outstanding shares, or our consolidated net income;
- issuances or transfers of shares from us to the interested shareholder;
- plans of liquidation or dissolution proposed by the interested shareholder;
- transactions in which the interested shareholder's proportionate share of the outstanding shares of any class of securities is increased; or
- financing arrangements pursuant to which the interested shareholder, directly or indirectly, receives a benefit, except proportionately as a shareholder.

Subject to certain exceptions, an "interested shareholder" generally is a person who, together with his or her affiliates and associates, owns, or within five years did own, 10% or more of our outstanding voting stock.

After the five-year moratorium, a corporation subject to the foregoing may complete a business combination if the transaction complies with all applicable charter and bylaw requirements and applicable Tennessee law and:

- is approved by the holders of at least two-thirds of the outstanding voting stock not beneficially owned by the interested shareholder; or
- meets certain fair price criteria including, among others, the requirement that the per share consideration received in any such business combination by each of the shareholders is equal to the highest of (a) the highest per share price paid by the interested shareholder during the preceding five-year period for shares of the same class or series plus interest thereon from such date at a treasury bill rate less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash since such earliest date, up to the amount of such interest, (b) the highest preferential amount, if any, such class or series is entitled to receive on liquidation, dissolution, or winding up, plus dividends declared or due as to which such class or

series is entitled prior to payment of dividends on some other class or series (unless such dividends are included in such preferential amount), or (c) the market value of the shares on either the date the business combination is announced or the date when the interested shareholder reaches the 10% threshold, whichever is higher, plus interest thereon less dividends as noted above.

We have elected to not be subject to the Tennessee Business Combination Act. We can give no assurance that we will or will not elect, through a charter or bylaw amendment, to be governed by the Tennessee Business Combination Act in the future.

We also have not elected to be governed by the Tennessee Control Share Acquisition Act which prohibits certain shareholders from exercising in excess of 20% of the voting power in a corporation acquired in a "control share acquisition" unless such voting rights have been previously approved by the disinterested shareholders. We can give no assurance that we will or will not elect, through a charter or bylaw amendment, to be governed by the Tennessee Control Share Acquisition Act in the future.

The Tennessee Greenmail Act prohibits us from purchasing or agreeing to purchase any of our securities, at a price in excess of fair market value, from a holder of 3% or more of our securities who has beneficially owned such securities for less than two years, unless the purchase has been approved by a majority of the outstanding shares of each class of our voting stock or we make an offer of at least equal value per share to all holders of shares of such class. The Tennessee Greenmail Act may make a change of control more difficult.

The Tennessee Investor Protection Act applies to tender offers directed at corporations, such as the Company, that have "substantial assets" in Tennessee and that are either incorporated in or have a principal office in Tennessee. Pursuant to the Tennessee Investor Protection Act, an offeror making a tender offer for an offeree company who beneficially owns 5% or more of any class of equity securities of the offeree company, any of which was purchased within one year prior to the proposed tender offer, is required to file a registration statement with the Tennessee Commissioner of Commerce and Insurance (the "Commissioner"). When the offeror intends to gain control of the offeree company, the registration statement must indicate any plans the offeror has for the offeree. The Commissioner may require additional information concerning the takeover offer and may call for hearings. The Tennessee Investor Protection Act does not apply to an offer that the offeree company's board of directors recommends to shareholders.

In addition to requiring the offeror to file a registration statement with the Commissioner, the Tennessee Investor Protection Act requires the offeror and the offeree company to deliver to the Commissioner all solicitation materials used in connection with the tender offer. The Tennessee Investor Protection Act prohibits fraudulent, deceptive, or manipulative acts or practices by either side and gives the Commissioner standing to apply for equitable relief to the Chancery Court of Davidson County, Tennessee, or to any other chancery court having jurisdiction whenever it appears to the Commissioner that the offeror, the offeree company or any of their respective affiliates has engaged in or is about to engage in a violation of the Tennessee Investor Protection Act. Upon proper showing, the chancery court may grant injunctive relief. The Tennessee Investor Protection Act further provides civil and criminal penalties for violations.

**DOLLAR GENERAL CORPORATION
PERFORMANCE SHARE UNIT AWARD AGREEMENT**

THIS AGREEMENT (the “Agreement”), dated as of the date indicated on Schedule A hereto (the “Grant Date”), is made between Dollar General Corporation, a Tennessee corporation (hereinafter, together with all Service Recipients unless the context indicates otherwise, called the “Company”), and the individual whose name is set forth on the signature page hereof, who is a Key Employee of the Company (hereinafter referred to as the “Grantee”). Capitalized terms not otherwise defined herein shall have the same meanings as in the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan, as amended from time to time (the “Plan”), the terms of which are hereby incorporated by reference and made a part of this Agreement.

WHEREAS, the Company desires to grant the Grantee a performance share unit award as provided for hereunder, ultimately payable in shares of Common Stock of the Company, par value \$0.875 per Share (the “Performance Share Unit Award”), pursuant to the terms and conditions of this Agreement and the Plan; and

WHEREAS, the Compensation Committee (or a duly authorized subcommittee thereof) of the Company’s Board appointed to administer the Plan (the “Committee”) has determined that it would be to the advantage and in the best interest of the Company and its shareholders to grant the Performance Share Unit Award provided for herein to the Grantee, and has advised the Company thereof and instructed the undersigned officer to issue said Performance Share Unit Award.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Grant of Performance Share Unit Award.** Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Grantee a certain number of performance units (referred to as “Performance Share Units”) which the Grantee will have an opportunity to earn and vest in over Performance Periods (as defined below) of one year or three years if certain performance goal measures are met in accordance with Section 4 and if additional service and payment requirements are met in accordance with Section 5. A Performance Share Unit represents the right to receive one Share of Common Stock upon satisfaction of the requirements set forth in this Agreement. For the avoidance of doubt, no Performance Share Unit shall be earned unless all applicable performance and service requirements are met.

2. **Target Number of Performance Share Units.** The target number of Performance Share Units awarded is set forth on Schedule A hereto. At the end of the applicable Performance Period, and subject to additional service and payment requirements in Section 5, the Grantee can earn up to [300%] of the target number of Performance Share Units or as little as [no] Performance Share Units, depending upon actual performance compared to the performance goal measures established by the Committee.

3. **Performance Period.** There are two periods during which the performance goal measures apply (each a “Performance Period”): a one-year performance period applies to the Adjusted EBITDA goal (the “One-Year Goal”) and a three-year performance period applies to the

Average Adjusted ROIC goal (the “Three-Year Goal”). The Performance Periods begin and end as set forth on Schedule A hereto.

4. **Performance Goal Measures.**

(a) The performance goal measures and the levels of performance for each of the performance goal measures that are required to earn Performance Share Units were established by the Committee on the Grant Date. In determining performance, [fifty percent (50%)] of the target number of Performance Share Units are subject to the One-Year Goal which is based on Adjusted EBITDA and the other [fifty percent (50%)] of the target number of Performance Share Units are subject to the Three-Year Goal which is based on Average Adjusted ROIC, each as defined below and as established by the Committee, for the applicable Performance Period, with the method for determining the number of Performance Share Units that can be earned (including the threshold, target and maximum number of Performance Share Units) set forth on Schedule A hereto, subject to the additional service and payment requirements in Section 5. In allocating the Performance Share Units between the One-Year Goal and the Three-Year Goal, any remaining fractional share of Common Stock underlying the target number of Performance Share Units shall be allocated to the One-Year Goal. If the performance level for a performance goal measure is below the established threshold, no Performance Share Units shall be earned for the applicable Performance Period with respect to such performance goal measure. If the performance level for a performance goal measure is above the established maximum, no additional Performance Share Units shall be earned above the associated maximum payout level for the applicable Performance Period with respect to such performance goal measure. Within sixty (60) days following the end of the applicable Performance Period, the Committee will determine the extent to which the applicable performance goal measure has been met and the number of Performance Share Units earned (subject to the additional service and payment requirements in Section 5). If performance for the applicable performance goal measure is between the threshold and the target or between the target and the maximum, the performance level achieved will be determined by applying linear interpolation to the performance interval and then rounding to the nearest whole Performance Share Unit. The Committee must certify the performance results for each of the performance goal measures following the end of the applicable Performance Period. Except as provided in Section 5(i) in the event of a Change in Control during the applicable Performance Period, any Performance Share Units that are not, based on the Committee’s determination, earned by performance during the applicable Performance Period, including Performance Share Units that had been potentially earnable by performance in excess of the actual performance levels achieved, shall be cancelled and forfeited as of the last day of the applicable Performance Period.

(b) The following terms have the following meaning for purposes hereof:

(i) “Adjusted EBITDA” shall be computed as income (loss) from continuing operations before cumulative effect of change in accounting principles plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization, but shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company’s LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the implementation of accounting or tax legislative changes or (iii) any unplanned loss(es) or gain(s) of a

non-recurring nature, provided that in the case of each of (i), (ii) and (iii) such amount equals or exceeds [\$1 million] from a single loss or gain, as applicable, and [\$10 million] in the aggregate.

(ii) “Adjusted ROIC” shall mean during each fiscal year within the Performance Period applicable to the Three-Year Goal (a) the result of (x) the sum of (i) the Company’s operating income, plus (ii) depreciation and amortization, plus (iii) single lease cost, minus (y) taxes, divided by (b) the result of (x) the sum of the averages of the five most recently completed fiscal quarters of: (i) total assets, plus (ii) accumulated depreciation and amortization, minus (y) the difference of the averages of the five most recently completed fiscal quarters of: (i) cash, minus (ii) goodwill, minus (iii) accounts payable, minus (iv) other payables, minus (v) accrued liabilities, but shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company’s LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the implementation of accounting or tax legislative changes or (iii) any unplanned loss(es), or gain(s) of a non-recurring nature, provided that in the case of each of (i), (ii) and (iii) such amount equals or exceeds [\$1 million] from a single loss or gain, as applicable, and [\$10 million] in the aggregate.

(iii) “Average Adjusted ROIC” shall mean the average of the Adjusted ROIC for the three fiscal years during the Performance Period applicable to the Three-Year Goal.

5. Vesting and Payment.

(a) Except as provided otherwise in Sections 5(b), 5(c) and 5(i) below and subject to the attainment of the applicable performance goal measures and the required certification as provided in Section 4, the Performance Share Units shall become vested in accordance with the vesting table set forth on **Schedule A** hereto on the dates listed in the first column of such table (each a “Vesting Date”), provided the Grantee remains continuously employed through the applicable Vesting Date. Once vested, the Performance Share Units shall be paid as provided in Section 5(d) or 5(i), subject to the forfeiture provisions of Section 5(c) below. To the extent the application of the above vesting schedule results in the vesting of fractional shares, the fractional shares shall be combined and vest on the earliest Vesting Date. If the Grantee’s employment with the Company terminates prior to a Vesting Date and neither Section 5(b) nor 5(i) applies or has applied, then any unvested Performance Share Units at the date of such termination of employment shall be automatically forfeited to the Company and cancelled.

(b) Accelerated Vesting Events.

(i) Performance Share Units Subject to One-Year Goal: To the extent Performance Share Units subject to the One-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(i):

(A) in the event the Grantee’s employment is terminated before the last day of the Performance Period because of the Grantee’s Retirement (as defined below) or the Grantee dies or becomes Disabled (as defined below) before the last day of the Performance Period, then a Pro-Rata Portion (as defined below) of such Performance Share Units (rounded

to the nearest whole share) that would have vested on the first Vesting Date shall become vested and nonforfeitable as of the end of the Performance Period (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled;

(B) in the event the Grantee's employment is terminated on or after the last day of the Performance Period but before a subsequent Vesting Date due to the Grantee's Retirement, then that one-third (33 1/3%) of the Performance Share Units that would have become vested and nonforfeitable on the next Vesting Date if the Grantee had remained employed through such date shall become vested and nonforfeitable as of such Retirement (to the extent earned based on all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled, provided, however, that, if the Grantee terminates due to Retirement on a Vesting Date, no accelerated vesting shall occur but rather the Grantee shall be entitled only to the portion of the Performance Share Units that were scheduled to vest on such Vesting Date and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled; and

(C) in the event the Grantee dies or becomes Disabled on or after the last day of the Performance Period but before a subsequent Vesting Date, then all remaining unvested Performance Share Units that would have become vested and nonforfeitable if the Grantee had remained employed through all future Vesting Dates shall become vested and nonforfeitable as of such death or Disability (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4).

(ii) *Performance Share Units Subject to Three-Year Goal:* To the extent Performance Share Units subject to the Three-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(i), in the event the Grantee's employment is terminated before the last day of the Performance Period because of the Grantee's Retirement or the Grantee dies or becomes Disabled before the last day of the Performance Period, then a Pro-Rata Portion of such Performance Share Units (rounded to the nearest whole share) that would have vested on the Vesting Date shall become vested and nonforfeitable as of the end of the Performance Period (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the Three-Year Goal shall be automatically forfeited to the Company and cancelled. To the extent Performance Share Units subject to the Three-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(i), in the event the Grantee's employment is terminated on or after the last day of the Performance Period but before the Vesting Date because of the Grantee's Retirement or the Grantee dies or becomes Disabled on or after the last day of the Performance Period but before the Vesting Date, then such Performance Share Units that would have vested on the Vesting Date shall become vested and nonforfeitable as of such Retirement, death or Disability (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4).

(iii) For purposes of Section 5(b), a "Pro-Rata Portion" is determined by a fraction (not to exceed one), the numerator of which is the number of months in the applicable Performance Period during which the Grantee was continuously in the employment of the Company

and the denominator of which is the number of months in the applicable Performance Period. The Grantee will be deemed to be employed for a month if the Grantee's Retirement, death or Disability occurs after the fifteenth (15th) day of a month.

(iv) Accelerated vesting under Section 5(b)(i) or (ii) shall not accelerate the time of payment of the Performance Share Units and payment shall be made on the applicable Payment Date as provided in Section 5(d).

(c) Termination With Cause. Notwithstanding any other provision of this Agreement, in the event the Grantee's employment is terminated by the Company with Cause prior to the satisfaction of all applicable performance, service and payment requirements, all Performance Share Units shall be forfeited and cancelled on the date of such termination of employment and the Grantee shall have no rights under this Agreement.

(d) Payment of Performance Share Units. Except as provided otherwise in Section 5(i) (related to a Change in Control), once earned and vested in accordance with Section 4 and Section 5(a) or 5(b), as applicable, the Performance Share Units shall be paid on the Vesting Dates set forth on Schedule A hereto (applying the same provisions as are in Section 5(a) related to fractional shares). The Vesting Dates set forth on Schedule A hereto are fixed dates of payment and do not change regardless of when the actual vesting occurs under Section 5(b) or 5(i), except to the extent a special earlier accelerated payment date due to a Qualifying Termination applies under Section 5(i). Such payment dates (including the special earlier accelerated payment date due to a Qualifying Termination as provided in Section 5(i)), are each referred to individually as a "Payment Date".

(e) Transfers and Reemployment. For purposes of this Agreement, transfer of employment among the Company and another Service Recipient shall not be considered a termination or interruption of employment. Upon reemployment following a termination of employment for any reason, the Grantee shall have no rights to any Performance Share Units previously forfeited and cancelled under this Agreement.

(f) Retirement. For purposes of this Agreement, Retirement shall mean the voluntary termination of the Grantee's employment with the Company on or after (i) reaching the minimum age of sixty-two (62) and (ii) achieving five (5) consecutive years of service; provided, however, that (x) the sum of the Grantee's age plus years of service (counting whole years only) must equal at least seventy (70); (y) there is no basis for the Company to terminate the Grantee with Cause at the time of the Grantee's voluntary termination; and (z) the termination also constitutes a "separation from service" within the meaning of Section 409A of the Code.

(g) Disability or Disabled. For the purposes of this Agreement, Disability or Disabled shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4). The Grantee will be deemed disabled if the Grantee is determined to be disabled under the Company's long-term disability plan, provided that the definition of "disability" applied under such plan complies with the requirements of Treas. Reg. Section 1.409A-3(i)(4).

(h) Cause. For the purposes of this Agreement, Cause shall mean (i) "Cause" as such term may be defined in any employment agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (ii) if there is no such employment agreement in effect, "Cause" as such term may be defined in any change-in-control agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (iii) if there is

no such employment or change-in-control agreement, with respect to the Grantee: (A) any act of the Grantee involving fraud or dishonesty, or any willful failure to perform reasonable duties assigned to the Grantee which failure is not cured within 10 business days after receipt from the Company of written notice of such failure; (B) any material breach by the Grantee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, investments or the like, or any inappropriate disclosure or “tipping” relating to any stock, securities, investments or the like; (C) other than as required by law, the carrying out by the Grantee of any activity, or the Grantee making any public statement, which prejudices or ridicules the good name and standing of the Company or its Affiliates or would bring such persons into public contempt or ridicule; (D) attendance by the Grantee at work in a state of intoxication or the Grantee otherwise being found in possession at the Grantee’s place of work of any prohibited drug or substance, possession of which would amount to a criminal offense; (E) any assault or other act of violence by the Grantee; or (F) the Grantee being indicted for any crime constituting (I) any felony whatsoever or (II) any misdemeanor that would preclude employment under the Company’s hiring policy.

(i) Change in Control. Notwithstanding any other provision of this Section 5, in the event of a Change in Control, vesting and payment of the Performance Share Units that have not previously become vested and nonforfeitable and paid, or have not previously been forfeited, under Section 4, 5(a), 5(b), 5(c) or 5(d) shall be determined under this Section 5(i) as follows:

(i) In the event a Change in Control occurs on or before the end of the applicable Performance Period and provided the Grantee is continuously employed until the Change in Control, the target number of the applicable Performance Share Units shall be deemed earned but otherwise continue to be subject to the service and payment provisions, including applicable proration requirements, that apply under Section 5(a), 5(b), 5(c) and 5(d) unless the Grantee experiences a Qualifying Termination. If the Grantee experiences a Qualifying Termination, all of the applicable Performance Share Units deemed earned per the preceding sentence and not previously vested and paid or previously forfeited, shall become immediately vested and nonforfeitable and shall be paid on the date of such Qualifying Termination, subject to a six-month delay, if applicable, as provided under Section 10(c) of the Plan.

(ii) In the event a Change in Control occurs following the end of the applicable Performance Period and provided the Grantee is continuously employed until the Change in Control, all of the applicable Performance Share Units previously earned based on the Committee’s determination of performance in accordance with Section 4 shall continue to be subject to the service and payment requirements that apply under Section 5(a), 5(b), 5(c) and 5(d) unless the Grantee experiences a Qualifying Termination. If the Grantee experiences a Qualifying Termination, all of the applicable Performance Share Units previously earned based on the Committee’s determination of performance in accordance with Section 4 and not previously vested and paid or previously forfeited, shall become immediately vested and nonforfeitable and shall be paid on the date of such Qualifying Termination, subject to a six-month delay, if applicable, as provided under Section 10(c) of the Plan.

(iii) For purposes of this Agreement, a Change in Control (as defined in the Plan) will be deemed to have occurred with respect to the Grantee only if an event relating to the Change in Control constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Treas. Reg. Section 1.409A-3(i)(5).

(j) **Good Reason.** For purposes of this Agreement, Good Reason shall mean (A) a material diminution in the Grantee's base salary unless such action is in connection with across-the-board base salary reductions affecting one-hundred percent (100%) of employees at the same grade level; or (B) a material diminution in the Grantee's authority, duties or responsibilities. To qualify as a termination due to Good Reason under this Agreement, the Grantee must have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of the initial existence of such grounds and must have given the Company at least thirty (30) days from receipt of such notice to cure the condition constituting Good Reason. Such termination of employment must have become effective no later than one (1) year after the initial existence of the condition constituting Good Reason.

(k) **Qualifying Termination.** For purposes of this Agreement, Qualifying Termination shall mean the Grantee's employment with the Company is terminated involuntarily by the Company other than with Cause or is terminated voluntarily by the Grantee, other than when Cause exists, for Good Reason or due to Retirement; in each case provided (i) the termination of employment occurs within two (2) years following a Change in Control and (ii) the termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Code. In no event shall a Qualifying Termination include the death, Disability or any other termination of or by the Grantee not specifically covered by the preceding sentence.

(l) **Delivery of Shares.** Shares of Common Stock corresponding to the number of Performance Share Units that have been earned and become vested and nonforfeitable ("**Performance Shares**") shall be paid to the Grantee, or, if deceased, to the Grantee's estate, in settlement of the Performance Share Units on the Payment Dates provided in Sections 5(d) and 5(i). Payment may be delayed by the Company only in accordance with the requirements of Section 409A of the Code although no interest shall be payable in the event there is a delay for any reason. Such payment shall be accomplished either by delivering a share certificate or by providing evidence of electronic delivery, and the Performance Shares shall be registered in the name of the Grantee or, if deceased, the Grantee's estate. The Performance Shares may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. In determining the number of Performance Shares to be withheld for taxes as provided in Section 10, the value of the Performance Shares shall be based upon the Fair Market Value of the Shares on the date of payment. If a Payment Date falls on a weekend, holiday or other non-trading day, the value of any Performance Shares payable on such Payment Date shall be determined based on the Fair Market Value of the Shares on the most recent prior trading date.

6. **No Dividend Equivalents.** The Grantee shall have no right to dividend equivalents or dividends on the Performance Share Units.

7. **Transferability.** Neither the Performance Shares prior to delivery pursuant to Section 5 nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Grantee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 7 shall not prevent transfers by will or by the applicable laws of descent and distribution.

8. **No Guarantee of Employment.** Nothing in this Agreement or in the Plan shall confer upon the Grantee any right to continue in the employ of the Company or shall interfere with or restrict in any way the rights of the Company, which are hereby expressly reserved, to terminate the employment of the Grantee at any time for any reason whatsoever, with or without cause, subject to the applicable provisions of, if any, the Grantee's employment agreement with the Company or offer letter provided by the Company to the Grantee.

9. **Change in Capitalization; Change in Control.** If any event described in Section 8 or 9 of the Plan occurs, this Agreement and the Performance Shares shall be adjusted to the extent required or permitted, as applicable, pursuant to Sections 8 and 9 of the Plan.

10. **Taxes.** The Grantee shall have full responsibility, and the Company shall have no responsibility (except as to applicable tax withholdings), for satisfying any liability for any federal, state or local income or other taxes required by law to be paid with respect to the Performance Shares. The Grantee is hereby advised to seek his or her own tax counsel regarding the taxation of the Performance Shares hereunder. Unless otherwise determined by the Committee (in compliance with Section 409A of the Code), on the applicable Payment Date, the Company shall withhold from any Performance Shares deliverable in payment of the Performance Share Units the number of Performance Shares having a value equal to the minimum amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Unless otherwise determined by the Committee (in compliance with Section 409A of the Code), if vesting occurs prior to payment and applicable law requires the payment of employment taxes at such time, then the Company shall withhold from the Performance Share Units at vesting the number of Performance Shares having a value equal to the minimum amount of income and employment taxes required to be withheld under applicable law and regulations, in a manner that complies with Section 409A of the Code, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. With regard to withholding on the Payment Date (but not at the time of vesting), any fractional shares resulting from the payment of the withholding amounts shall be liquidated and paid in cash to the U.S. Treasury as additional federal income tax withholding for the Grantee. With regard to withholding at the time of vesting, only full shares (determined by rounding down to the next full share) shall be liquidated and paid in cash to the U.S. Treasury and any additional amounts due for tax withholding shall be paid by the Grantee. Grantee shall be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon vesting of the Performance Share Units.

11. **Limitation on Obligations.** This Performance Share Unit Award shall not be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of the Company's obligations under this Agreement. In addition, the Company shall not be liable to the Grantee for damages relating to any delays in issuing the share certificates or electronic delivery thereof to him or her (or his or her designated entities), any loss of the certificates, or any mistakes or errors in the issuance or registration of the certificates or in the certificates themselves.

12. **Securities Laws.** The Company may require the Grantee to make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws. The Performance Share Units and Performance Shares shall be subject to all applicable laws, rules and regulations and to such approvals of any governmental agencies as may be required.

13. **Notices.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Grantee shall be addressed to the Grantee at the last address of the Grantee known to the Company unless otherwise directed by the Grantee in a notice provided in accordance with this Section 13. By a notice given pursuant to this Section 13, either party may hereafter designate a different address for provision of notices to be given under this Agreement. Any notice that is required to be given to the Grantee shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 13. Any notice shall have been deemed duly given when (i) delivered in person, (ii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, or (iii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

14. **Governing Law.** The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

15. **Section 409A of the Code.** The provisions of Section 10(c) of the Plan are hereby incorporated by reference. Notwithstanding the foregoing, the Company shall not be liable to the Grantee in the event this Agreement fails to be exempt from, or comply with, Section 409A of the Code.

16. **Arbitration.** In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted within a reasonable period by a single arbitrator in an arbitral forum to be selected by the parties and subject to the Federal Rules of Procedure and Evidence. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area, unless otherwise mutually agreed by the parties. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator, and each party shall bear an equal portion of the arbitrator's and arbitral forum's fees.

17. **Clawback.** As a condition of receiving the Performance Share Units, the Grantee acknowledges and agrees that the Grantee's rights, payments, and benefits with respect to the Performance Share Units shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events, as may be required by any rule or regulation of the Securities and Exchange Commission or by any applicable national exchange, or by any other applicable law, rule or regulation, or as set forth in a separate "clawback" or recoupment policy as may be adopted from time to time by the Board or the Committee.

18. **Applicability of Plan.** The Performance Share Units and the Performance Shares issued to the Grantee upon payment of the Performance Share Units shall be subject to all terms and provisions of the Plan to the extent applicable to performance share units and Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control.

19. **Amendment and Termination.** This Agreement may be modified in any manner consistent with Section 10 of the Plan.

20. **Administration.** The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Performance Share Unit Award. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

21. **Rights as Shareholder.** The holder of a Performance Share Unit Award shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Performance Shares issuable upon the payment of a vested Performance Share Unit unless and until a certificate or certificates representing such Performance Shares shall have been issued by the Company to such holder or, if the Common Stock is listed on a national securities exchange, a book entry representing such Performance Shares has been made by the registrar of the Company.

22. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

DOLLAR GENERAL CORPORATION

By: _____

Name: _____

Title: _____

GRANTEE

[name]

Schedule A to Performance Share Unit Award Agreement

Grant Date: []

Target Number of Performance Share Units Awarded: []

Performance Period: ***For One-Year Goal:*** Begins on [1st day of fiscal year that includes the Grant Date] and ends on [last day of same fiscal year]

For Three-Year Goal: Begins on [1st day of fiscal year that includes the Grant Date] and ends on [last day of fiscal year [Grant Date fiscal year + 2]]

Threshold, Target and Maximum Calculation Chart: See attached **Exhibit 1**

Vesting Table:

Vesting Date	PSUs Subject to One-Year Goal/ Percentage Vested	PSUs Subject to Three-Year Goal/ Percentage Vested
April 1, [Grant Date year + 1 year]	33 1/3%	N/A
April 1, [Grant Date year + 2 years]	33 1/3%	N/A
April 1, [Grant Date year + 3 years]	33 1/3%	100%

Exhibit 1 to Schedule A to Performance Share Unit Award Agreement

[] Performance Share Unit Matrix – Adjusted EBITDA

EBITDA Based Shares		
Performance Level	EBITDA Result vs. Target	EBITDA Based Shares
Threshold	[]	[]
Target	[]	[]
Maximum	[]	[]

Note: Interpolate between all EBITDA results and award levels

[] Performance Share Unit Matrix – Adjusted ROIC

ROIC Based Shares Earned []		
Performance Level	ROIC Result vs. Target	ROIC Based Shares
Threshold	[]	[]
Target	[]	[]
Maximum	[]	[]

Note: Interpolate between all ROIC results and award levels



2020 Teamshare Incentive Program

I. Definitions

As used in this document:

"Applicable Base Pay" shall mean the eligible employee's annual salary (or hourly rate, where applicable) plus shift differential, subject to adjustment based on all other eligibility requirements and administrative rules.

"Committee" shall mean the Compensation Committee of the Board of Directors (or any successor committee with oversight of executive compensation).

"Dollar General" or the "Company" means Dollar General Corporation and its subsidiaries.

"Eligible Employee" shall mean those employees meeting all of the criteria set forth in (a) through (c) of Section IV below.

"IRS" refers to the Internal Revenue Service.

"Merit Effective Date" shall mean April 1 of the applicable performance period or, if later, the applicable date of the annual merit increase (e.g., for the 2020 Teamshare program, the Merit Effective Date for salaried employees is April 1, 2020).

"Performance Period" refers to the 2020 fiscal year from February 1, 2020 to January 29, 2021.

"Senior Officers" shall include all officers at or above the level of Senior Vice President.

"Teamshare" shall mean this 2020 Teamshare Incentive Program as established by the Committee.

II. Teamshare Overview

The Committee has established the terms of Teamshare set forth herein, which provides each Eligible Employee an opportunity to receive a cash bonus payment equal to a certain percentage (or hours, where applicable) of his or her Applicable Base Pay based upon Dollar General's achievement of one or more pre-established financial performance measure for a specified Performance Period. When more than one financial performance measure is selected, the Committee determines the applicable weight to be assigned to each of the selected measures.

Threshold, target and maximum performance levels are established by the Committee for the selected performance measure. No Teamshare payout may be made unless the threshold performance level is achieved. The amount payable to each Eligible Employee if the Company reaches the target performance level(s) is equal to a specified percentage (or hours, where applicable) of the Eligible Employee's Applicable Base Pay, subject to adjustment for performance and an individual maximum, in each case as discussed under Section IV below. Teamshare payments for financial performance below or above the applicable target levels are prorated on a graduated scale, subject to the threshold and the maximum limits.

For Eligible Employees that are also eligible to participate in the CDP, the Teamshare payment may be deferred in accordance with a written election by the participant in accordance with the terms of the Company's CDP/SERP Plan, as such Plan may be amended and/or restated from time to time.

III. 2020 Teamshare Program

For the 2020 Teamshare program, the Committee selected earnings before interest and taxes, as adjusted for certain items ("Adjusted EBIT"), as the financial performance measure and established the 2020 Adjusted EBIT performance goal. In determining the level of performance the Company has achieved for this performance measure at year end, certain categories of items previously identified by the Committee may be excluded from the calculation. Threshold and maximum performance results for Adjusted EBIT coincide with potential Teamshare payout levels equal to 50% and 300% of individual payout targets, respectively (as a percentage or hours, where applicable, of the Eligible Employee's Applicable Base Pay).

For purposes of the 2020 Teamshare program, Adjusted EBIT shall mean the Company's Operating Profit as calculated in accordance with United States generally accepted accounting principles, but excluding the impact of: (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company's LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the

implementation of accounting/tax legislative changes or (iii) any unplanned loss(es) or gain(s), of a non-recurring nature, provided that in the case of each of (i), (ii), and, (iii) such amount equals or exceeds \$1 million from a single loss or gain, as applicable, and \$10 million in the aggregate.

IV. Determination of Bonuses

(a) Eligibility to Participate in Teamshare:

- i. An active regular, full-time or part-time store support center (SSC), field (excluding store and those eligible for the retail incentive plan), distribution center (DC) salaried, truck driver, or Dollar General Global Sourcing (DGGs) employee of the Company during the Performance Period.
- ii. Hired by January 15 of 2021.
- iii. Employed with the Company through January 29, 2021 and, unless otherwise required by law, on the date on which the Teamshare payment is made.
- iv. Estates of Eligible Employees will be eligible to receive the Teamshare payment if the employee's death occurs on or after January 29, 2021.

(b) Eligibility to Receive Bonus Payout:

If the Company achieves at least the threshold financial performance level, each employee who participates in Teamshare will become eligible to receive a bonus payout; provided, however, that any salaried employee who fails to comply with the Code of Business Conduct and Ethics during the fiscal year shall not be deemed eligible to receive a bonus payout regardless of his or her performance rating.

(c) Adjustments to Bonus Payouts to Eligible Employees:

If an employee is determined to be eligible to receive a bonus payout in accordance with the eligibility rules outlined immediately above, adjustments to the bonus payout may be made only as follows:

- i. Bonuses for Eligible Employees shall be calculated based on Company financial performance, but may be adjusted upward or downward based upon individual performance or other factors as determined by management, except only the Committee may approve such upward or downward adjustments for any Senior Officer or related parties.
- ii. In no event may an individual payout exceed \$10.0 million.
- iii. In no event may the aggregate amount paid under Teamshare, taking into account all allowable adjustments, exceed the earned bonus pool.

(d) CEO Discretion to Distribute Unallocated Funds:

Bonuses that are not allocated out of the earned bonus pool are subject to distribution at the discretion of the Chief Executive Officer of the Company, except that only the Committee may authorize the distribution of any unallocated bonus amounts to any Senior Officer or related parties.

V. Administrative Rules

- (a) Each Eligible Employee's Teamshare payout is computed as a percentage (or hours, where applicable) of the Applicable Base Pay.
- (b) Teamshare payouts will be prorated for changes to an Eligible Employee's position, pay, individual target, shift differential or status that occur during the Performance Period based on the number of days the applicable element applies. The Applicable Base Pay used for Teamshare from the beginning of the Performance Period to the Merit Effective Date will be the Eligible Employee's base pay as of the Merit Effective Date.
- (c) Teamshare payouts are prorated to exclude leaves of absence during the Performance Period (unless otherwise required by law).
- (d) Teamshare payouts will be made no later than April 15 of the year following the fiscal year in which financial performance is measured (e.g., the 2020 Teamshare program payouts, if any, will be made no later than April 15, 2021).
- (e) Teamshare information is proprietary and confidential. Employees are reminded that they may not disclose Teamshare information relating to the Company's financial goals or performance. Such disclosure may result in disciplinary action, up to and including termination. The Company reserves the right to adjust, amend or suspend Teamshare at any time for any reason, including, but not limited to, unforeseen events.
- (f) No member of the Committee or the Board of Directors, and no officer, employee or agent of the Company shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or employee, or, except in circumstances involving bad faith, for anything done or omitted to be done in administration of Teamshare.

VI. Tax and Other Withholding Information

The IRS considers incentive payments as supplemental wages. In accordance with IRS guidelines, the Company will withhold federal income taxes at the supplemental rate (currently established at 22% for supplemental wages of \$1 million or less). In addition, this payment will be subject to applicable social security, Medicare, state and local taxes. Voluntary deductions (e.g. health insurance, 401k, etc.) will not be deducted from this amount. Where required by law, specific garnishments (e.g., child support) may be deducted, as appropriate, from this amount. Certain state laws require incentive payments be held for up to 30 days after the check date pending review of applicable child support garnishments. After the Company receives notification from the state child support agencies regarding whether part or all of the impacted employee's incentive payment should be paid toward child support, the Company will pay any remaining incentive funds with the next regular payroll.

VII. Clawback

As a condition of receiving payment of an award under Teamshare, each participant's rights, payments, and benefits with respect to such award shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events, as may be required by the Securities and Exchange Commission or any applicable national exchange, law, rule or regulation or as set forth in a separate "clawback" or recoupment policy as may be adopted from time to time by the Company's Board of Directors or the Committee.

**DOLLAR GENERAL CORPORATION
STOCK OPTION AWARD AGREEMENT**

THIS AGREEMENT (this "Agreement"), dated as of the date indicated on Schedule A hereto (the "Grant Date"), is made by and between Dollar General Corporation, a Tennessee corporation (hereinafter referred to as the "Company"), and the individual whose name is set forth on the signature page hereof, who is an employee of the Company or a Subsidiary or Affiliate of the Company (hereinafter referred to as the "Optionee"). Any capitalized terms herein not otherwise defined in this Agreement shall have the meaning set forth in the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan, as such Plan may be amended from time to time (the "Plan").

WHEREAS, the Company wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Compensation Committee (or a duly authorized subcommittee thereof) of the Board of the Company appointed to administer the Plan (the "Committee") has determined that it would be to the advantage and best interest of the Company and its shareholders to grant the Option provided for herein to the Optionee, and has advised the Company thereof and instructed the undersigned officer to issue said Option.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE I
DEFINITIONS**

Whenever the following terms are used in this Agreement, they shall have the meaning specified below unless the context clearly indicates to the contrary.

Section 1.1. Business Protection Provisions

"Business Protection Provisions" shall mean the provisions in the Optionee's employment agreement with the Company dated June 3, 2018, as may be amended from time to time (or any successor agreement agreed upon by the Optionee and the Company as replacing such employment agreement) addressing business protections (as of the date of this Agreement, such provisions are set forth in sections 16 through 20 of such employment agreement), to the extent such provisions are applicable on the relevant date.

Section 1.2 Cause

"Cause" shall mean (a) "Cause" as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (b) if there is no such employment agreement in effect, "Cause" as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (c) if there is no such employment or change-in-control agreement, with respect to the Optionee: (i) any act of the Optionee involving fraud or dishonesty, or any willful failure to perform

reasonable duties assigned to the Optionee which failure is not cured within 10 business days after receipt from the Company of written notice of such failure; (ii) any material breach by the Optionee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, investments or the like, or any inappropriate disclosure or “tipping” relating to any stock, securities, investments or the like; (iii) other than as required by law, the carrying out by the Optionee of any activity, or the Optionee making any public statement, which prejudices or ridicules the good name and standing of the Company or its Affiliates or would bring such persons into public contempt or ridicule; (iv) attendance by the Optionee at work in a state of intoxication or the Optionee otherwise being found in possession at the Optionee’s place of work of any prohibited drug or substance, possession of which would amount to a criminal offense; (v) any assault or other act of violence by the Optionee; or (vi) the Optionee being indicted for any crime constituting (x) any felony whatsoever or (y) any misdemeanor that would preclude employment under the Company’s hiring policy.

Section 1.3. Disability

“Disability” shall mean, (a) prior to Early Retirement or Normal Retirement, (i) “Disability” as such term may be defined in any employment agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (ii) if there is no such employment agreement in effect, “Disability” as such term may be defined in any change-in-control agreement between the Optionee and the Company or any of its Subsidiaries or Affiliates that is in effect at the time of termination of employment; or (iii) if there is no such employment or change-in-control agreement, “Disability” as defined in the Company’s long-term disability plan; or (b) following Early Retirement or Normal Retirement, the date the Optionee is determined to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, as determined by a physician selected by the Company.

Section 1.4. Early Retirement

“Early Retirement” shall mean the voluntary termination of the Optionee’s employment with the Company or any of its Subsidiaries or Affiliates after [April 1, 2021], but prior to Normal Retirement; provided that (a) the Optionee has provided notice of voluntary termination in writing to the Board within a reasonable period of time prior to the date of his voluntary termination; (b) the Optionee has agreed in writing to provide reasonable transition services to the Board and his successor for up to twelve (12) months following his voluntary termination; (c) the Optionee agrees in writing to extend the “Restricted Period” within the Business Protection Provisions to three (3) years from the date of voluntary termination if on the date of termination the Restricted Period is otherwise less than three (3) years (the Restricted Period is currently defined within the Business Protection Provisions as two (2) years from the date of termination); and (d) there is no basis for the Company to terminate the Optionee with Cause at the time of the Optionee’s voluntary termination.

Section 1.5. Good Reason

“Good Reason” shall mean (a) a material diminution in the Optionee’s base salary; or (b) a material diminution in the Optionee’s authority, duties or responsibilities. To qualify as a termination due to Good Reason under this Agreement, the Optionee must have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason

within thirty (30) days of the initial existence of such grounds and must have given the Company at least thirty (30) days from receipt of such notice to cure the condition constituting Good Reason. Such termination of employment must become effective no later than one year after the initial existence of the condition constituting Good Reason.

Section 1.6. Normal Retirement

“Normal Retirement” shall mean the voluntary termination of the Optionee’s employment with the Company or any of its Subsidiaries or Affiliates on or after (a) reaching the minimum age of sixty-two (62) and (b) achieving five (5) consecutive years of service; provided, however, that the sum of the Optionee’s age plus years of service (counting whole years only) must equal at least seventy (70) and provided further that there is no basis for the Company to terminate the Optionee with Cause at the time of the Optionee’s voluntary termination.

Section 1.7. Option

“Option” shall mean the right and option to purchase, on the terms and conditions set forth herein, all or any part of an aggregate of the number of Shares of Common Stock set forth on Schedule A hereto.

Section 1.8. Qualifying Termination

“Qualifying Termination” shall mean the Optionee’s employment with the Company and all Service Recipients is involuntarily terminated by the Company other than with Cause or terminated by the Optionee for Good Reason other than when Cause to terminate exists, in each case within two (2) years following a Change in Control. In no event shall a Qualifying Termination include the Early Retirement, Normal Retirement, death, Disability or any other termination of the Optionee not specifically covered by the preceding sentence.

Section 1.9. Secretary

“Secretary” shall mean the Secretary of the Company.

**ARTICLE II
GRANT OF OPTION**

Section 2.1. Grant of Option

For good and valuable consideration, on and as of the Grant Date the Company irrevocably grants to the Optionee the Option on the terms and conditions set forth in this Agreement.

Section 2.2. Exercise Price

Subject to Section 2.4, the exercise price of the Shares of Common Stock covered by the Option (the “Exercise Price”) shall be as set forth on Schedule A hereto, which shall be the Fair Market Value on the Grant Date.

Section 2.3. No Guarantee of Employment

Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue in the employ of the Company or any Subsidiary or Affiliate or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries or Affiliates, which are hereby expressly reserved, to terminate the employment of the Optionee at any time for any reason whatsoever, with or without cause, subject to the applicable provisions of, if any, the Optionee's employment agreement with the Company or offer letter provided by the Company to the Optionee.

Section 2.4. Adjustments to Option

The Option shall be subject to the adjustment provisions of Sections 8 and 9 of the Plan, provided, however, that in the event of the payment of an extraordinary dividend by the Company to its shareholders: the Exercise Price of the Option shall be reduced by the amount of the dividend paid, but only to the extent the Committee determines it to be permitted under applicable tax laws and to not have adverse tax consequences to the Optionee under Section 409A of the Code; and, if such reduction cannot be fully effected due to such tax laws and it will not have adverse tax consequences to the Optionee, then the Company shall pay to the Optionee a cash payment, on a per Share basis, equal to the balance of the amount of the dividend not permitted to be applied to reduce the Exercise Price of the applicable Option as follows: (a) for each Share subject to a vested Option, immediately upon the date of such dividend payment; and (b) for each Share subject to an unvested Option, on the date on which such Option becomes vested and exercisable with respect to such Share.

**ARTICLE III
PERIOD OF EXERCISABILITY**

Section 3.1. Commencement of Exercisability

(a) Except as otherwise provided in Section 3.1(b), (c), (d) or (e) below, so long as the Optionee continues to be employed by the Company or any other Service Recipient, the Option shall become vested and exercisable with respect to 25% of the Shares subject to such Option on each April 1 of the four (4) fiscal years following the fiscal year in which the Grant Date occurs, as set forth on Schedule A hereto (each such date, a "Vesting Date"). To the extent this vesting schedule results in the vesting of fractional shares, the fractional shares shall be combined and be exercisable on the earliest Vesting Date.

(b) Notwithstanding Section 3.1(a) above, upon the earliest occurrence of (i) the Optionee's death, or (ii) a termination of the Optionee's employment by reason of the Optionee's Disability, the Option shall become immediately vested and exercisable with respect to 100% of the Shares subject to such unvested Option immediately prior to such event (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable).

(c) Notwithstanding Section 3.1(a) above, in the event the Optionee experiences a Qualifying Termination, the Option shall become immediately vested and exercisable on the date of such Qualifying Termination with respect to 100% of the Shares subject to such unvested Option (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable).

(d) Notwithstanding Section 3.1(a) above, in the event of the Optionee's Early Retirement, the Option shall remain outstanding and shall become vested and exercisable on the Vesting Dates

provided in Section 3.1(a) (but only to the extent the Option has not otherwise terminated, been forfeited or become exercisable); provided, however, that (i) if the Optionee violates any of the Business Protection Provisions following Early Retirement, then any unvested Option shall immediately terminate and be forfeited; or (ii) if the Optionee dies or incurs a Disability following Early Retirement, then any unvested Option shall instead become immediately vested and exercisable (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable) upon such death or Disability; or (iii) if a Change in Control occurs following Early Retirement, then any unvested Option shall instead become immediately vested and exercisable (but only to the extent such Option has not otherwise terminated, been forfeited or become exercisable) upon such Change in Control.

(e) Notwithstanding Section 3.1(a) above, in the event of the Optionee's Normal Retirement, that portion of the Option that would have become vested and exercisable within the one (1) year period following the Optionee's Normal Retirement date if the Optionee had remained employed with the Company or the applicable Service Recipient shall remain outstanding following the Optionee's Normal Retirement date and shall become vested and exercisable on the anniversary of the Grant Date that falls within the one (1) year period following the Optionee's Normal Retirement date (but only to the extent such portion of the Option has not otherwise terminated, been forfeited or become exercisable); provided, however, that if during such one (1) year period the Optionee dies or incurs a Disability, such portion of the Option shall instead become immediately vested and exercisable (but only to the extent such portion of the Option has not otherwise terminated, been forfeited or become exercisable) upon such death or Disability.

(f) No Option shall become vested or exercisable as to any additional Shares following the Optionee's termination of employment for any reason, and any Option which is unexercisable as of the Optionee's termination of employment shall immediately terminate and be forfeited without payment therefor, in each case except as otherwise provided in Section 3.1(b), (c), (d) or (e) above.

Section 3.2. Expiration of Option

The Optionee may not exercise the Option to any extent after the first to occur of the following events:

- (a) The tenth anniversary of the Grant Date;
- (b) The fifth anniversary of the date of the Optionee's termination of employment with the Company and all Service Recipients by reason of Early Retirement or Normal Retirement;
- (c) The first anniversary of the date of the Optionee's termination of employment with the Company and all Service Recipients by reason of death or Disability;
- (d) The third anniversary of the date of the Optionee's Qualifying Termination;
- (e) Ninety (90) days after the date of the Optionee's involuntary termination of employment by the Company and all Service Recipients without Cause that is not a Qualifying Termination;

(f) Ninety (90) days after the date of the Optionee's voluntary termination of employment with the Company and all Service Recipients by the Optionee that is not a Qualifying Termination, Disability, Early Retirement or Normal Retirement;

(g) Immediately upon the date of the Optionee's termination of employment by the Company and all Service Recipients with Cause; or

(h) At the discretion of the Company, if the Committee so determines pursuant to Section 9 of the Plan.

Section 3.3. Expiration and Clawback of Portion of Option upon Violation of the Business Protection Provisions following Early Retirement

Notwithstanding any other provisions of this Agreement, on the date the Company becomes aware of the Optionee's violation of any of the Business Protection Provisions that occurred following Early Retirement, any portion of the Option that vested following Early Retirement under Section 3.1(d) shall immediately be forfeited and no longer exercisable and shall be subject to clawback as provided in Section 5.9 and the unvested portion of any Option shall immediately terminate and be forfeited without payment therefor.

**ARTICLE IV
EXERCISE OF OPTION**

Section 4.1. Person Eligible to Exercise

During the lifetime of the Optionee, only the Optionee (or his duly authorized legal representative) may exercise the Option or any portion thereof. After the death of the Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.2 or Section 3.3, be exercised by the Optionee's personal representative or by any person empowered to do so under the Optionee's will or under the then applicable laws of descent and distribution.

Section 4.2. Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2 or Section 3.3; provided, however, that any partial exercise shall be for whole Shares of Common Stock only.

Section 4.3. Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivering to the Secretary or his or her designee all of the following prior to the time when the Option or such portion becomes unexercisable under Section 3.2 or Section 3.3:

(a) Notice in writing signed by the Optionee or the other person then entitled to exercise the Option or portion thereof, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Company;

(b) (i) Full payment (in cash or by check or by a combination thereof) for the Shares with respect to which such Option or portion thereof is exercised (provided, however, that full payment is deemed made if the Company receives cash in respect of the exercise price no later than the date on which the Company or its agent delivers or releases Shares to the Optionee or his agent, which date shall not be later than two (2) business days following the date on which the Option is exercised, in the event of a cashless exercise via a third party in a manner that is compliant with applicable law) or (ii) notice in writing that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee reduced by a number of Shares having an equivalent Fair Market Value to the payment that would otherwise be made by the Optionee to the Company pursuant to clause (i) of this subsection (b);

(c) (i) Full payment (in cash or by check or by a combination thereof) to satisfy the minimum withholding tax obligation with respect to which such Option or portion thereof is exercised (provided, however, that full payment is deemed made if the Company receives such payment no later than the date on which the Company must remit such withholding to the Internal Revenue Service in the event of a cashless exercise via a third party in a manner that is compliant with applicable law); (ii) notice in writing that the Optionee elects to have the number of Shares that would otherwise be issued to the Optionee reduced by a number of Shares having an equivalent Fair Market Value to the payment that would otherwise be made by the Optionee to the Company pursuant to clause (i) of this subsection (c); or (iii) notice in writing to the Company at least ten (10) days (or such shorter period approved by the Committee) prior to date of exercise that the Optionee elects to pay the withholding tax obligation with previously owned Shares and, subject to all applicable rules established by the Committee, the delivery (or deemed delivery, as allowed by the Committee) on or prior to the date of exercise of such Shares having a Fair Market Value equal to the withholding amount;

(d) A bona fide written representation and agreement, in a form satisfactory to the Committee, signed by the Optionee or other person then entitled to exercise such Option or portion thereof, stating that the Shares of Common Stock are being acquired for his or her own account, for investment and without any present intention of distributing or reselling said Shares or any of them except as may be permitted under the Securities Act of 1933, as amended (the "Act"), and then applicable rules and regulations thereunder, and that the Optionee or other person then entitled to exercise such Option or portion thereof will indemnify the Company against and hold it free and harmless from any loss, damage, expense or liability resulting to the Company if any sale or distribution of the Shares by such person is contrary to the representation and agreement referred to above; provided, however, that the Committee may, in its reasonable discretion, take whatever additional actions it deems reasonably necessary to ensure the observance and performance of such representation and agreement and to effect compliance with the Act and any other federal or state securities laws or regulations; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

Without limiting the generality of the foregoing, the Committee may require an opinion of counsel acceptable to it to the effect that any subsequent transfer of Shares acquired on exercise of the Option does not violate the Act and may issue stop-transfer orders covering such Shares. Share certificates evidencing stock issued on exercise of the Option may bear an appropriate legend referring to the provisions of subsection (d) above and the agreements herein. The written representation and agreement referred to in subsection (d) above shall, however, not be required if the Shares to be issued

pursuant to such exercise have been registered under the Act, and such registration is then effective in respect of such Shares.

For purposes of this Section 4.3, a notice in writing to the Company includes notice in writing to a third party engaged by the Company to provide administrative services under the Plan and also includes notice via electronic or telephone enabled systems pursuant to approved procedures and a notice is considered signed if it is signed electronically in accordance with approved procedures and such electronic signature will have the same force and effect as a manual signature.

Notwithstanding the above, the Committee may approve alternative procedures for exercise and alternative procedures for payment of the related exercise price and withholding amounts provided such alternative procedures are established in writing prior to the date of exercise. No alternative procedure for exercise shall be effective unless the Optionee completes all actions required for exercise and payment.

Section 4.4. Conditions to Issuance of Stock Certificates

The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for Shares purchased (if certificated, or if not certificated, register the issuance of such Shares on its books and records) upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The obtaining of approval or other clearance from any state or federal governmental agency which the Committee shall, in its reasonable and good faith discretion, determine to be necessary or advisable; and

(b) The lapse of such reasonable period of time following the exercise of the Option as the Committee may from time to time establish for reasons of administrative convenience or as may otherwise be required by applicable law.

Section 4.5. Rights as Shareholder

Except as otherwise provided in Section 2.4 of this Agreement, the holder of an Option shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Shares purchasable upon the exercise of the Option or any portion thereof unless and until certificates representing such Shares shall have been issued by the Company to such holder or the Shares have otherwise been recorded in the records of the Company as owned by such holder.

**ARTICLE V
MISCELLANEOUS**

Section 5.1. Administration

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Optionee, the Company and all other interested

persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

Section 5.2. Option Not Transferable

Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.2 shall not prevent transfers by will or by the applicable laws of descent and distribution or other transfers authorized in limited circumstances by the Committee (or its designee).

Section 5.3. Notices

Except as otherwise provided in Section 4.3, any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Optionee shall be addressed to him at the last address of the Optionee known to the Company unless otherwise directed by the Optionee. By a notice given pursuant to this Section 5.3, either party may hereafter designate a different address for the provision of notices under this Agreement. Any notice, which is required to be given to the Optionee, shall, if the Optionee is then deceased, be given to the Optionee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 5.3. Any notice shall have been deemed duly given when (a) delivered in person; or, except for notice under Section 4.3 which must be received to be duly given, (b) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, or (c) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in an office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

Section 5.4. Titles; Pronouns

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 5.5. Applicability of Plan [and Management Stockholder's Agreement]

The Option and the Shares of Common Stock issued to the Optionee upon exercise of the Option shall be subject to all of the terms and provisions of the Plan to the extent applicable to an Option and Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control. [The Option and the Shares of Common Stock issued to the Optionee upon exercise of the Option shall not be subject to, and hereby are expressly exempted from, all of the terms and provisions of any Management Stockholder's Agreement between the Optionee and the Company in existence on the Grant Date.]

Section 5.6. Amendment

This Agreement may only be amended pursuant to Section 10 of the Plan.

Section 5.7. Governing Law

The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section 5.8. Arbitration

In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted within a reasonable period by a single arbitrator in an arbitral forum to be selected by the parties and subject to the Federal Rules of Procedure and Evidence. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area, unless otherwise mutually agreed by the parties. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator, and each party shall bear an equal portion of the arbitrator's and arbitral forum's fees.

Section 5.9. Clawback

As a condition of receiving the Option, the Optionee acknowledges and agrees that the Optionee's rights, payments, and benefits with respect to the Option shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events (including, but not limited to, upon violation of the Business Protection Provisions, as provided in Section 3.3), as is required by this Agreement or as may be required by any rule or regulation of the Securities and Exchange Commission or by any applicable national exchange, or by any other applicable law, rule or regulation or as set forth in a separate "clawback" or recoupment policy as may be adopted from time to time by the Board or the Committee. In the event the Optionee no longer owns the Shares of Common Stock at the time of required recoupment, the Optionee agrees to the recoupment of cash equal to the Fair Market Value of the Shares of Common Stock on the date the Shares of Common Stock were sold.

Section 5.10. Signature in Counterparts

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signatures on next pages]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

DOLLAR GENERAL CORPORATION

By: _____
Name: _____
Title: _____

ADDRESS:

Dollar General Corporation
100 Mission Ridge
Goodlettsville, TN 37072

[Signature Page of Stock Option Award Agreement]

OPTIONEE:

Signature: _____

Print Name: Todd J. Vasos _____

[Signature Page of Stock Option Award Agreement]

Schedule A to Stock Option Award Agreement

Grant Date: []

Exercise Price (per Share): []

Option Grant:

Aggregate number of Shares of []
Common Stock for which the Option
granted hereunder is exercisable:

<u>Vesting Dates:</u>	<u>Percentage</u>	<u>Date</u>
	25%	April 1, [year]
	25%	April 1, [year]
	25%	April 1, [year]
	25%	April 1, [year]

**DOLLAR GENERAL CORPORATION
PERFORMANCE SHARE UNIT AWARD AGREEMENT**

THIS AGREEMENT (the "Agreement"), dated as of the date indicated on Schedule A hereto (the "Grant Date"), is made between Dollar General Corporation, a Tennessee corporation (hereinafter, together with all Service Recipients unless the context indicates otherwise, called the "Company"), and the individual whose name is set forth on the signature page hereof, who is a Key Employee of the Company (hereinafter referred to as the "Grantee"). Capitalized terms not otherwise defined herein shall have the same meanings as in the Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan, as amended from time to time (the "Plan"), the terms of which are hereby incorporated by reference and made a part of this Agreement.

WHEREAS, the Company desires to grant the Grantee a performance share unit award as provided for hereunder, ultimately payable in shares of Common Stock of the Company, par value \$0.875 per Share (the "Performance Share Unit Award"), pursuant to the terms and conditions of this Agreement and the Plan; and

WHEREAS, the Compensation Committee (or a duly authorized subcommittee thereof) of the Company's Board appointed to administer the Plan (the "Committee") has determined that it would be to the advantage and in the best interest of the Company and its shareholders to grant the Performance Share Unit Award provided for herein to the Grantee, and has advised the Company thereof and instructed the undersigned officer to issue said Performance Share Unit Award.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Grant of Performance Share Unit Award.** Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Grantee a certain number of performance units (referred to as "Performance Share Units") which the Grantee will have an opportunity to earn and vest in over Performance Periods (as defined below) of one year or three years if certain performance goal measures are met in accordance with Section 4 and if additional service and payment requirements are met in accordance with Section 5. A Performance Share Unit represents the right to receive one Share of Common Stock upon satisfaction of the requirements set forth in this Agreement. For the avoidance of doubt, no Performance Share Unit shall be earned unless all applicable performance and service requirements are met.

2. **Target Number of Performance Share Units.** The target number of Performance Share Units awarded is set forth on Schedule A hereto. At the end of the applicable Performance Period, and subject to additional service and payment requirements in Section 5, the Grantee can earn up to [300%] of the target number of Performance Share Units or as little as [no] Performance Share Units, depending upon actual performance compared to the performance goal measures established by the Committee.

3. **Performance Period.** There are two periods during which the performance goal measures apply (each a "Performance Period"): a one-year performance period applies to the Adjusted EBITDA goal (the "One-Year Goal") and a three-year performance period applies to the

Average Adjusted ROIC goal (the “Three-Year Goal”). The Performance Periods begin and end as set forth on Schedule A hereto.

4. **Performance Goal Measures.**

(a) The performance goal measures and the levels of performance for each of the performance goal measures that are required to earn Performance Share Units were established by the Committee on the Grant Date. In determining performance, [fifty percent (50%)] of the target number of Performance Share Units are subject to the One-Year Goal which is based on Adjusted EBITDA and the other [fifty percent (50%)] of the target number of Performance Share Units are subject to the Three-Year Goal which is based on Average Adjusted ROIC, each as defined below and as established by the Committee, for the applicable Performance Period, with the method for determining the number of Performance Share Units that can be earned (including the threshold, target and maximum number of Performance Share Units) set forth on Schedule A hereto, subject to the additional service and payment requirements in Section 5. In allocating the Performance Share Units between the One-Year Goal and the Three-Year Goal, any remaining fractional share of Common Stock underlying the target number of Performance Share Units shall be allocated to the One-Year Goal. If the performance level for a performance goal measure is below the established threshold, no Performance Share Units shall be earned for the applicable Performance Period with respect to such performance goal measure. If the performance level for a performance goal measure is above the established maximum, no additional Performance Share Units shall be earned above the associated maximum payout level for the applicable Performance Period with respect to such performance goal measure. Within sixty (60) days following the end of the applicable Performance Period, the Committee will determine the extent to which the applicable performance goal measure has been met and the number of Performance Share Units earned (subject to the additional service and payment requirements in Section 5). If performance for the applicable performance goal measure is between the threshold and the target or between the target and the maximum, the performance level achieved will be determined by applying linear interpolation to the performance interval and then rounding to the nearest whole Performance Share Unit. The Committee must certify the performance results for each of the performance goal measures following the end of the applicable Performance Period. Except as provided in Section 5(j) in the event of a Change in Control during the applicable Performance Period, any Performance Share Units that are not, based on the Committee’s determination, earned by performance during the applicable Performance Period, including Performance Share Units that had been potentially earnable by performance in excess of the actual performance levels achieved, shall be cancelled and forfeited as of the last day of the applicable Performance Period.

(b) The following terms have the following meaning for purposes hereof:

(i) “Adjusted EBITDA” shall be computed as income (loss) from continuing operations before cumulative effect of change in accounting principles plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization, but shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company’s LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the implementation of accounting or tax legislative changes or (iii) any unplanned loss(es) or gain(s) of a

non-recurring nature, provided that in the case of each of (i), (ii) and (iii) such amount equals or exceeds [\$1 million] from a single loss or gain, as applicable, and [\$10 million] in the aggregate.

(ii) “Adjusted ROIC” shall mean during each fiscal year within the Performance Period applicable to the Three-Year Goal (a) the result of (x) the sum of (i) the Company’s operating income, plus (ii) depreciation and amortization, plus (iii) single lease cost, minus (y) taxes, divided by (b) the result of (x) the sum of the averages of the five most recently completed fiscal quarters of: (i) total assets, plus (ii) accumulated depreciation and amortization, minus (y) the difference of the averages of the five most recently completed fiscal quarters of: (i) cash, minus (ii) goodwill, minus (iii) accounts payable, minus (iv) other payables, minus (v) accrued liabilities, but shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) disaster-related charges; (c) any gains or losses associated with the Company’s LIFO computation; and (d) unless the Committee disallows any such item, (i) any unbudgeted loss as a result of the resolution of a legal matter or (ii) any unplanned loss(es) or gain(s) related to the implementation of accounting or tax legislative changes or (iii) any unplanned loss(es), or gain(s) of a non-recurring nature, provided that in the case of each of (i), (ii) and (iii) such amount equals or exceeds [\$1 million] from a single loss or gain, as applicable, and [\$10 million] in the aggregate.

(iii) “Average Adjusted ROIC” shall mean the average of the Adjusted ROIC for the three fiscal years during the Performance Period applicable to the Three-Year Goal.

5. **Vesting and Payment.**

(a) Except as provided otherwise in Sections 5(b), 5(c) and 5(j) below and subject to the attainment of the applicable performance goal measures and the required certification as provided in Section 4, the Performance Share Units shall become vested in accordance with the vesting table set forth on **Schedule A** hereto on the dates listed in the first column of such table (each a “Vesting Date”), provided the Grantee remains continuously employed through the applicable Vesting Date. Once vested, the Performance Share Units shall be paid as provided in Section 5(d) or 5(j), subject to the forfeiture provisions of Section 5(c) below. To the extent the application of the above vesting schedule results in the vesting of fractional shares, the fractional shares shall be combined and vest on the earliest Vesting Date. If the Grantee’s employment with the Company terminates prior to a Vesting Date and neither Section 5(b) nor 5(j) applies or has applied, then any unvested Performance Share Units at the date of such termination of employment shall be automatically forfeited to the Company and cancelled.

(b) **Accelerated Vesting Events.**

(i) **Performance Share Units Subject to One-Year Goal:** To the extent Performance Share Units subject to the One-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(j):

(A) in the event the Grantee’s employment is terminated before the last day of the Performance Period because of the Grantee’s Normal Retirement (as defined below) or the Grantee dies or becomes Disabled (as defined below) before the last day of the Performance Period, then a Pro-Rata Portion (as defined below) of such Performance Share Units (rounded to the nearest whole share) that would have vested on the first Vesting Date shall become vested and nonforfeitable

as of the end of the Performance Period (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled;

(B) in the event the Grantee's employment is terminated on or after the last day of the Performance Period but before a subsequent Vesting Date due to the Grantee's Normal Retirement, then that one-third (33 1/3%) of the Performance Share Units that would have become vested and nonforfeitable on the next Vesting Date if the Grantee had remained employed through such date shall become vested and nonforfeitable as of such Normal Retirement (to the extent earned based on all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled, provided, however, that, if the Grantee terminates due to Normal Retirement on a Vesting Date, no accelerated vesting shall occur but rather the Grantee shall be entitled only to the portion of the Performance Share Units that were scheduled to vest on such Vesting Date and all remaining Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled;

(C) in the event the Grantee dies or becomes Disabled on or after the last day of the Performance Period but before a subsequent Vesting Date, then all remaining unvested Performance Share Units that would have become vested and nonforfeitable if the Grantee had remained employed through all future Vesting Dates shall become vested and nonforfeitable as of such death or Disability (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4); and

(D) in the event the Grantee's employment is terminated after the last day of the Performance Period and the termination meets the requirements of an Early Retirement (as defined below), then the unvested Performance Share Units subject to the One-Year Goal shall remain outstanding and unvested for purposes of Section 5 following the Early Retirement and shall become vested on the Vesting Dates provided in Section 5(a) (to the extent earned based on all applicable performance requirements, and subject to all certification requirements, in Section 4), provided, however, that, (y) if during such period and prior to an applicable Vesting Date the Grantee dies or becomes Disabled, then any unvested Performance Share Units subject to the One-Year Goal shall become vested and nonforfeitable as of such death or Disability (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4); or (z) if during such period and prior to an applicable Vesting Date a Change in Control occurs, then any unvested Performance Share Units subject to the One-Year Goal shall become vested and nonforfeitable as of such Change in Control (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4). Notwithstanding the forgoing, if Grantee violates any of the Business Protection Provisions (defined below) following Early Retirement, then any Performance Share Units subject to the One-Year Goal that vested following Early Retirement under this Section 5(b)(i)(D) shall be forfeited and subject to clawback as provided in Section 17 and any unvested Performance Share Units subject to the One-Year Goal shall be automatically forfeited to the Company and cancelled immediately upon the Company becoming aware of such violation.

(ii) Performance Share Units Subject to Three-Year Goal: To the extent Performance Share Units subject to the Three-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(j), in the event the

Grantee's employment is terminated before the last day of the Performance Period because of the Grantee's Normal Retirement or the Grantee dies or becomes Disabled before the last day of the Performance Period, then a Pro-Rata Portion of such Performance Share Units (rounded to the nearest whole share) that would have vested on the Vesting Date shall become vested and nonforfeitable as of the end of the Performance Period (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4) and all remaining Performance Share Units subject to the Three-Year Goal shall be automatically forfeited to the Company and cancelled. To the extent Performance Share Units subject to the Three-Year Goal have not previously terminated, been forfeited or become vested and nonforfeitable, and except as otherwise provided in Section 5(j), in the event the Grantee's employment is terminated on or after the last day of the Performance Period but before the Vesting Date because of the Grantee's Normal Retirement or the Grantee dies or becomes Disabled on or after the last day of the Performance Period but before the Vesting Date, then such Performance Share Units that would have vested on the Vesting Date shall become vested and nonforfeitable as of such Normal Retirement, death or Disability (to the extent earned based upon all applicable performance requirements, and subject to all certification requirements, in Section 4).

(iii) For purposes of Section 5(b), a "Pro-Rata Portion" is determined by a fraction (not to exceed one), the numerator of which is the number of months in the applicable Performance Period during which the Grantee was continuously in the employment of the Company and the denominator of which is the number of months in the applicable Performance Period. The Grantee will be deemed to be employed for a month if the Grantee's Normal Retirement, death or Disability occurs after the fifteenth (15th) day of a month.

(iv) Accelerated vesting under Section 5(b)(i) or (ii) shall not accelerate the time of payment of the Performance Share Units and payment shall be made on the applicable Payment Date as provided in Section 5(d).

(c) Termination With Cause. Notwithstanding any other provision of this Agreement, in the event the Grantee's employment is terminated by the Company with Cause prior to the satisfaction of all applicable performance, service and payment requirements, all Performance Share Units shall be forfeited and cancelled on the date of such termination of employment and the Grantee shall have no rights under this Agreement.

(d) Payment of Performance Share Units. Except as provided otherwise in Section 5(j) (related to a Change in Control), once earned and vested in accordance with Section 4 and Section 5(a) or 5(b), as applicable, the Performance Share Units shall be paid on the Vesting Dates set forth on **Schedule A** hereto (applying the same provisions as are in Section 5(a) related to fractional shares). The Vesting Dates set forth on **Schedule A** hereto are fixed dates of payment and do not change regardless of when the actual vesting occurs under Section 5(b) or 5(j), except to the extent a special earlier accelerated payment date due to a Qualifying Termination or Qualifying Early Retirement applies under Section 5(j). Such payment dates (including the special earlier accelerated payment date due to a Qualifying Termination or Qualifying Early Retirement as provided in Section 5(j)), are each referred to individually as a "Payment Date".

(e) Transfers and Reemployment. For purposes of this Agreement, transfer of employment among the Company and another Service Recipient shall not be considered a termination or interruption of employment. Upon reemployment following a termination of employment for any

reason, the Grantee shall have no rights to any Performance Share Units previously forfeited and cancelled under this Agreement.

(f) Early Retirement. For purposes of this Agreement, Early Retirement shall mean the voluntary termination of the Grantee's employment with the Company after [April 1, 2021] but prior to Normal Retirement; provided that (i) the Grantee has provided notice of voluntary termination in writing to the Board within a reasonable period of time prior to the date of his voluntary termination; (ii) the Grantee has agreed in writing to provide reasonable transition services to the Board and his successor for up to twelve (12) months following his voluntary termination; (iii) the Grantee agrees in writing to extend the "Restricted Period" within the Business Protection Provisions to three (3) years from the date of voluntary termination if on the date of termination the Restricted Period is otherwise less than three (3) years (the Restricted Period is currently defined within the Business Protection Provisions as two (2) years from the date of termination); and (iv) there is no basis for the Company to terminate the Grantee with Cause at the time of the Grantee's voluntary termination. For purposes of this Agreement, "Business Protection Provisions" shall mean the provisions in the Grantee's employment agreement with the Company dated June 3, 2018, as may be amended from time to time (or any successor agreement agreed upon by the Grantee and the Company as replacing such employment agreement) addressing business protections (as of the date of the Agreement, such provisions are set forth in sections 16 through 20 of such employment agreement), to the extent such provisions are applicable on the relevant date.

(g) Normal Retirement. For purposes of this Agreement, Normal Retirement shall mean the voluntary termination of the Grantee's employment with the Company on or after (i) reaching the minimum age of sixty-two (62) and (ii) achieving five (5) consecutive years of service; provided, however, that (y) the sum of the Grantee's age plus years of service (counting whole years only) must equal at least seventy (70); and (z) there is no basis for the Company to terminate the Grantee with Cause at the time of the Grantee's voluntary termination.

(h) Disability or Disabled. For the purposes of this Agreement, Disability or Disabled shall have the meaning set forth in Treas. Reg. Section 1.409A-3(i)(4). The Grantee will be deemed disabled if the Grantee is determined to be disabled under the Company's long-term disability plan, provided that the definition of "disability" applied under such plan complies with the requirements of Treas. Reg. Section 1.409A-3(i)(4).

(i) Cause. For the purposes of this Agreement, Cause shall mean (i) "Cause" as such term may be defined in any employment agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (ii) if there is no such employment agreement in effect, "Cause" as such term may be defined in any change-in-control agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (iii) if there is no such employment or change-in-control agreement, with respect to the Grantee: (A) any act of the Grantee involving fraud or dishonesty, or any willful failure to perform reasonable duties assigned to the Grantee which failure is not cured within 10 business days after receipt from the Company of written notice of such failure; (B) any material breach by the Grantee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, investments or the like, or any inappropriate disclosure or "tipping" relating to any stock, securities, investments or the like; (C) other than as required by law, the carrying out by the Grantee of any activity, or the Grantee making any public statement, which prejudices or ridicules the good name and standing of the Company or its Affiliates or would bring such persons into public contempt or ridicule; (D) attendance by the Grantee at work in a state of intoxication or the Grantee otherwise being found in possession at

the Grantee's place of work of any prohibited drug or substance, possession of which would amount to a criminal offense; (E) any assault or other act of violence by the Grantee; or (F) the Grantee being indicted for any crime constituting (I) any felony whatsoever or (II) any misdemeanor that would preclude employment under the Company's hiring policy.

(j) Change in Control. Notwithstanding any other provision of this Section 5, in the event of a Change in Control, vesting and payment of the Performance Share Units that have not previously become vested and nonforfeitable and paid, or have not previously been forfeited, under Section 4, 5(a), 5(b), 5(c) or 5(d) shall be determined under this Section 5(j) as follows:

(i) In the event a Change in Control occurs on or before the end of the applicable Performance Period and provided the Grantee is continuously employed until the Change in Control, the target number of the applicable Performance Share Units shall be deemed earned but otherwise continue to be subject to the service and payment provisions, including applicable proration requirements, that apply under Section 5(a), 5(b), 5(c) and 5(d) unless the Grantee experiences a Qualifying Termination. If the Grantee experiences a Qualifying Termination, all of the applicable Performance Share Units deemed earned per the preceding sentence and not previously vested and paid or previously forfeited, shall become immediately vested and nonforfeitable and shall be paid on the date of such Qualifying Termination, subject to a six-month delay, if applicable, as provided under Section 10(c) of the Plan.

(ii) In the event a Change in Control occurs following the end of the applicable Performance Period and provided the Grantee is continuously employed until the Change in Control, all of the applicable Performance Share Units previously earned based on the Committee's determination of performance in accordance with Section 4 shall continue to be subject to the service and payment requirements that apply under Section 5(a), 5(b), 5(c) and 5(d) unless the Grantee experiences a Qualifying Termination or, with regard to Performance Share Units subject to the One-Year Goal, a Qualifying Early Retirement. If the Grantee experiences a Qualifying Termination, all of the applicable Performance Share Units previously earned based on the Committee's determination of performance in accordance with Section 4 and not previously vested and paid or previously forfeited, shall become immediately vested and nonforfeitable and shall be paid on the date of such Qualifying Termination, subject to a six-month delay, if applicable, as provided under Section 10(c) of the Plan. If the Grantee experiences a Qualifying Early Retirement, all of the applicable Performance Share Units subject to the One-Year Goal previously earned based on the Committee's determination of performance in accordance with Section 4 and not previously vested and paid or previously forfeited, shall become immediately vested and nonforfeitable and shall be paid on the date of such Qualifying Early Retirement, subject to a six-month delay, if applicable, as provided under Section 10(c) of the Plan, provided, however, that if Grantee violates any of the Business Protection Provisions following such Qualifying Early Retirement, then any Performance Share Units subject to the One-Year Goal that vested following Early Retirement shall be automatically forfeited to the Company, cancelled and subject to clawback under Section 17 immediately upon the Company becoming aware of such violation.

(iii) In the event a Change in Control occurs following the end of the applicable Performance Period and after the Grantee has terminated due to an Early Retirement prior to the Change in Control, then Section 5(b)(i)(D) shall apply to the unvested Performance Share Units subject to the One-Year Goal and such Performance Share Units subject to the One-Year Goal shall be paid as provided in Section 5(d).

(iv) For purposes of this Agreement, a Change in Control (as defined in the Plan) will be deemed to have occurred with respect to the Grantee only if an event relating to the Change in Control constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Treas. Reg. Section 1.409A-3(i)(5).

(k) Good Reason. For purposes of this Agreement, Good Reason shall mean (A) a material diminution in the Grantee's base salary; or (B) a material diminution in the Grantee's authority, duties or responsibilities. To qualify as a termination due to Good Reason under this Agreement, the Grantee must have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of the initial existence of such grounds and must have given the Company at least thirty (30) days from receipt of such notice to cure the condition constituting Good Reason. Such termination of employment must have become effective no later than one (1) year after the initial existence of the condition constituting Good Reason.

(l) Qualifying Termination. For purposes of this Agreement, Qualifying Termination shall mean the Grantee's employment with the Company is terminated involuntarily by the Company other than with Cause or is terminated voluntarily by the Grantee, other than when Cause exists, for Good Reason or due to Normal Retirement; in each case provided (i) the termination of employment occurs within two (2) years following a Change in Control and (ii) the termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Code. In no event shall a Qualifying Termination include the death, Disability or any other termination of or by the Grantee not specifically covered by the preceding sentence.

(m) Qualifying Early Retirement. For purposes of this Agreement, Qualifying Early Retirement shall mean the Grantee's employment with the Company is terminated due to Early Retirement (as defined in Section 5(f)), provided (i) the termination of employment occurs within two (2) years following a Change in Control and (ii) the termination of employment also constitutes a "separation from service" within the meaning of Section 409A of the Code. In no event shall a Qualifying Early Retirement include the death, Disability or any other termination of or by the Grantee not specifically covered by the preceding sentence.

(n) Delivery of Shares. Shares of Common Stock corresponding to the number of Performance Share Units that have been earned and become vested and nonforfeitable ("Performance Shares") shall be paid to the Grantee, or, if deceased, to the Grantee's estate, in settlement of the Performance Share Units on the Payment Dates provided in Sections 5(d) and 5(j). Payment may be delayed by the Company only in accordance with the requirements of Section 409A of the Code although no interest shall be payable in the event there is a delay for any reason. Such payment shall be accomplished either by delivering a share certificate or by providing evidence of electronic delivery, and the Performance Shares shall be registered in the name of the Grantee or, if deceased, the Grantee's estate. The Performance Shares may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. In determining the number of Performance Shares to be withheld for taxes as provided in Section 10, the value of the Performance Shares shall be based upon the Fair Market Value of the Shares on the date of payment. If a Payment Date falls on a weekend, holiday or other non-trading day, the value of any Performance Shares payable on such Payment Date shall be determined based on the Fair Market Value of the Shares on the most recent prior trading date.

6. **No Dividend Equivalents.** The Grantee shall have no right to dividend equivalents or dividends on the Performance Share Units.

7. **Transferability.** Neither the Performance Shares prior to delivery pursuant to Section 5 nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 7 shall not prevent transfers by will or by the applicable laws of descent and distribution.

8. **No Guarantee of Employment.** Nothing in this Agreement or in the Plan shall confer upon the Grantee any right to continue in the employ of the Company or shall interfere with or restrict in any way the rights of the Company, which are hereby expressly reserved, to terminate the employment of the Grantee at any time for any reason whatsoever, with or without cause, subject to the applicable provisions of, if any, the Grantee's employment agreement with the Company or offer letter provided by the Company to the Grantee.

9. **Change in Capitalization; Change in Control.** If any event described in Section 8 or 9 of the Plan occurs, this Agreement and the Performance Shares shall be adjusted to the extent required or permitted, as applicable, pursuant to Sections 8 and 9 of the Plan.

10. **Taxes.** The Grantee shall have full responsibility, and the Company shall have no responsibility (except as to applicable tax withholdings), for satisfying any liability for any federal, state or local income or other taxes required by law to be paid with respect to the Performance Shares. The Grantee is hereby advised to seek his own tax counsel regarding the taxation of the Performance Shares hereunder. Unless otherwise determined by the Committee (in compliance with Section 409A of the Code), on the applicable Payment Date, the Company shall withhold from any Performance Shares deliverable in payment of the Performance Share Units the number of Performance Shares having a value equal to the minimum amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Unless otherwise determined by the Committee (in compliance with Section 409A of the Code), if vesting occurs prior to payment and applicable law requires the payment of employment taxes at such time, then the Company shall withhold from the Performance Share Units at vesting the number of Performance Shares having a value equal to the minimum amount of income and employment taxes required to be withheld under applicable law and regulations, in a manner that complies with Section 409A of the Code, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. With regard to withholding on the Payment Date (but not at the time of vesting), any fractional shares resulting from the payment of the withholding amounts shall be liquidated and paid in cash to the U.S. Treasury as additional federal income tax withholding for the Grantee. With regard to withholding at the time of vesting, only full shares (determined by rounding down to the next full share) shall be liquidated and paid in cash to the U.S. Treasury and any additional amounts due for tax withholding shall be paid by the Grantee. Grantee shall be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon vesting of the Performance Share Units.

11. **Limitation on Obligations.** This Performance Share Unit Award shall not be secured by any specific assets of the Company, nor shall any assets of the Company be designated as

attributable or allocated to the satisfaction of the Company's obligations under this Agreement. In addition, the Company shall not be liable to the Grantee for damages relating to any delays in issuing the share certificates or electronic delivery thereof to him (or his designated entities), any loss of the certificates, or any mistakes or errors in the issuance or registration of the certificates or in the certificates themselves.

12. **Securities Laws.** The Company may require the Grantee to make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws. The Performance Share Units and Performance Shares shall be subject to all applicable laws, rules and regulations and to such approvals of any governmental agencies as may be required.

13. **Notices.** Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Grantee shall be addressed to the Grantee at the last address of the Grantee known to the Company unless otherwise directed by the Grantee in a notice provided in accordance with this Section 13. By a notice given pursuant to this Section 13, either party may hereafter designate a different address for the provision of notices under this Agreement. Any notice that is required to be given to the Grantee shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 13. Any notice shall have been deemed duly given when (i) delivered in person, (ii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service, or (iii) enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with fees prepaid) in and office regularly maintained by FedEx, UPS, or comparable non-public mail carrier.

14. **Governing Law.** The laws of the State of Delaware shall govern the interpretation, validity and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

15. **Section 409A of the Code.** The provisions of Section 10(c) of the Plan are hereby incorporated by reference. Notwithstanding the foregoing, the Company shall not be liable to the Grantee in the event this Agreement fails to be exempt from, or comply with, Section 409A of the Code.

16. **Arbitration.** In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted within a reasonable period by a single arbitrator in an arbitral forum to be selected by the parties and subject to the Federal Rules of Procedure and Evidence. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area, unless otherwise mutually agreed by the parties. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator, and each party shall bear an equal portion of the arbitrator's and arbitral forum's fees.

17. **Clawback.** As a condition of receiving the Performance Share Units, the Grantee acknowledges and agrees that the Grantee's rights, payments, and benefits with respect to the Performance Share Units shall be subject to any reduction, cancellation, forfeiture or recoupment, in whole or in part, upon the occurrence of certain specified events (including, but not limited to, upon violation of the Business Protection Provisions, as provided in Section 5(b)(i)(D) or 5(j)), as is required by this Agreement or as may be required by any rule or regulation of the Securities and Exchange Commission or by any applicable national exchange, or by any other applicable law, rule or regulation, or as set forth in a separate "clawback" or recoupment policy as may be adopted from time to time by the Board or the Committee. In the event the Grantee no longer owns the Performance Shares at the time of required recoupment, the Grantee agrees to the recoupment of cash equal to the Fair Market Value of the Performance Shares on the date the Performance Shares were sold.

18. **Applicability of Plan.** The Performance Share Units and the Performance Shares issued to the Grantee upon payment of the Performance Share Units shall be subject to all terms and provisions of the Plan to the extent applicable to performance share units and Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control.

19. **Amendment and Termination.** This Agreement may be modified in any manner consistent with Section 10 of the Plan.

20. **Administration.** The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Performance Share Unit Award. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

21. **Rights as Shareholder.** The holder of a Performance Share Unit Award shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Performance Shares issuable upon the payment of a vested Performance Share Unit unless and until a certificate or certificates representing such Performance Shares shall have been issued by the Company to such holder or, if the Common Stock is listed on a national securities exchange, a book entry representing such Performance Shares has been made by the registrar of the Company.

22. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

DOLLAR GENERAL CORPORATION

By: _____
Name: _____
Title: _____

GRANTEE

Todd J. Vasos

Schedule A to Performance Share Unit Award Agreement

Grant Date: []

Target Number of Performance Share Units Awarded: []

Performance Period: ***For One-Year Goal:*** Begins on [1st day of fiscal year that includes the Grant Date] and ends on [last day of same fiscal year]

For Three-Year Goal: Begins on [1st day of fiscal year that includes the Grant Date] and ends on [last day of fiscal year [Grant Date fiscal year + 2]]

Threshold, Target and Maximum Calculation Chart: See attached **Exhibit 1**

Vesting Table:

<u>Vesting Date</u>	PSUs Subject to One-Year Goal/ Percentage Vested	PSUs Subject to Three-Year Goal/ Percentage Vested
April 1, [Grant Date year + 1 year]	33 1/3%	N/A
April 1, [Grant Date year + 2 years]	33 1/3%	N/A
April 1, [Grant Date year + 3 years]	33 1/3%	100%

Exhibit 1 to Schedule A to Performance Share Unit Award Agreement

[] Performance Share Unit Matrix – Adjusted EBITDA

EBITDA Based Shares		
Performance Level	EBITDA Result vs. Target	EBITDA Based Shares
Threshold	[]	[]
Target	[]	[]
Maximum	[]	[]

Note: Interpolate between all EBITDA results and award levels

[] Performance Share Unit Matrix – Adjusted ROIC

ROIC Based Shares Earned []		
Performance Level	ROIC Result vs. Target	ROIC Based Shares
Threshold	[]	[]
Target	[]	[]
Maximum	[]	[]

Note: Interpolate between all ROIC results and award levels

SUBSIDIARIES OF THE REGISTRANT
(as of March 19, 2020)

Name of Entity	Jurisdiction of Incorporation/Organization
DC Financial, LLC	Tennessee
Dolgencorp, LLC (f/k/a Dolgencorp, Inc.) (d/b/a Dolgen, LLC in Virginia and New Jersey)	Kentucky
DG Louisiana, LLC(1)	Tennessee
Dolgen I, Inc.	Tennessee
Dolgen II, Inc.	Tennessee
Dollar General I (HK) Limited(2)	Hong Kong
Dollar General II (HK) Limited(2)	Hong Kong
Dolgen V(3)	People's Republic of China
Dollar General Global Sourcing Holdings Limited(4)	Hong Kong
Dollar General Global Sourcing (Shenzhen) Co. Ltd.(5)	People's Republic of China
Dolgen III, Inc.	Tennessee
DG eCommerce, LLC (f/k/a Strategic V, LLC)	Tennessee
DG Strategic II, LLC	Tennessee
DG Strategic VI, LLC	Tennessee
Dollar General Partners(6)	Kentucky
DG Promotions, Inc. (f/k/a Nations Title Company, Inc.)	Tennessee
DG Strategic I, LLC(7)	Tennessee
Dolgencorp of Texas, Inc.(8)	Kentucky
DG Product Services, LLC(9)	Tennessee
DG Retail, LLC(9)	Tennessee
Dolgen California, LLC (f/k/a DG Strategic IV, LLC)(9)	Tennessee
Dolgen Midwest, LLC (f/k/a DG Strategic III, LLC)(9)	Tennessee
Dolgen New York, LLC(9)	Kentucky
Dolgen Rhode Island, LLC(9)	Tennessee
DG Distribution of Texas, LLC (f/k/a DG Strategic VIII, LLC)	Tennessee
DG Transportation, Inc.	Tennessee
DG Logistics, LLC(10)	Tennessee
South Boston Holdings, Inc.	Delaware
Sun-Dollar, L.P.(11)	California
South Boston FF&E, LLC(12)	Delaware
Ashley River Insurance Company, Inc.	Tennessee
DGC Holdings, LLC	Delaware
Dollar General Global Sourcing Limited(13)	Hong Kong
Dollar General Literacy Foundation(14)	Tennessee
Retail Property Investments, LLC	Delaware
Retail Risk Solutions, LLC	Tennessee
DG Distribution Midwest, LLC	Tennessee
DG Distribution Northeast, LLC	Tennessee
DG Distribution Southeast, LLC	Tennessee
Dolgen NW, LLC	Tennessee
DG Strategic VII, LLC(15)	Tennessee
DG Distribution PA, LLC (f/k/a DG Distribution, LLC)	Tennessee
DG Distribution IN, LLC (f/k/a DG Distribution II, LLC)	Tennessee
DG Distribution NC, LLC	Tennessee
DG Distribution GA, LLC	Tennessee
DG Fresh Distribution AL, LLC	Tennessee
DG Fresh Distribution FL, LLC	Tennessee
DG Fresh Distribution MO, LLC	Tennessee
DG Fresh Distribution OH, LLC	Tennessee
DG Fresh Distribution OK, LLC	Tennessee
DG Fresh Distribution TX, LLC	Tennessee
JPI, LLC	Tennessee

- (1) A limited liability company in which Dolgencorp, LLC is the sole member.
- (2) A corporation (settlor and beneficiary of Dolgen V) in which the sole shareholder is Dolgen II, Inc.
- (3) A People's Republic of China business trust in which Dollar General I (HK) Limited is settlor and beneficiary, Dollar General II (HK) Limited is also a settlor and beneficiary, and Dollar General Global Sourcing Holdings Limited is the trustee.
- (4) A corporation (trustee for Dolgen V) in which the sole shareholder is Dolgen II, Inc.
- (5) A People's Republic of China limited liability company in which Dollar General Global Sourcing Holdings Limited is sole investor, as trustee, on behalf of Dolgen V, the trust.
- (6) A general partnership in which the general partners are DG Strategic VI, LLC and DG Promotions, Inc.
- (7) A limited liability company in which DG Promotions, Inc. is the sole member.
- (8) A corporation in which the sole shareholder is DG Strategic I, LLC.
- (9) A limited liability company in which Dolgencorp of Texas, Inc. is the sole member.
- (10) A limited liability company in which DG Transportation, Inc. is the sole member.
- (11) A limited partnership in which the general partner is South Boston Holdings, Inc. and the limited partner is Dollar General Corporation.
- (12) A limited liability company in which Sun-Dollar, L.P. is the sole member.
- (13) A corporation in which the sole shareholder is Dollar General Corporation.
- (14) A nonprofit, public benefit membership corporation in which Dollar General Corporation is the sole member.
- (15) A limited liability company in which Dolgen NW, LLC is the sole member.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-216940) pertaining to the Shelf Registration Statement of Dollar General Corporation and its Affiliates,
- (2) Registration Statement (Form S-8 No. 333-163200) pertaining to the Amended and Restated 2007 Stock Incentive Plan for Key Employees of Dollar General Corporation and its Affiliates,
- (3) Registration Statement (Form S-8 No. 333-151655) pertaining to the 2007 Stock Incentive Plan for Key Employees of Dollar General Corporation and its Affiliates,
- (4) Registration Statement (Form S-8 No. 333-151049) pertaining to the Dollar General Corporation CDP/SERP Plan, and
- (5) Registration Statement (Form S-8 No. 333-151047) pertaining to the 2007 Stock Incentive Plan for Key Employees of Dollar General Corporation and its Affiliates

of our reports dated March 19, 2020, with respect to the consolidated financial statements of Dollar General Corporation and subsidiaries and the effectiveness of internal control over financial reporting of Dollar General Corporation and subsidiaries included in this Annual Report (Form 10-K) of Dollar General Corporation for the year ended January 31, 2020.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 19, 2020

CERTIFICATIONS

I, Todd J. Vasos, certify that:

1. I have reviewed this annual report on Form 10-K of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2020

/s/ Todd J. Vasos
Todd J. Vasos
Chief Executive Officer

I, John W. Garratt, certify that:

1. I have reviewed this annual report on Form 10-K of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2020

/s/ John W. Garratt
John W. Garratt
Chief Financial Officer

CERTIFICATIONS
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned hereby certifies that to his knowledge the Annual Report on Form 10-K for the fiscal year ended January 31, 2020 of Dollar General Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd J. Vasos

Name: Todd J. Vasos
Title: Chief Executive Officer
Date: March 19, 2020

/s/ John W. Garratt

Name: John W. Garratt
Title: Chief Financial Officer
Date: March 19, 2020
