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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended October 28, 2016**

**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**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

The registrant had 276,264,260 shares of common stock outstanding on November 28, 2016.

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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands)*

	<b>October 28, 2016</b>	<b>January 29, 2016</b>
	<u>(Unaudited)</u>	<u>(see Note 1)</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 200,236	\$ 157,947
Merchandise inventories	3,488,247	3,074,153
Income taxes receivable	54,586	6,843
Prepaid expenses and other current assets	225,443	193,467
Total current assets	<u>3,968,512</u>	<u>3,432,410</u>
Net property and equipment	<u>2,388,463</u>	<u>2,264,062</u>
Goodwill	<u>4,338,589</u>	<u>4,338,589</u>
Other intangible assets, net	<u>1,200,734</u>	<u>1,200,994</u>
Other assets, net	<u>20,778</u>	<u>21,830</u>
Total assets	<u>\$ 11,917,076</u>	<u>\$ 11,257,885</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term obligations	\$ 501,480	\$ 1,379
Accounts payable	1,948,111	1,494,225
Accrued expenses and other	504,427	467,122
Income taxes payable	5,721	32,870
Total current liabilities	<u>2,959,739</u>	<u>1,995,596</u>
Long-term obligations	<u>2,673,210</u>	<u>2,969,175</u>
Deferred income taxes	<u>637,135</u>	<u>639,955</u>
Other liabilities	<u>285,140</u>	<u>275,283</u>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	—	—
Common stock	244,457	250,855
Additional paid-in capital	3,144,632	3,107,283
Retained earnings	1,977,969	2,025,545
Accumulated other comprehensive loss	<u>(5,206)</u>	<u>(5,807)</u>
Total shareholders' equity	<u>5,361,852</u>	<u>5,377,876</u>
Total liabilities and shareholders' equity	<u>\$ 11,917,076</u>	<u>\$ 11,257,885</u>

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

*(In thousands, except per share amounts)*

	For the 13 weeks ended		For the 39 weeks ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net sales	\$ 5,320,029	\$ 5,067,048	\$ 15,977,352	\$ 15,081,624
Cost of goods sold	3,732,519	3,530,086	11,095,461	10,457,802
Gross profit	1,587,510	1,536,962	4,881,891	4,623,822
Selling, general and administrative expenses	1,194,519	1,113,103	3,499,060	3,295,957
Operating profit	392,991	423,859	1,382,831	1,327,865
Interest expense	23,877	21,394	72,310	63,669
Other (income) expense	—	326	—	326
Income before income taxes	369,114	402,139	1,310,521	1,263,870
Income tax expense	133,799	148,818	473,564	474,965
Net income	<u>\$ 235,315</u>	<u>\$ 253,321</u>	<u>\$ 836,957</u>	<u>\$ 788,905</u>
Earnings per share:				
Basic	\$ 0.84	\$ 0.87	\$ 2.96	\$ 2.66
Diluted	\$ 0.84	\$ 0.86	\$ 2.95	\$ 2.65
Weighted average shares outstanding:				
Basic	280,441	292,037	283,152	296,307
Diluted	281,283	292,904	284,126	297,174
Dividends per share	\$ 0.25	\$ 0.22	\$ 0.75	\$ 0.66

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(In thousands)

	For the 13 weeks ended		For the 39 weeks ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net income	\$ 235,315	\$ 253,321	\$ 836,957	\$ 788,905
Unrealized net gain on hedged transactions, net of related income tax expense of \$129, \$128, \$387, and \$847, respectively	200	201	601	1,314
<b>Comprehensive income</b>	<b>\$ 235,515</b>	<b>\$ 253,522</b>	<b>\$ 837,558</b>	<b>\$ 790,219</b>

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)  
(In thousands)

	For the 39 weeks ended	
	October 28, 2016	October 30, 2015
<i>Cash flows from operating activities:</i>		
Net income	\$ 836,957	\$ 788,905
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	282,386	263,287
Deferred income taxes	(3,207)	(59,026)
Loss on debt retirement, net	—	326
Noncash share-based compensation	27,676	28,890
Other noncash (gains) and losses	1,935	7,130
Change in operating assets and liabilities:		
Merchandise inventories	(405,456)	(317,273)
Prepaid expenses and other current assets	(30,471)	(24,242)
Accounts payable	439,259	75,880
Accrued expenses and other liabilities	50,683	58,701
Income taxes	(74,892)	(12,246)
Other	(456)	(1,220)
Net cash provided by (used in) operating activities	<u>1,124,414</u>	<u>809,112</u>
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(405,899)	(386,886)
Proceeds from sales of property and equipment	4,333	813
Net cash provided by (used in) investing activities	<u>(401,566)</u>	<u>(386,073)</u>
<i>Cash flows from financing activities:</i>		
Issuance of long-term obligations	—	499,220
Repayments of long-term obligations	(1,302)	(502,120)
Net increase in commercial paper outstanding	453,000	—
Borrowings under revolving credit facilities	1,584,000	1,302,100
Repayments of borrowings under revolving credit facilities	(1,835,000)	(914,100)
Debt issuance costs	—	(7,011)
Repurchases of common stock	(679,416)	(1,009,411)
Payments of cash dividends	(212,249)	(195,169)
Other equity and related transactions	10,408	6,143
Net cash provided by (used in) financing activities	<u>(680,559)</u>	<u>(820,348)</u>
Net increase (decrease) in cash and cash equivalents	42,289	(397,309)
Cash and cash equivalents, beginning of period	157,947	579,823
Cash and cash equivalents, end of period	<u>\$ 200,236</u>	<u>\$ 182,514</u>
<i>Supplemental schedule of non-cash investing and financing activities:</i>		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 46,647	\$ 37,659

See notes to condensed consolidated financial statements.

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP for annual financial statements or those normally made in the Company's Annual Report on Form 10-K, including the condensed consolidated balance sheet as of January 29, 2016 which has been derived from the audited consolidated financial statements at that date. Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2016 for additional information.

The Company's fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company's fiscal year. The Company's 2016 fiscal year is scheduled to be a 53-week accounting period ending on February 3, 2017, and the 2015 fiscal year was a 52-week accounting period that ended on January 29, 2016.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company's customary accounting practices. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of October 28, 2016 and results of operations for the 13-week and 39-week accounting periods ended October 28, 2016 and October 30, 2015 have been made.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Because the Company's business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

The Company uses the last-in, first-out ("LIFO") method of valuing inventory. 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. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation or deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded a LIFO (benefit) of \$(3.8) million and \$(1.7) million in the respective 13-week periods, and \$(8.1) million and \$(2.3) million in the respective 39-week periods, ended October 28, 2016 and October 30, 2015. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation.

In May 2014, the Financial Accounting Standards Board ("FASB") issued comprehensive new accounting standards related to the recognition of revenue, which specified an effective date for annual reporting periods beginning after December 15, 2016, with early adoption not permitted. In August 2015, the FASB deferred the effective date to annual reporting periods beginning after December 15, 2017, with earlier adoption permitted only for annual reporting periods beginning after December 15, 2016. The new guidance allows for companies to use either a full retrospective or a modified retrospective approach in the adoption of this guidance. The Company is currently evaluating these transition approaches, as well as the potential timing of adoption and the effect of adoption on its consolidated financial statements.

In February 2016, the FASB issued new guidance related to lease accounting, which when effective will require a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after

December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and is anticipating a material impact because the Company is party to a significant number of lease contracts.

In March 2016, the FASB issued amendments to existing guidance related to accounting for employee share-based payment affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company adopted this guidance in the first quarter of 2016. The Company has elected to continue estimating forfeitures of share-based awards. The amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement were applied prospectively resulting in a benefit for the 39 weeks ended October 28, 2016 of approximately \$10.9 million, or \$0.04 per diluted share. The Company has elected to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using a retrospective transition method, and as a result, \$28.6 million of excess tax benefits related to share-based awards which were previously classified as cash flows from financing activities for the 39 weeks ended October 30, 2015 have been reclassified as cash flows from operating activities.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory. These amendments require an entity to recognize the income tax consequences of such transfers when the transfer occurs and affects the Company's historical accounting for intra-entity transfers of certain intangible assets. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted subject to certain guidelines. The amendments should be 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 is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements, but expects such adoption will result in an increase in deferred income tax liabilities and a decrease in retained earnings.

## 2. Earnings per share

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

	13 Weeks Ended October 28, 2016			13 Weeks Ended October 30, 2015		
	Net	Weighted		Net	Weighted	
		Average	Per Share		Average	Per Share
	Income	Shares	Amount	Income	Shares	Amount
Basic earnings per share	\$ 235,315	280,441	\$ 0.84	\$ 253,321	292,037	\$ 0.87
Effect of dilutive share-based awards		842			867	
Diluted earnings per share	\$ 235,315	281,283	\$ 0.84	\$ 253,321	292,904	\$ 0.86

  

	39 Weeks Ended October 28, 2016			39 Weeks Ended October 30, 2015		
	Net	Weighted		Net	Weighted	
		Average	Per Share		Average	Per Share
	Income	Shares	Amount	Income	Shares	Amount
Basic earnings per share	\$ 836,957	283,152	\$ 2.96	\$ 788,905	296,307	\$ 2.66
Effect of dilutive share-based awards		974			867	
Diluted earnings per share	\$ 836,957	284,126	\$ 2.95	\$ 788,905	297,174	\$ 2.65

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. 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 awards would be antidilutive, were

1.9 million and 1.6 million in the 2016 and 2015 13-week periods, respectively, and were 1.6 million and 1.2 million in the 2016 and 2015 39-week periods, respectively.

### **3. 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.

Income tax reserves are determined using the methodology established by accounting standards for income taxes which require companies to assess each income tax position taken using the following two-step approach. 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.

The Company's 2011 and earlier tax years are not open for further examination by the Internal Revenue Service ("IRS"). Due to the filing of an amended federal income tax return for the 2012 tax year, the IRS may, to a limited extent, examine the Company's 2012 income tax filings. The IRS, at its discretion, may choose to examine the Company's 2013 through 2015 fiscal year income tax filings. The Company has various state income tax examinations that are currently in progress. Generally, the Company's 2012 and later tax years remain open for examination by the various state taxing authorities.

As of October 28, 2016, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$6.3 million, \$1.0 million and \$0.9 million, respectively, for a total of \$8.2 million. This total amount is reflected in noncurrent Other liabilities in the condensed consolidated balance sheet.

The Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately \$5.2 million in the coming twelve months principally as a result of the effective settlement of uncertain tax positions. As of October 28, 2016, approximately \$6.3 million of the reserve for 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 effective income tax rates for the 13-week and 39-week periods ended October 28, 2016 were 36.2% and 36.1%, respectively, compared to rates of 37.0% and 37.6%, respectively, for the 13-week and 39-week periods ended October 30, 2015. The tax rate for the 2016 13-week period was lower than for the comparable 2015 period primarily due to the retroactive enactment in 2015 of federal jobs tax credits (principally the Work Opportunity Tax Credit or "WOTC") for employees hired after December 31, 2014. The tax rate for the 2016 39-week period was lower than for the comparable 2015 period primarily due to the retroactive enactment of the WOTC as well as the 2016 adoption of amendments to accounting guidance for share-based payment discussed in Note 1. While the Company eventually did benefit from the WOTC associated with employees hired in the 13-week and 39-week periods ended October 30, 2015, the benefit could not be recognized until the federal laws authorizing the credits were retroactively reenacted in December 2015.

### **4. Current and long-term obligations**

The Company's senior unsecured credit facilities (the "Facilities") consist of a \$425.0 million senior unsecured term loan facility (the "Term Facility") and a \$1.0 billion senior unsecured revolving credit facility (the "Revolving Facility") which provides for the issuance of letters of credit up to \$175.0 million. The Facilities are scheduled to mature on October 20, 2020.

As of October 28, 2016, the entire balance of the Term Facility was outstanding, and under the Revolving Facility, the Company had no outstanding borrowings, outstanding letters of credit of \$15.5 million, and borrowing availability of \$984.5 million that, due to reserved borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$531.5 million. In addition, as of October 28, 2016 the Company had outstanding letters of credit of \$33.6 million which were issued pursuant to separate agreements.

On August 1, 2016, the Company established a commercial paper program under which the Company may issue unsecured commercial paper notes (the "CP Notes"). Under this program, the Company 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 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 has agreed 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 October 28, 2016, the Company had outstanding CP notes of \$453.0 million classified as long-term obligations on the consolidated balance sheet due to its intent and ability to refinance these obligations as long-term debt.

The Company also has multiple series of senior notes (collectively, the "Senior Notes") outstanding with varying maturity dates through 2025 which had an aggregate book value of \$2.3 billion at October 28, 2016 and January 29, 2016. As of October 28, 2016, the Company's \$500.0 million 4.125% Senior Notes due July 15, 2017 are classified as Current portion of long-term obligations.

## 5. Assets and liabilities measured at fair value

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). The Company does not have any fair value measurements categorized within Level 3 as of October 28, 2016.

The following table presents the Company's assets and liabilities disclosed at fair value as of October 28, 2016, 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)	Balance at October 28, 2016
<b>Liabilities:</b>				
Long-term obligations (a)	\$ 2,369,552	\$ 893,382	\$ —	\$ 3,262,934
Deferred compensation (b)	22,700	—	—	22,700

- (a) Included in the condensed consolidated balance sheet at book value as Current portion of long-term obligations of \$501,480 and Long-term obligations of \$2,673,210.
- (b) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$5,210 and noncurrent Other liabilities of \$17,490.

## 6. Commitments and contingencies

### Legal proceedings

In September 2011, the Chicago Regional Office of the United States Equal Employment Opportunity Commission ("EEOC" or "Commission") notified the Company of a cause finding related to the Company's criminal background check policy. The cause finding alleges that the Company's criminal background check policy, which excludes from employment individuals with certain criminal convictions for specified periods, has a disparate impact on African-American candidates and employees in violation of Title VII of the Civil Rights Act of 1964, as amended ("Title VII").

The Company and the EEOC engaged in the statutorily required conciliation process, and despite the Company's good faith efforts to resolve the matter, the Commission notified the Company on July 26, 2012 of its view that conciliation had failed.

On June 11, 2013, the EEOC filed a lawsuit in the United States District Court for the Northern District of Illinois entitled *Equal Opportunity Commission v. Dolgencorp, LLC d/b/a Dollar General* in which the Commission alleges that the Company's criminal background check policy has a disparate impact on "Black Applicants" in violation of Title VII and seeks to recover monetary damages and injunctive relief on behalf of a class of "Black Applicants." The Company filed its answer to the complaint on August 9, 2013.

The court has bifurcated the issues of liability and damages for purposes of discovery and trial. Fact discovery related to liability is to be completed on or before April 17, 2017. In response to various discovery motions, the court has entered orders requiring the Company's production of documents, information and electronic data for the period 2004 to present.

Currently pending is the EEOC's Motion for Partial Summary Judgment relating to two of the Company's defenses challenging the sufficiency of the Commission's conciliation efforts and the scope of its investigation.

The Company believes that its criminal background check process is both lawful and necessary to a safe environment for its employees and customers and the protection of its assets and shareholders' investments. The Company also does not believe that this matter is amenable to class or similar treatment. However, at this time, it is not possible to predict whether the action will ultimately be permitted to proceed as a class or in a similar fashion or the size of any putative class. Likewise, at this time, it is not possible to estimate the value of the claims asserted, and no assurances can be given that the Company will be successful in its defense of this action on the merits or otherwise. For these reasons, the Company cannot estimate the potential exposure or range of potential loss. If the matter were to proceed successfully as a class or similar action or the Company is unsuccessful in its defense efforts as to the merits of the action, the resolution of this matter could have a material adverse effect on the Company's consolidated financial statements as a whole.

On May 23, 2013, a lawsuit entitled *Juan Varela v. Dolgen California and Does 1 through 50* ("Varela") was filed in the Superior Court of the State of California for the County of Riverside. In the original complaint, the *Varela* plaintiff alleges that he and other "key carriers" were not provided with meal and rest periods in violation of California law and seeks to recover alleged unpaid wages, injunctive relief, consequential damages, pre-judgment interest, statutory penalties and attorneys' fees and costs and seeks to represent a putative class of California "key carriers" as to these claims. The *Varela* plaintiff also asserts a claim for unfair business practices and seeks to proceed under California's Private Attorney General Act (the "PAGA").

On November 4, 2014, the *Varela* plaintiff filed an amended complaint to add Victoria Lee Dinger Main as a named plaintiff and to add putative class claims on behalf of "key carriers" for alleged inaccurate wage statements and failure to provide appropriate pay upon termination in violation of California law.

The Company filed answers to both the complaint and amended complaint. The court recently vacated the deadlines for the filing of motions related to class certification in light of other discovery matters pending before the court. No new deadlines have been set.

On January 15, 2015, a lawsuit entitled *Kendra Pleasant v. Dollar General Corporation, Dolgen California, LLC, and Does 1 through 50* ("Pleasant") was filed in the Superior Court of the State of California for the County of San Bernardino in which the plaintiff seeks to proceed under the PAGA for various alleged violations of California's Labor Code. Specifically, the plaintiff alleges that she and other similarly situated non-exempt California store-level employees were not paid for all time worked, provided meal and rest breaks, reimbursed for necessary work related expenses, and provided with accurate wage statements and seeks to recover unpaid wages, civil and statutory penalties, interest, attorneys' fees and costs. The court has stayed proceedings in this matter until resolution of the *Varela* matter.

On February 20, 2015, a lawsuit entitled *Julie Sullivan v. Dolgen California and Does 1 through 100* ("Sullivan") was filed in the Superior Court of the State of California for the County of Alameda in which the plaintiff alleges that she and other similarly situated Dollar General Market store managers in the State of California were improperly classified as exempt employees and were not provided with meal and rest breaks and accurate wage statements in violation of California law. The *Sullivan* plaintiff also alleges that she and other California store employees were not provided with printed wage statements, purportedly in violation of California law. The plaintiff seeks to recover unpaid wages, including overtime pay, civil and statutory penalties, interest, injunctive relief, restitution, and attorneys' fees and costs.

On April 8, 2015, the Company removed this matter to the United States District Court for the Northern District of California and filed its answer on the same date. On April 29, 2015, the *Sullivan* plaintiff amended her complaint to add a claim under the PAGA. The Company's response to the amended complaint was filed on May 14, 2015.

The plaintiff's motion for class certification was filed in March 2016. Plaintiff subsequently conceded that her exemption claim is not amenable to class certification but continued to pursue her individual misclassification claim and class certification of her wage statement claim.

On June 14, 2016, the parties reached a preliminary agreement to resolve this matter for an amount not material to the Company's consolidated financial statements as a whole, which has been submitted to, and received preliminary approval from, the court. The final fairness hearing is scheduled for February 23, 2017.

At this time, although probable, it is not certain that the court will grant final approval to the settlement. If the court does not approve the settlement and the case proceeds, it is not possible to predict whether *Sullivan* ultimately will be permitted to proceed as a class action with respect to the wage statement claim, and no assurances can be given that the Company will be successful in its defense on the merits or otherwise.

On July 8, 2016, a lawsuit entitled *Eric Farley and Dane Rinaldi v. Dolgen California, LLC* ("Farley") was filed in the Superior Court of the State of California for the County of San Joaquin. The *Farley* plaintiffs allege they and other similarly situated "key carriers" in California were not provided with meal and rest periods, accurate wage statements, and appropriate pay upon termination in violation of California law. The *Farley* plaintiffs also assert a claim for unfair business practices and seek to recover alleged unpaid wages, injunctive relief, consequential damages, pre-judgment interest, statutory penalties and attorneys' fees and costs.

On September 15, 2016, the *Farley* plaintiffs filed an amended complaint seeking to recover penalties under the PAGA.

On October 19, 2016, the Company removed the matter to the United States District Court for the Eastern District of California. Currently pending is the Company's motion to dismiss and to compel arbitration.

The Company believes that its policies and practices comply with California law and that the *Varela, Pleasant, Sullivan*, and *Farley* actions are not appropriate for class or similar treatment. The Company intends to vigorously defend these actions; however, at this time, it is not possible to predict whether the *Varela, Pleasant, Sullivan* or *Farley* action ultimately will be permitted to proceed as a class, and no assurances can be given that the Company will be successful in its defense of these actions on the merits or otherwise. Similarly, at this time the Company cannot estimate either the size of any potential class or the value of the claims asserted in the *Varela, Pleasant, Sullivan* or *Farley* action. For these reasons, the Company is unable to estimate any potential loss or range of loss in these matters; however, if the Company is not successful in its defense efforts, the resolution of any of these actions could have a material adverse effect on the Company's consolidated financial statements as a whole.

On August 2, 2016, a lawsuit entitled *Matthew Debinder v. Dolgencorp, LLC* ("Debinder") was filed in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida. The *Debinder* plaintiff alleges on behalf of himself and a putative class of "applicants" that certain of the Company's background check procedures violate the Fair Credit Reporting Act ("FCRA").

The parties reached an agreement in October 2016 to resolve this matter for an amount that is not material to the Company's consolidated financial statements as a whole.

In December 2015 and February, March, May and June 2016, the Company was notified of several lawsuits in which the plaintiffs allege violation of state consumer protection laws relating to the labeling, marketing and sale of Dollar General private-label motor oil. Each of the lawsuits was filed in, or removed to, various federal district courts of the United States (collectively "the Motor Oil Lawsuits").

On June 2, 2016, the United States Judicial Panel on Multidistrict Litigation ("JPML") granted the Company's motion to centralize the Motor Oil Lawsuits 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"). As a

result of the JPML's order, the following cases have been transferred to, and are currently part of, the Motor Oil MDL: *Bradford Barfoot and Leonard Karpeichik v. Dolgencorp, LLC* (filed in the Southern District of Florida on December 18, 2015) ("Barfoot"); *William Flinn v. Dolgencorp, LLC* (filed in the District Court for New Jersey on December 17, 2015) ("Flinn"); *John Foppe v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Eastern District of Kentucky on February 10, 2016) ("Foppe"); *Miriam Fruhling v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Southern District of Ohio on February 10, 2016) ("Fruhling"); *Kevin Gadson v. Dolgencorp, LLC* (filed in the Southern District of New York on February 8, 2016) ("Gadson"); *Bruce Gooel v. Dolgencorp, LLC* (filed in the Eastern District of Michigan on February 8, 2016) ("Gooel"); *Janine Harvey v. Dollar General Corporation and Dolgencorp, LLC* (filed in the District Court for Nebraska on February 10, 2016) ("Harvey"); *Chuck Hill v. Dolgencorp, LLC* (filed in the United States District Court for the District of Vermont on February 8, 2016) ("Hill"); *John J. McCormick, III v. Dolgencorp, LLC* (filed in the District Court of Maryland on December 23, 2015) ("McCormick"); *Nicholas Meyer v. Dollar General Corporation and DG Retail, LLC* (filed in the District of Kansas on February 9, 2016) ("Meyer"); *Robert Oren v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Western District of Missouri on February 8, 2016) ("Oren"); *Brandon Raab v. Dolgencorp, LLC and Dollar General Corporation* (filed in the Western District of North Carolina on July 15, 2016); *Scott Sheehy v. Dollar General Corporation and DG Retail, LLC* (filed in the District Court for Minnesota on February 9, 2016) ("Sheehy"); *Will Sisemore v. Dolgencorp, LLC* (filed in the Northern District of Oklahoma on December 21, 2015) ("Sisemore"); *Gerardo Solis v. Dollar General Corporation and DG Retail, LLC* (filed in the Northern District of Illinois on February 12, 2016) ("Solis"); *James Taschner v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Eastern District of Missouri on March 15, 2016) ("Taschner"); *Roberto Vega v. Dolgencorp, LLC* (filed in the Central District of California on February 8, 2016) ("Vega"); *Matthew Wait v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Western District of Arkansas on February 16, 2016) ("Wait"); and *Jason Wood and Roger Barrows v. Dollar General Corporation and Dolgencorp, LLC* (filed in the Northern District of New York on May 9, 2016) ("Wood").

On August 29, 2016, as directed by the court, the plaintiffs in the Motor Oil MDL filed a consolidated amended complaint, in which they seek to certify two nationwide classes and 16 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 responsive pleading to the consolidated amended complaint is due to be filed on or before December 5, 2016.

The Company believes that the labeling, marketing and sale of its private-label motor oil complies with applicable federal and state requirements and is not misleading. The Company further believes that these matters are not appropriate for class or similar treatment. The Company intends to vigorously defend these actions; however, at this time, it is not possible to predict whether any of these cases will be permitted to proceed as a class or the size of any putative class. Likewise, at this time, it is not possible to estimate the value of the claims asserted, and no assurances can be given that the Company will be successful in its defense of these actions on the merits or otherwise. For these reasons, the Company is unable to estimate the potential loss or range of loss in these matters; however if the Company is not successful in its defense efforts, the resolution of any of these actions could have a material adverse effect on the Company's consolidated financial statements as a whole.

In February 2014, certain California District Attorneys' Offices ("California DAs"), representing California's county environmental authorities, informed the Company that they were investigating the Company's hazardous waste handling and disposal practices in certain of its California stores and its California distribution center. On September 22, 2016, the California DAs provided a settlement demand to the Company that included a proposed civil penalty and certain injunctive relief. The Company does not believe that the resolution of this matter is likely to have a material adverse effect on the Company's consolidated financial statements as a whole. Nonetheless, SEC regulations require disclosures of certain environmental matters when a governmental authority is a party to the proceeding unless the Company reasonably believes the proceeding will result in no monetary sanctions or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. As noted above, it now appears that this matter is likely to result in monetary sanctions, which the Company expects to exceed \$100,000.

From time to time, the Company is a party to various other legal actions involving claims incidental to the conduct of its business, including actions by employees, consumers, suppliers, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including without limitation under federal and state employment laws and wage and hour laws. The Company believes, based upon

information currently available, that such other litigation and claims, 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 involves an element of uncertainty. Future developments could cause these actions or claims to have a material adverse effect on the Company's results of operations, cash flows, or financial position. In addition, certain of these lawsuits, if decided adversely to the Company or settled by the Company, may result in liability material to the Company's financial position or may negatively affect operating results if changes to the Company's business operation are required.

## 7. Segment reporting

The Company manages its business on the basis of one reportable operating segment. As of October 28, 2016, all of the Company's operations were located within the United States with the exception of certain subsidiaries in Hong Kong and China and a liaison office in India, which collectively are not material with regard to assets, results of operations or otherwise, to the condensed 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)	13 Weeks Ended		39 Weeks Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Classes of similar products:				
Consumables	\$ 4,137,748	\$ 3,921,663	\$ 12,293,395	\$ 11,543,276
Seasonal	575,912	555,862	1,873,715	1,784,680
Home products	329,715	317,963	968,161	925,292
Apparel	276,654	271,560	842,081	828,376
Net sales	<u>\$ 5,320,029</u>	<u>\$ 5,067,048</u>	<u>\$ 15,977,352</u>	<u>\$ 15,081,624</u>

## 8. 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. Most recently, on August 24, 2016, the Company's Board of Directors authorized a \$1.0 billion increase to the existing common stock repurchase program. As of October 28, 2016, a cumulative total of \$5.0 billion had been authorized under the program since its inception and approximately \$1.2 billion remained available for repurchase. 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 Facilities and issuance of CP Notes.

Pursuant to its common stock repurchase program, during the 39-week periods ended October 28, 2016, and October 30, 2015, the Company repurchased in the open market approximately 8.2 million shares of its common stock at a total cost of \$679.4 million and approximately 13.4 million shares at a total cost of \$1.0 billion, respectively.

The Company paid quarterly cash dividends of \$0.25 per share during each of the first three quarters of 2016. On November 30, 2016, the Company's Board of Directors approved a quarterly cash dividend of \$0.25 per share payable on January 4, 2017 to shareholders of record as of December 21, 2016. The declaration of future cash dividends is subject to the discretion of the Company's Board of Directors and will depend upon, among 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.

## 9. Acquisition of facilities

In July and August of 2016, the Company acquired 42 former Walmart Express store locations. Most of these stores are located in rural markets where the Company had existing stores. During the 13-week period ended October 28, 2016, the Company closed 40 of its existing store locations after their operations were relocated into these new store locations. The Company incurred pretax selling, general, and administrative expenses of \$11.0 million during the third quarter of 2016, primarily for lease termination costs related to the existing stores that were closed upon relocation of their operations.

**Review Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of  
Dollar General Corporation

We have reviewed the condensed consolidated balance sheet of Dollar General Corporation and subsidiaries (the Company) as of October 28, 2016, and the related condensed consolidated statements of income and comprehensive income for the thirteen and thirty-nine week periods ended October 28, 2016 and October 30, 2015, and the condensed consolidated statements of cash flows for the thirty-nine week periods ended October 28, 2016 and October 30, 2015. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Dollar General Corporation and subsidiaries as of January 29, 2016 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the fiscal year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated March 22, 2016. In our opinion, the accompanying condensed consolidated balance sheet of Dollar General Corporation and subsidiaries as of January 29, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

December 1, 2016  
Nashville, Tennessee

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **General**

This discussion and analysis is based on, should be read with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended January 29, 2016. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

### **Executive Overview**

We are among the largest discount retailers in the United States by number of stores, with 13,205 stores located in 43 states as of October 28, 2016, geographically concentrated 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 high-quality national brands from leading manufacturers, as well as comparable quality and value 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.

Because the customers we serve are value-conscious, many with low or fixed incomes, we are intensely focused on helping them make the most of their spending dollars. We believe our convenient store format and broad selection of high-quality products at compelling values have driven our substantial growth and financial success over the years. Like other retailers, we have been operating for several years in an environment with ongoing macroeconomic challenges and uncertainties. Our core customers are often among the first to be affected by negative or uncertain economic conditions and are among the last to feel the effects of improving economic conditions, where recent trends have been inconsistent and their duration is unknown. Our core customers have experienced both positive and negative general economic factors over the past year, such as lower gasoline prices and unemployment rates coupled with rising rents and medical costs, a continued reduction in governmental Supplemental Nutrition Assistance Program participation rates and benefit levels and varying wage growth. We believe the overall effect of these factors negatively impacted our traffic and consequently same-store sales, particularly in the second and third quarters of 2016.

We remain committed to our long-term operating priorities as we consistently strive to improve our performance while retaining our customer-centric focus. We are keenly focused on executing the following priorities: 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 such as improvement in our in-stock position, as well as an ongoing focus on enhancing our margins while maintaining both everyday low price and affordability.

We expect our net sales growth to continue to be driven primarily by consumables and we expect non-consumables sales to continue to contribute to our profitable sales growth. However, in recent periods deflationary pressure resulting in lower prices has negatively affected our sales performance. Same-store sales growth is key to achieving our objectives, and in light of the current operating environment we have made certain pricing adjustments as well as labor and marketing investments in designated geographies with a focus on the consumables category. We will continue to evaluate and refresh these pricing adjustments across various items, categories and markets as we move through the remainder of the year. These steps are being taken in an attempt to further grow our market share by increasing both item units sold and customer traffic, although it will likely take time to achieve the full benefit of these initiatives.

During 2016 we have made significant progress with the rollout of other initiatives designed to drive sales, such as the expansion of coolers in existing stores and the expansion of certain product classes including health and beauty care and party and stationery. We have updated our customer segmentation information and have been able to gain deeper insights into the spending habits for each of our core customer segments. This helps drive our category

management process, as we optimize our assortment and expand into those products that are most likely to drive traffic to our stores.

Our in-stock improvement initiative is designed to ensure the right products are available on the shelf when our customers shop in our stores. We have selectively increased our incremental labor investment in those stores where we believe such increases will generate positive financial returns. We believe this will continue to improve overall customer satisfaction and convenience, in addition to driving same-store sales in these stores. We have a disciplined approach to this labor investment and are able to quickly evaluate whether it delivers on our profitability expectations, reallocating resources as necessary.

We demonstrate our commitment to the affordability needs of our core customer by pricing more than 80% of our stock-keeping units at \$5 or less as of the end of the third quarter of 2016. However, as we work to provide everyday low prices and meet our customers' affordability needs, we also remain focused on enhancing our margins through effective category management, inventory shrink reduction initiatives, private brands penetration, efforts to improve distribution and transportation efficiencies, global sourcing, and pricing and markdown optimization. With respect to category management, the mix of sales affects profitability because the gross margin associated with sales of products within our consumables category generally is lower than that associated with sales of products within our non-consumables categories. Even within each category, however, there are varying levels of gross margin associated with the specific items. We strive to consistently balance inventory shrink with our in-stock position. To further support our efforts to reduce inventory shrink, we continue to implement additional in-store defensive merchandising and technology-based tools, such as Electronic Article Surveillance and video-enabled exception based reporting in select stores.

To support our other operating priorities we are also focused on capturing growth opportunities and innovating within our channel. We continued to expand our store count, opening 258 stores and remodeling or relocating a total of 267 stores during the 2016 third quarter. Of these 267 remodels and relocations, 40 projects involved relocating an existing Dollar General store location into a former Walmart Express store location, in connection with our acquisition of a total of 42 former Walmart Express store locations during July and August of 2016. In conjunction with the purchase and relocations, we incurred incremental pre-tax selling, general and administrative ("SG&A") expenses of \$13.0 million in the 2016 third quarter.

For fiscal 2016, we plan to open 900 stores and remodel or relocate approximately 900 additional stores. We intend to accelerate square footage growth in 2017 with plans to open approximately 1,000 stores and to relocate or remodel an additional 900 stores. We also plan to continue investing in our existing store base through targeted merchandising initiatives and labor investments with a goal to drive increased trips, basket and same-store sales. We continue to innovate within our channel, and during 2016 we began the implementation of the DG16 store layout. This new store layout offers a total of 22 cooler doors, an increase of six cooler doors as compared to our previous new store layout, and is being utilized for all new stores, relocations and remodels. The DG16 store layout also offers a redesigned queueing area and other enhancements that are focused on meeting the evolving demands of our core customer while also delivering on our operating priorities. We also continue to test a smaller format store (less than 6,000 square feet) which we believe could allow us to capture growth opportunities in metropolitan areas as well as rural areas with a low number of households. To support our new store growth and drive productivity, we continue to make investments in our distribution center network. Our Janesville, Wisconsin distribution center is nearing completion with a goal to begin shipping from this facility in early 2017. Our 15<sup>th</sup> distribution center in Jackson, Georgia is also under construction with a goal to begin shipping from this facility in late 2017.

We have established a position as a low-cost operator, continuously seeking ways to reduce or control costs that do not affect our customer's shopping experience. We have enhanced this position during 2016 through our zero-based budgeting initiative, streamlining our business while also reducing expenses. Our goal is to lower the same-store sales growth required to leverage SG&A expenses. This initiative has been successful in 2016, as evidenced by reductions in advertising, administrative payroll and other costs, and we believe this initiative has the momentum to leverage SG&A expenses over the long-term. In addition, we remain committed to simplifying or eliminating various tasks so that those time savings can be reinvested in other areas such as enhanced customer service, higher in-stock levels, and improved store standards. Conversely, SG&A expense may be increased in December 2016 and going forward if we are required to implement our plan to address potential changes to the overtime exemption regulations under the Fair Labor Standards Act. If implemented, we anticipate incremental annualized expense of approximately \$60 to \$70 million, and the impact



on diluted EPS for fiscal 2016 would be a reduction of approximately \$0.03. Given existing legal challenges to these regulations, the timing of such implementation, if any, is uncertain.

Our employees are a competitive advantage, and we are always searching for ways to continue investing in them. During the third quarter, we implemented a new store manager training program that incorporates a formal e-learning process. Our training programs are continually evolving, as we work to ensure that our employees have the tools necessary to be successful in their positions. We invest in our employees in an effort to create an environment that attracts and retains talented personnel, as we believe that, particularly at the store level, employees who are promoted from within generally have longer tenures and are greater contributors to improvements in our financial performance.

Furthermore, we believe that reducing our store manager turnover likely results in improved store financial performance in key areas such as shrink and sales. We have also implemented training programs for high-potential employees, and believe that these and other efforts will produce a more stable, engaged workforce.

We also plan to continue to repurchase shares of our common stock and pay quarterly cash dividends, subject to Board discretion, to further enhance shareholder return in 2016.

The following include highlights of our 2016 third quarter financial results compared to the comparable 2015 period. Basis points amounts referred to below are equal to 0.01% as a percentage of sales.

- Net sales increased 5.0% to \$5.32 billion. Sales in same-stores decreased 0.1% due to a decline in customer traffic partially offset by an increase in average transaction amount. Average sales per square foot for all stores over the 52-week period ended October 28, 2016 was \$225.
- Gross profit, as a percentage of sales, was 29.8% in the 2016 period compared to 30.3% in the 2015 period, a decrease of 49 basis points, reflecting higher markdowns, partially offset by higher initial inventory markups, among other factors as discussed below.
- SG&A expense, as a percentage of sales, was 22.5% in the 2016 period compared to 22.0% in the 2015 period, an increase of 48 basis points, reflecting increased retail labor and occupancy costs, in addition to lease termination and disaster-related expenses, among other factors discussed below.
- Interest expense increased by \$2.5 million to \$23.9 million in the 2016 period due primarily to greater average debt outstanding and higher average interest rates as discussed below.
- Net income was \$235.3 million, or \$0.84 per diluted share, in the 2016 period compared to net income of \$253.3 million, or \$0.86 per diluted share, in the 2015 period, with diluted earnings per share decreasing 2.3%. Diluted shares outstanding decreased by 11.6 million shares in the 2016 period primarily as a result of share repurchases under our share repurchase program.

Additional highlights for the 39-week period ended October 28, 2016 include:

- Cash generated from operating activities was \$1.12 billion for the 2016 period, compared to \$809.1 million in the comparable 2015 period, an increase of 39.0%. At October 28, 2016, we had a cash balance of \$200.2 million.
- Total cash dividends of \$212.2 million, or \$0.75 per share, were paid during the 2016 period, compared to \$195.2 million, or \$0.66 per share, in the comparable 2015 period.
- Inventory turnover was 4.6 times on a rolling four-quarter basis. On a per store basis, inventories at October 28, 2016 increased by 5.6% over the balances at October 30, 2015.
- During the 2016 period, we opened 768 new stores, remodeled or relocated 861 stores and closed 46 stores, resulting in a store count of 13,205 as of October 28, 2016.

The above discussion is a summary only. Readers should refer to the detailed discussion of our operating results below for the full analysis of our financial performance in the current year period as compared with the prior year period.

## Results of Operations

*Accounting Periods.* We utilize a 52-53 week fiscal year convention that ends on the Friday nearest to January 31. The following text contains references to years 2016 and 2015, which represent the 53-week fiscal year ending February 3, 2017 and the 52-week fiscal year ended January 29, 2016, respectively. References to the third quarter accounting periods for 2016 and 2015 contained herein refer to the 13-week accounting periods ended October 28, 2016 and October 30, 2015, respectively.

*Seasonality.* The nature of our business is seasonal to a certain extent. Primarily because of sales of holiday-related merchandise, sales in our fourth quarter (November, December and January) have historically been higher than sales 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.

The following table contains results of operations data for the most recent 13-week and 39-week periods of 2016 and 2015, and the dollar and percentage variances among those periods:

(dollars in millions, except per share amounts)	13 Weeks Ended		2016 vs. 2015		39 Weeks Ended		2016 vs. 2015	
	October 28, 2016	October 30, 2015	Amount Change	% Change	October 28, 2016	October 30, 2015	Amount Change	% Change
<b>Net sales by category:</b>								
Consumables	\$ 4,137.7	\$ 3,921.7	\$ 216.1	5.5 %	\$ 12,293.4	\$ 11,543.3	\$ 750.1	6.5 %
% of net sales	77.78 %	77.40 %			76.94 %	76.54 %		
Seasonal	575.9	555.9	20.1	3.6	1,873.7	1,784.7	89.0	5.0
% of net sales	10.83 %	10.97 %			11.73 %	11.83 %		
Home products	329.7	318.0	11.8	3.7	968.2	925.3	42.9	4.6
% of net sales	6.20 %	6.28 %			6.06 %	6.14 %		
Apparel	276.7	271.6	5.1	1.9	842.1	828.4	13.7	1.7
% of net sales	5.20 %	5.36 %			5.27 %	5.49 %		
Net sales	\$ 5,320.0	\$ 5,067.0	\$ 253.0	5.0 %	\$ 15,977.4	\$ 15,081.6	\$ 895.7	5.9 %
Cost of goods sold	3,732.5	3,530.1	202.4	5.7	11,095.5	10,457.8	637.7	6.1
% of net sales	70.16 %	69.67 %			69.44 %	69.34 %		
Gross profit	1,587.5	1,537.0	50.5	3.3	4,881.9	4,623.8	258.1	5.6
% of net sales	29.84 %	30.33 %			30.56 %	30.66 %		
Selling, general and administrative expenses	1,194.5	1,113.1	81.4	7.3	3,499.1	3,296.0	203.1	6.2
% of net sales	22.45 %	21.97 %			21.90 %	21.85 %		
Operating profit	393.0	423.9	(30.9)	(7.3)	1,382.8	1,327.9	55.0	4.1
% of net sales	7.39 %	8.37 %			8.65 %	8.80 %		
Interest expense	23.9	21.4	2.5	11.6	72.3	63.7	8.6	13.6
% of net sales	0.45 %	0.42 %			0.45 %	0.42 %		
Other (income) expense	—	0.3	(0.3)	—	—	0.3	(0.3)	—
% of net sales	0.00 %	0.01 %			0.00 %	0.00 %		
Income before income taxes	369.1	402.1	(33.0)	(8.2)	1,310.5	1,263.9	46.7	3.7
% of net sales	6.94 %	7.94 %			8.20 %	8.38 %		
Income tax expense	133.8	148.8	(15.0)	(10.1)	473.6	475.0	(1.4)	(0.3)
% of net sales	2.52 %	2.94 %			2.96 %	3.15 %		
Net income	\$ 235.3	\$ 253.3	\$ (18.0)	(7.1)%	\$ 837.0	\$ 788.9	\$ 48.1	6.1 %
% of net sales	4.42 %	5.00 %			5.24 %	5.23 %		
Diluted earnings per share	\$ 0.84	\$ 0.86	\$ (0.02)	(2.3)%	\$ 2.95	\$ 2.65	\$ 0.30	11.3 %

### 13 WEEKS ENDED OCTOBER 28, 2016 AND OCTOBER 30, 2015

*Net Sales.* The net sales increase in the 2016 quarter reflects a same-store sales decrease of 0.1% compared to the 2015 quarter. Same-stores include stores that have been open for at least 13 months and remain open at the end of the reporting period. For the 2016 quarter, there were 12,203 same-stores which accounted for sales of \$5.0 billion. The decrease in same-store sales reflects a decline in customer traffic due to the factors discussed above in the Executive Overview, partially offset by an increase in average transaction amount. Same-store sales results reflect positive results in the consumables category, offset by negative results in our seasonal, apparel, and home products categories. We

believe deflationary pressure resulted in lower prices on many items and negatively affected our sales for the quarter, along with other factors discussed above in the Executive Overview. The net sales increase was positively affected by sales from new stores, modestly offset by sales from closed stores.

*Gross Profit.* Gross profit increased by 3.3%, and was 29.8% in the 2016 quarter as a percentage of net sales, which represents a decrease of 49 basis points over the comparable 2015 period. Higher markdowns, primarily for inventory clearance and promotional activities, a greater proportion of sales of consumables, which have a lower gross profit rate than our other product categories, and an increased rate of inventory shrinkage all reduced the gross profit rate, and these factors were partially offset by higher initial markups on inventory purchases.

*SG&A Expense.* SG&A expense was 22.5% as a percentage of net sales in the 2016 quarter compared to 22.0% in the comparable 2015 period, increasing by 48 basis points. The 2016 quarter results reflect retail labor and occupancy costs which increased at a rate greater than the increase in net sales. In addition, we incurred charges of \$13.0 million, or 25 basis points of net sales, in the 2016 period associated with the acquisition of the former Walmart Express store locations and related closure of existing stores, \$11.0 million of which was for lease termination and other exit and disposal costs related to the transfer of operations to the newly purchased stores. In addition, we experienced a \$7.7 million, or 14 basis points of net sales, increase in disaster-related expenses in the 2016 period over the comparable 2015 period, most of which were related to hurricanes that impacted our stores in the southern and eastern United States. Partially offsetting these items were reductions in administrative payroll costs, incentive compensation expenses and advertising costs. The 2015 period results reflect a charge of \$6.1 million related to a corporate restructuring for severance-related benefits costs.

*Interest Expense.* Interest expense increased by \$2.5 million to \$23.9 million in the 2016 period reflecting an increase in average debt outstanding and higher average interest rates primarily due to the issuance of long-term debt, net of prepayments under our credit facility, in October 2015. See Liquidity and Capital Resources. Total outstanding debt (including the current portion of long-term obligations) as of October 28, 2016 was \$3.17 billion.

*Income Taxes.* The effective income tax rate for the 2016 period was 36.2% compared to 37.0% for the 2015 period which represents a net decrease of 0.8 percentage points. The tax rate for the 2016 period was lower than for the 2015 period primarily due to the retroactive enactment in 2015 of federal jobs tax credits (principally the Work Opportunity Tax Credit or "WOTC") for employees hired after December 31, 2014. While the Company eventually did benefit from the WOTC associated with employees hired in the 2015 period, the benefit could not be recognized in our financial statements until the federal laws authorizing the credits were retroactively reenacted in December 2015. WOTC benefits have been enacted through 2019.

### **39 WEEKS ENDED OCTOBER 28, 2016 AND OCTOBER 30, 2015**

*Net Sales.* The net sales increase in the 2016 period reflects a same-store sales increase of 0.9% compared to the 2015 period. In the 2016 period, our 12,203 same-stores accounted for sales of \$15.1 billion. An increase in average transaction amount was the primary contributor to the increase in same-store sales. The remainder of the net sales increase was attributable to new stores, modestly offset by sales from closed stores.

*Gross Profit.* For the 2016 period, gross profit increased by 5.6%, and as a percentage of net sales decreased by 10 basis points to 30.6% compared to the 2015 period. Higher markdowns, primarily for promotional activities and inventory clearance, a greater proportion of sales of consumables, which have a lower gross profit rate than our other product categories, and an increased rate of inventory shrinkage each reduced the gross profit rate, and were partially offset by higher initial markups on inventory purchases and lower transportation costs partially attributable to lower fuel rates.

*SG&A Expense.* SG&A expense increased by 5 basis points over the comparable 2015 period and was 21.9% of net sales in the 2016 period. The 2016 results reflect retail labor and occupancy costs which increased at a rate greater than the increase in net sales. As noted in the discussion of the 13-week periods above, we incurred lease termination and other expenses associated with the acquisition of former Walmart Express stores and the related relocations of stores from existing locations, and an increase in disaster-related expenses in the 2016 period. Partially offsetting these items were reductions in administrative payroll costs, incentive compensation expenses and advertising costs. The 2015 period results reflect a charge of \$6.1 million related to a corporate restructuring for severance-related benefits costs.

*Interest Expense.* Interest expense increased by \$8.6 million to \$72.3 million in the 2016 period reflecting an increase in average debt outstanding and higher average interest rates primarily due to the issuance of long-term debt as discussed above.

*Income Taxes.* The effective income tax rate for the 2016 period was 36.1% compared to 37.6% for the 2015 period which represents a net decrease of 1.5 percentage points. The tax rate for the 2016 period was lower than for the 2015 period primarily due to the retroactive enactment in 2015 of federal jobs tax credits (principally the WOTC) for employees hired after December 31, 2014 as well as the 2016 early adoption of amendments to accounting guidance for share-based payment. While the Company eventually did benefit from the WOTC associated with employees hired in the 39-week period ended October 30, 2015, the benefit could not be recognized in our financial statements until the federal laws authorizing the credits were retroactively reenacted in December 2015. WOTC benefits have been enacted through 2019.

Due to the fact that the majority of the Company's share-based awards typically vest in the first quarter, adoption of the amended accounting guidance is anticipated to have the most significant impact in the first quarter of 2016 and subsequent years.

### **Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued comprehensive new accounting standards related to the recognition of revenue. The effective date is annual reporting periods beginning after December 15, 2017, with earlier adoption permitted only for annual reporting periods beginning after December 15, 2016. The new guidance allows for companies to use either a full retrospective or a modified retrospective approach in the adoption of this guidance. We are currently evaluating these transition approaches, as well as the potential timing of adoption and the effect of adoption on our consolidated financial statements.

In February 2016, the FASB issued new guidance related to lease accounting, which when effective will require a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. We are currently assessing the impact that adoption of this guidance will have on our consolidated financial statements and we are anticipating a material impact because we are party to a significant number of lease contracts.

In October 2016, the FASB issued amendments to existing guidance related to accounting for intra-entity transfers of assets other than inventory. These amendments require an entity to recognize the income tax consequences of such transfers when the transfer occurs and affects our historical accounting for intra-entity transfers of certain intangible assets. This guidance is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017, and early adoption is permitted subject to certain guidelines. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We are currently assessing the impact that adoption of this guidance will have on our consolidated financial statements, but expect such adoption will result in an increase in deferred income tax liabilities and a decrease in retained earnings.

### **Liquidity and Capital Resources**

We have a five-year \$1.425 billion unsecured credit agreement (the "Facilities"), and we have outstanding \$2.3 billion aggregate principal amount of senior notes. During the third quarter of 2016, we established a commercial paper program that may provide borrowing availability of up to \$1.0 billion. At October 28, 2016, we had total outstanding debt (including the current portion of long-term obligations) of \$3.17 billion, which includes balances under the Facilities, commercial paper and senior notes, all of which are described in greater detail below.

We believe our cash flow from operations and existing cash balances, combined with availability under the Facilities, the commercial paper program 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 the remainder of fiscal 2016, we anticipate the combined potential borrowings under the Revolving Facility (as defined below) and the commercial paper program to be a maximum of approximately \$700 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

#### *Facilities*

The Facilities consist of a \$425.0 million senior unsecured term loan facility (the “Term Facility”) and a \$1.0 billion senior unsecured revolving credit facility (the “Revolving Facility”) which provides for the issuance of letters of credit up to \$175.0 million. The Facilities are scheduled to mature on October 20, 2020.

Borrowings under the Facilities 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 October 28, 2016 was 1.10% for LIBOR borrowings and 0.10% for base-rate borrowings. We must also pay a facility fee, payable on any used and unused commitment amounts of the Facilities, and customary fees on letters of credit issued under the Revolving Facility. The applicable interest rate margins for borrowings, the facility fees and the letter of credit fees under the Facilities are subject to adjustment from time to time based on our long-term senior unsecured debt ratings. The weighted average all-in interest rate for borrowings under the Facilities was 1.6% as of October 28, 2016.

The Facilities can be voluntarily prepaid in whole or in part at any time without penalty. There is no required amortization under the Facilities. The Facilities contain 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 Facilities also contain financial covenants that require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of October 28, 2016, we were in compliance with all such covenants. The Facilities also contain customary events of default.

As of October 28, 2016, under the Revolving Facility, we had no outstanding borrowings, outstanding letters of credit of \$15.5 million, and borrowing availability of \$984.5 million that, due to reserved borrowing availability related to the commercial paper program described below, could contribute incremental liquidity of \$531.5 million at October 28, 2016. In addition, as of October 28, 2016 we had outstanding letters of credit of \$33.6 million which were issued pursuant to separate agreements.

#### *Commercial Paper*

On August 1, 2016, we established a commercial paper program under which we may issue unsecured commercial paper notes (the “CP Notes”). 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 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 have agreed to maintain available commitments under the Revolving Facility in an amount at least equal to the amount of CP Notes outstanding at any time. We had \$453.0 million of CP Notes outstanding at October 28, 2016 which were classified as long-term obligations in the consolidated balance sheet due to our intent and ability to refinance these obligations as long-term debt, at a weighted average borrowing rate of 0.7%.

#### *Senior Notes*

We have \$500.0 million aggregate principal amount of 4.125% senior notes due 2017 (the “2017 Senior Notes”) which are scheduled to mature on July 15, 2017; \$400.0 million aggregate principal amount of 1.875% senior notes due 2018 (the “2018 Senior Notes”), net of discount of \$0.1 million, which are scheduled to mature on April 15, 2018; \$900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the “2023 Senior Notes”), net of discount of \$1.6 million, which are scheduled to mature on April 15, 2023; and \$500.0 million aggregate principal amount of 4.150% senior notes due 2025 (the “2025 Senior Notes”), net of discount of \$0.7 million, which are scheduled

to mature on November 1, 2025. Collectively, the 2017 Senior Notes, the 2018 Senior Notes, the 2023 Senior Notes and the 2025 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 supplemented and amended, the “Senior Indenture”). Interest on the 2017 Senior Notes is payable in cash on January 15 and July 15 of each year. Interest on the 2018 Senior Notes and the 2023 Senior Notes is payable in cash on April 15 and October 15 of each year. Interest on the 2025 Senior Notes is payable in cash on May 1 and November 1 of each year. We expect to refinance the 2017 Senior Notes prior to their maturity utilizing proceeds from the issuance of additional senior notes, revolver borrowings or commercial paper.

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.

#### *Current Financial Condition / Recent Developments*

Our inventory balance represented approximately 55% of our total assets exclusive of goodwill and other intangible assets as of October 28, 2016. 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 6 to the unaudited condensed 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. We also have certain income tax-related contingencies as disclosed in Note 3 to the unaudited condensed consolidated financial statements. Future negative developments could have a material adverse effect on our liquidity.

On June 1, 2016, Moody’s Investors Service upgraded our senior unsecured debt rating to Baa2 from Baa3, and on August 3, 2016, assigned to us a commercial paper rating of P-2 and affirmed our existing senior unsecured debt rating of Baa2, both with a stable outlook. On August 4, 2016, Standard & Poor’s assigned to us a short-term corporate credit and commercial paper rating of A-2 and affirmed our existing long-term corporate credit and senior unsecured rating of BBB, all with a stable outlook. 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.

Unless otherwise noted, all references to the “2016 period” and the “2015 period” in the discussion of “Cash flows from operating activities,” “Cash flows from investing activities,” and “Cash flows from financing activities” below refer to the 39-week periods ended October 28, 2016 and October 30, 2015, respectively.

*Cash flows from operating activities.* Cash flows from operating activities were \$1.12 billion in the 2016 period, which represents a \$315.3 million increase over the 2015 period. Changes in merchandise inventories resulted in a \$405.5 million decrease in the 2016 period as compared to a \$317.3 million decrease in the 2015 period. Changes in accounts payable resulted in a \$439.3 million increase in the 2016 period compared to a \$75.9 million increase in the 2015 period, due primarily to the timing of receipts and payments which was impacted by increases in payment terms. The increase in net income was due primarily to greater net sales and operating profit in the 2016 period as described in more detail above under “Results of Operations.”

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 13% in the 2016 period compared to an 11% increase in the 2015 period. In the 2016 period compared to the 2015 period, changes in inventory balances in our four inventory categories were as follows: the consumables category increased by 16% compared to a 15% increase; the seasonal category increased by 10% compared to an 11% increase; the home products category increased by 23% compared to a 15% increase; and apparel decreased by 5% compared to a 7% decrease. The increase in inventory was concentrated in our year-round planogram inventory as opposed to seasonally related items. Factors impacting the changes in inventory include our efforts to improve our in-stock position of core products, levels of inventory shrinkage, the timing of receipts, and sales performance.

*Cash flows from investing activities.* Significant components of property and equipment purchases in the 2016 period included the following approximate amounts: \$136 million for distribution and transportation-related capital expenditures; \$116 million for improvements, upgrades, remodels and relocations of existing stores; \$92 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$38 million for stores purchased or built by us and \$18 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 the 2016 period, we opened 768 new stores and remodeled or relocated 861 stores.

Significant components of property and equipment purchases in the 2015 period included the following approximate amounts: \$142 million for improvements, upgrades, remodels and relocations of existing stores; \$94 million for distribution and transportation-related capital expenditures; \$79 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$41 million for stores built by us; and \$26 million for information systems upgrades and technology-related projects. During the 2015 period, we opened 634 new stores and remodeled or relocated 857 stores.

We anticipate funding 2016 capital requirements with existing cash balances, cash flows from operations, availability under our Revolving Facility and the issuance of commercial paper. We plan to continue to invest in store growth and development of new stores and stores to be remodeled or relocated. Capital expenditures in 2016 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 construction of new and investments in existing distribution center facilities; technology initiatives; as well as routine and ongoing capital requirements.

*Cash flows from financing activities.* Net (repayments) borrowings under the Revolving Facility during the 2016 and 2015 periods were \$(251.0) million and \$388.0 million, respectively. We had net commercial paper borrowings in the 2016 period of \$453.0 million. We repaid \$500.0 million of the Term Facility in the 2015 period. During the 2016 and 2015 periods, we repurchased 8.2 million and 13.4 million shares of our common stock at a total cost of \$679.4 million and \$1.0 billion, respectively. Also during the 2016 and 2015 periods, we paid cash dividends of \$212.2 million and \$195.2 million, respectively.

#### *Share Repurchase Program*

On August 24, 2016, our Board of Directors authorized a \$1.0 billion increase to our existing common stock repurchase program. Following such increase, our common stock repurchase program had a total remaining authorization of approximately \$1.2 billion at October 28, 2016. 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 increased or terminated from time to time at the discretion of our Board of Directors. For more information about our share repurchase program, see Note 8 to the condensed consolidated financial statements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended January 29, 2016.

**ITEM 4. 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) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. 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) *Changes in Internal Control Over Financial Reporting.* There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended October 28, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The information contained in Note 6 to the unaudited condensed consolidated financial statements under the heading “Legal proceedings” contained in Part I, Item 1 of this report is incorporated herein by this reference.

### ITEM 1A. RISK FACTORS.

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended January 29, 2016.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table contains information regarding purchases of our common stock made during the quarter ended October 28, 2016 by or on behalf of Dollar General or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Exchange Act:

#### Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a)</u>
07/30/16-08/31/16	1,650,647	\$ 81.73	1,650,647	\$ 1,334,390,000
09/01/16-09/30/16	1,088,052	\$ 71.69	1,088,052	\$ 1,256,387,000
10/01/16-10/28/16	175,400	\$ 68.41	175,400	\$ 1,244,387,000
Total	2,914,099	\$ 77.18	2,914,099	\$ 1,244,387,000

- (a) A \$500 million share repurchase program was publicly announced on September 5, 2012, and increases in the authorization under such program were announced on March 25, 2013 (\$500 million increase), December 5, 2013 (\$1.0 billion increase), March 12, 2015 (\$1.0 billion increase), December 3, 2015 (\$1.0 billion increase) and August 25, 2016 (\$1.0 billion increase). 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. EXHIBITS.

See the Exhibit Index immediately following the signature page hereto, which Exhibit Index is incorporated by reference as if fully set forth herein.

## CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We include “forward-looking statements” within the meaning of the federal securities laws throughout this report, particularly under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part I, Item 2, and “Note 6. Commitments and Contingencies” included in Part I, Item 1, among others. You can identify these statements because they are not limited to historical fact or they use words such as “may,” “will,” “should,” “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “objective,” “goal,” “opportunity,” “intend,” “could,” “can,” “would,” “committed,” “likely to,” “scheduled to,” “predict,” “seek,” “ensure,” “subject to,” or “continue,” and similar expressions that concern our strategy, plans, initiatives, intentions or beliefs about future occurrences or results. For example, statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for, and expectations regarding, future operations, economic and competitive market conditions, growth or initiatives, including the number of planned store openings, remodels and relocations and store square footage growth, progress of labor investment initiatives, progress of merchandising initiatives including customer segmentation and shrink management, trends in sales of consumable and non-consumable products, results of the investment in our personnel and the levels of future costs and expenses; potential future stock repurchases and cash dividends; anticipated borrowing under certain of our credit facilities; the potential impact of regulatory changes and our responses thereto; and the expected outcome or effect of pending or threatened litigation or audits are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that may change at any time, so our actual results may differ materially from those that we expected. We derive many of these statements 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 our actual results. Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements include, without limitation:

- economic conditions, including their effect on employment levels, consumer demand, customer traffic, disposable income, credit availability and spending patterns, inflation, deflation, commodity prices, fuel prices, interest rates, exchange rate fluctuations and the cost of goods;
- failure to successfully execute our strategies and initiatives, including those relating to merchandising, sourcing, customer segmentation, shrink, private brand, distribution and transportation, store operations, store formats, budgeting and expense reduction, and real estate;
- failure to open, relocate and remodel stores profitably and on schedule, as well as failure of our new store base to achieve sales and operating levels consistent with our expectations;
- levels of inventory shrinkage;
- effective response to competitive pressures and changes in the competitive environment and the markets where we operate, including consolidation;
- our level of success in gaining and maintaining broad market acceptance of our private brands;
- disruptions, unanticipated or unusual expenses or operational failures in our supply chain including, without limitation, a decrease in transportation capacity for overseas shipments, increases in transportation costs (including increased fuel costs and carrier rates or driver wages), work stoppages or other labor disruptions that could impede the receipt of merchandise, or delays in constructing or opening new distribution centers;
- risks and challenges associated with sourcing merchandise from suppliers, including, but not limited to, those related to international trade;
- unfavorable publicity or consumer perception of our products, including, but not limited to, related product liability and food safety claims;

- the impact of changes in or noncompliance with governmental laws and regulations (including, but not limited to, environmental compliance, product safety, food safety, information security and privacy, and labor and employment laws, as well as tax laws, the interpretation of existing tax laws, or our failure to sustain our reporting positions negatively affecting our tax rate) and developments in or outcomes of private actions, class actions, administrative proceedings, regulatory actions or other litigation;
- natural disasters, unusual weather conditions, pandemic outbreaks, terrorist acts and geo-political events;
- damage or interruption to our information systems or failure of technology initiatives to deliver desired or timely results;
- ability to attract and retain qualified employees, while controlling labor costs (including effects of regulatory changes related to overtime exemption under the Fair Labor Standards Act if implemented) and other labor issues;
- our loss of key personnel, inability to hire additional qualified personnel or disruption of executive management as a result of retirements or transitions;
- failure to successfully manage inventory balances;
- seasonality of our business;
- incurrence of material uninsured losses, excessive insurance costs or accident costs;
- failure to maintain the security of information that we hold, whether as a result of a data security breach or otherwise;
- deterioration in market conditions, including market disruptions, limited liquidity and interest rate fluctuations, or a lowering of our credit ratings;
- new accounting guidance, or changes in the interpretation or application of existing guidance, such as changes to lease accounting guidance, revenue recognition and intra-company transfers;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended January 29, 2016; and
- factors disclosed elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves) and other factors.

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 Securities and Exchange Commission filings and public communications. You should evaluate forward-looking statements in the context of these risks and uncertainties and are cautioned to not place undue reliance on such forward-looking statements. These factors may not contain all of the material factors that are important to you. We cannot assure you that we will realize the results or developments we anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

**SIGNATURE**

Pursuant to the requirements 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, both on behalf of the Registrant and in his capacity as principal financial officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: December 1, 2016 By: /s/ John W. Garratt  
John W. Garratt  
Executive Vice President & Chief Financial Officer

## EXHIBIT INDEX

10.1	Amended and Restated Dollar General Corporation Annual Incentive Plan (adopted November 30, 2016)
10.2	Dollar General Corporation Amended and Restated 2007 Stock Incentive Plan (adopted November 30, 2016)
15	Letter re unaudited interim financial information
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

**AMENDED AND RESTATED  
DOLLAR GENERAL CORPORATION  
ANNUAL INCENTIVE PLAN**

This Amended and Restated Dollar General Corporation Annual Incentive Plan (the “Plan”), initially approved by the Board of Directors of Dollar General Corporation (the “Company”) on March 16, 2005 and adopted by the shareholders of the Company on May 24, 2005, as further amended and approved by the shareholders of the Company on multiple occasions, most recently as of June 1, 2012, is hereby further amended and restated in its entirety, effective as of the date set forth in Section 9 of the Plan below, as follows:

**SECTION 1  
PURPOSE**

The purpose of the Dollar General Corporation Annual Incentive Plan is to permit the Company, through awards of annual incentive compensation that satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code, to attract and retain executives and to motivate these executives to promote the profitability and growth of the Company.

**SECTION 2  
DEFINITIONS**

“*Award*” shall mean the amount granted to a Participant by the Committee for a Performance Period.

“*Board*” shall mean the Board of Directors of the Company or the successor thereto.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended.

“*Committee*” shall mean the Compensation Committee of the Board or any subcommittee thereof which meets the requirements of Section 162(m)(4)(C) of the Code.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

“*Executive*” shall mean any “covered employee” (as defined in Section 162(m) of the Code), any executive officer of the Company or its Subsidiaries and, in the discretion of the Committee, any other employee of the Company or its Subsidiaries.

“*Participant*” shall mean, for each Performance Period, each Executive who has been selected by the Committee to participate in the Plan.

“*Performance Period*” shall mean the Company’s fiscal year or any shorter or longer period designated by the Committee (not to exceed five years) with respect to which an Award may be granted.

“*Plan*” shall mean this Amended and Restated Dollar General Corporation Annual Incentive Plan, as amended from time to time.

“*Qualified Performance-Based Award*” means an Award that is intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Performance Measures.

“*Qualified Performance Measures*” means one or more of the performance measures listed below upon which performance goals for certain Qualified Performance-Based Awards may be established from time to time by the Committee within the time period prescribed by Section 162(m) of the Code:

- (a) Net earnings or net income (before or after taxes);
- (b) Earnings per share;
- (c) Net sales or revenue growth;
- (d) Gross or net operating profit;
- (e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);
- (f) Cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital);
- (g) Earnings before or after taxes, interest, depreciation, and/or amortization;
- (h) Gross or operating margins;
- (i) Productivity ratios;
- (j) Share price (including, but not limited to, growth measures and total shareholder return);
- (k) Expense targets;
- (l) Margins;
- (m) Operating efficiency;
- (n) Customer satisfaction;
- (o) Working capital targets;
- (p) Economic Value Added;
- (q) Volume;
- (r) Capital expenditures;
- (s) Market share;
- (t) Costs;
- (u) Regulatory ratings;
- (v) Asset quality;
- (w) Net worth; and
- (x) Safety

“*Section 162(m) Cash Maximum*” means \$10,000,000.

“*Section 162(m) Exemption*” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

“*Service Recipient*” means the Company, any subsidiary of the Company, or any affiliate of the Company that satisfies the definition of “service recipient” within the meaning of Treasury Regulation Section 1.409A-1 (or any successor regulation), with respect to which the person is a “service provider” within the meaning of Treasury Regulation Section 1.409A-1 (or any successor regulation).

### **SECTION 3 ADMINISTRATION**

The Plan shall be administered by the Committee, which shall have full authority to interpret the Plan, to establish rules and regulations relating to the operation of the Plan, to select Participants, to determine the maximum Awards and the amounts of any Awards and to make all determinations and take all other actions necessary or appropriate for the proper administration of the Plan. The Committee’s interpretation of the Plan, and all actions taken within the scope of its authority, shall be final and binding on the Company, its shareholders and Participants, Executives, former Executives and their respective successors and assigns. No member of the Committee shall be eligible to participate in the Plan.

### **SECTION 4 DETERMINATION OF AWARDS**

(a) Prior to the beginning of each Performance Period, or at such later time as may be permitted by applicable provisions of the Code (which, in the case of any Qualified Performance-Based Award, currently is not later than the earlier of (i) 90 days after the beginning of the period of service to which the performance goal(s) relate or (ii) the first 25% of the period of service), the Committee shall establish: (1) the Executives or class of Executives who will be Participants in the Plan; (2) for each Participant a maximum Award, which shall not exceed the Section 162(m) Cash Maximum; and (3) the performance goal(s) and Qualified Performance Measure(s) applicable to, and the method for computing the amount payable upon achievement of such performance goal(s) in connection with, any Qualified Performance-Based Award. The Qualified Performance Measures may relate to the Company, one or more of its Affiliates or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) (or any successor section thereto), the performance goals may be calculated without regard to non-recurring items, as the Committee may determine in its sole discretion.

(b) Following the end of each Performance Period, and before any payments are made under the Plan, the Committee shall certify in writing the satisfaction of the performance goal(s) for any Qualified Performance Measure(s) applicable to any Qualified Performance-Based Award in a manner intended to satisfy the requirements of Section 162(m).



(c) The Committee may reduce or eliminate the Award granted to any Participant based on factors determined by the Committee, including but not limited to, performance against budgeted financial goals and the Participant's personal performance, provided, however, that any such reduction or elimination shall not operate to increase a Qualified Performance-Based Award, or amount payable thereunder, to any Participant who is an Executive. The Committee may not increase a Qualified Performance-Based Award, or amount payable thereunder, granted to a Participant who is an Executive.

## **SECTION 5 PAYMENT OF AWARDS**

Each Participant shall be eligible to receive payment of the Award in cash in the fiscal year following the fiscal year in respect of which such Award was earned, as soon as practicable after the amount of such Participant's Award for a Performance Period has been determined, but in no event later than the 15<sup>th</sup> day of the third calendar month following the end of the fiscal year in respect of which such Awards were earned. Subject to the provisions of Section 8(g) hereof, payment of the award 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.

## **SECTION 6 AMENDMENTS**

The Committee may amend the Plan at any time and from time to time, provided that no such amendment that would require the consent of the shareholders of the Company pursuant to Section 162(m) of the Code, New York Stock Exchange listing rules or the Exchange Act, or any other applicable law, rule or regulation, shall be effective without such consent. No amendment which adversely affects a Participant's rights to, or interest in, an Award granted prior to the date of the amendment shall be effective unless the Participant shall have agreed thereto in writing.

## **SECTION 7 TERMINATION**

The Committee may terminate this Plan at any time but in no event shall the termination of the Plan adversely affect the rights of any Participant to a previously granted Award without such Participant's written consent.

## **SECTION 8 OTHER PROVISIONS**

(a) No Executive or other person shall have any claim or right to be granted an Award under this Plan until such Award is actually granted. Neither the establishment of this Plan, nor any action taken hereunder, shall be construed as giving any Executive any right to be retained in the employ of the Company. Nothing contained in this Plan shall limit the ability of the Company to make payments or awards to Executives under any other plan, agreement or arrangement.

(b) The rights and benefits of a Participant hereunder are personal to the Participant and, except for payments made following a Participant's death, shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer, encumbrance, attachment, garnishment or other disposition.

(c) Awards under this Plan shall not constitute compensation for the purpose of determining participation or benefits under any other plan of the Company unless specifically included as compensation in such plan.

(d) The Company shall have the right to deduct from Awards any taxes or other amounts required to be withheld by law.

(e) All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Tennessee without regard to principles of conflict of laws.

(f) No member of the Committee or the Board, 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 the administration of the Plan.

(g) The Plan is intended to comply with, or comply with an exemption from, Section 409A of the Code ("Section 409A") and will be interpreted in a manner consistent with this intention. Notwithstanding anything herein to the contrary, if at the time of the Participant's termination of employment with any Service Recipient the Participant is a "specified employee" as defined in Section 409A, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) to the minimum extent necessary to satisfy Section 409A until the date that is six months and one day following the Participant's termination of employment with all Service Recipients (or the earliest date as is permitted under Section 409A), if such payment or benefit is payable upon a termination of employment. Each payment made under the Plan shall be designated as a "separate payment" within the meaning of Section 409A. Notwithstanding the above, the Company shall not be liable to a Participant in the event any payment under the Plan fails to be exempt from, or comply with, Section 409A.

(h) The Committee shall specify in, or in respect of, any Award granted hereunder on or after the Effective Date, that as a condition of receiving payment of the Award, the 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 Board or the Committee.

## **SECTION 9 EFFECTIVE DATE**

The Plan as amended and restated shall be effective on November 30, 2016 (the "Effective Date"), except for the amendment set forth in Section 4(a) which shall not take effect unless and until the Company's shareholders approve the proposal related to the Plan at the annual meeting of shareholders held in 2017 (the "2017 Annual Meeting"), and no Awards shall be granted under the Plan after the date of the 2017 Annual Meeting if shareholders do not approve the performance measures set forth in the Plan at the 2017 Annual Meeting.

**DOLLAR GENERAL CORPORATION  
AMENDED AND RESTATED 2007 STOCK INCENTIVE PLAN**

This Amended and Restated 2007 Stock Incentive Plan (the “Plan”) is effective as provided in Section 14 herein.

**WHEREAS**, the 2007 Stock Incentive Plan for Key Employees of Dollar General Corporation and its Affiliates was initially approved by the Board of Directors and became effective as of July 6, 2007, and has been amended and restated on several occasions, most recently by amendments that were approved by the Board of Directors and became effective upon shareholder approval of the amended and restated Plan on June 1, 2012; and

**WHEREAS**, the Plan is hereby further amended and restated in its entirety as follows:

1. Purpose of Plan

The Plan is designed:

(a) to promote the long term financial interests and growth of Dollar General Corporation (the “Company”) and its Subsidiaries by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of the Company’s business;

(b) to motivate management personnel by means of growth-related incentives to achieve long range goals; and

(c) to further the alignment of interests of Participants with those of the shareholders of the Company through opportunities for increased stock or stock-based ownership in the Company.

2. Definitions

As used in the Plan, the following words shall have the following meanings:

(a) “Affiliate” means with respect to any Person, any entity directly or indirectly controlling, controlled by or under common control with such Person.

(b) “Award” means an award made to a Participant pursuant to the Plan and described in Section 6, including, without limitation, an award of a Stock Option, Stock Appreciation Right, Other Stock-Based Award or Dividend Equivalent Right (as such terms are defined in Section 6), or any combination of the foregoing.

(c) “Award Agreement” means an agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to an Award; provided that for an Award with no restrictions, no signature will be required from the Participant.

(d) “Beneficial Owner” means a “beneficial owner”, as such term is defined in Rule 13d-3 under the Exchange Act (or any successor rule thereto).

(e) “Board” means the Board of Directors of the Company.

(f) A “Change in Control” shall occur upon any of the following events: (i) the sale or disposition, in one or a series of related transactions, of all or substantially all, of the assets of the Company to any Person (or group of Persons acting in concert) other than any of the Company or its Affiliates (collectively, the “Permitted Holders”); (ii) any Person (or group of Persons acting in concert), other than the Permitted Holders, is or becomes the Beneficial Owner (except that a Person shall be deemed to be a “Beneficial Owner” of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company (or any entity which controls the Company), including by way of merger, consolidation, tender or exchange offer or otherwise; (iii) a reorganization, recapitalization, merger or consolidation (a “Corporate Transaction”) involving the Company, unless securities representing 50% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company or the entity resulting from such Corporate Transaction (or the parent of such entity) are held subsequent to such transaction by the Person or Persons who were the Beneficial Owners of the outstanding voting securities entitled to vote generally in the election of directors of the Company immediately prior to such Corporate Transaction; or (iv) during any rolling twenty-four (24) month period looking back from any given date, individuals who at the beginning of such period constituted the Board (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company, then still in office, who were either directors at the beginning of such period or whose election or nomination for election was previously so approved (any such director, an “Incumbent Director”) cease for any reason to constitute a majority of the Board on the date of determination thereof; provided, that, no individual shall be an Incumbent Director who is elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any Person other than the Board.

(g) “Code” means the United States Internal Revenue Code of 1986, as amended.

(h) “Committee” means the Compensation Committee of the Board (or, if no such committee is appointed, the Board), or any authorized subcommittee of the Committee, as applicable.

(i) “Common Stock” or “Share” means the common stock, par value \$0.875 per share, of the Company, which may be authorized but unissued, or issued and reacquired.

(j) “Director Limit” shall have the meaning set forth in Section 3(b) of the Plan.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(l) “Fair Market Value” means, on a per Share basis, the fair market value of the Common Stock on any given date determined as follows: (i) if there is a public market for the

Shares on such date, the closing sale price of the Shares as quoted on the principal national securities exchange on which such Shares are listed or admitted to trading, or (ii) if there is no public market for the Shares on such date, the Fair Market Value shall be the fair market value of the Shares as determined reasonably and in good faith by the Board, which shall not take into account any minority interest discount or discount for the imposition of transfer restrictions.

(m) “ISO” means a Stock Option that is also an incentive stock option granted pursuant to Section 6(a)(ii) of the Plan.

(n) “Key Employee” means a person, including an officer, in the regular employment of the Company or any other Service Recipient who, in the opinion of the Committee, has or is expected to have involvement in the management, growth or protection of some part or all of the business of the Company or any other Service Recipient.

(o) “Non-Employee Director” means a member of the Board who is not an employee of Dollar General Corporation or any of its Affiliates.

(p) “Other Stock-Based Awards” means Other Stock-Based Awards granted pursuant to Section 6(c) of the Plan.

(q) “Participant” means a Key Employee, Non-Employee Director, consultant or other person having a service relationship with the Company or any other Service Recipient, to whom one or more Awards have been made and remain outstanding.

(r) “Performance-Based Awards” shall have the meaning set forth in Section 6(c) of the Plan.

(s) “Person” means “person,” as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act.

(t) “Service Recipient” means the Company, any Subsidiary of the Company, or any Affiliate of the Company that satisfies the definition of “service recipient” within the meaning of Treasury Regulation Section 1.409A-1(g) (or any successor regulation), with respect to which the person is a “service provider” (within the meaning of Treasury Regulation Section 1.409A-1(f) (or any successor regulation)).

(u) “Stock Appreciation Rights” means Stock Appreciation Rights granted under Section 6(b) of the Plan.

(v) “Stock Options” means Stock Options granted pursuant to Section 6(a) of the Plan.

(w) “Subsidiary” means any corporation or other entity in an unbroken chain of corporations or other entities beginning with the Company if each of the corporations or other

entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain.

3. Shares Subject to the Plan

(a) General. Subject to adjustment as provided for in Sections 8 and 9, the total number of Shares which may be issued under the Plan is 31,142,858, no more than 4,500,000 of which shall be available for grant to any one Participant in the form of Stock Options and Stock Appreciation Rights in any given fiscal year of the Company, and no more than 1,500,000 of which shall be available for grant to any one Participant in the form of Other Stock-Based Awards in any given fiscal year of the Company. The Shares may consist, in whole or in part, of unissued Shares or issued but reacquired Shares. The issuance of Shares or the payment of cash in consideration of the substitution, cancellation or termination of an Award shall reduce the total number of Shares available under the Plan, to the extent of the number of Shares subject to such substituted, cancelled or terminated Award; provided, however, that Shares subject to Awards that are (i) repurchased by the Company or (ii) withheld or tendered to satisfy (x) tax withholding obligations, (v) the exercise price of any Stock Option(s) or (z) the purchase price for any other Award, shall in all events immediately become available for new Awards to be granted under the Plan. Shares related to Awards or portions of Awards that are forfeited or that expire unexercised shall also immediately become available for new Awards to be granted under the Plan.

(b) Non-Employee Director Award Limit. In addition to the provisions set forth in Section 3(a), the Board may establish compensation for Non-Employee Directors from time to time, subject to the limitations in the Plan, including the form and amount of all such Non-Employee Director compensation. The Board shall establish such Non-Employee Director compensation in its discretion and pursuant to the exercise of its business judgment, taking into account such factors, circumstances and considerations as it shall deem relevant from time to time, provided that the sum of any cash compensation and the grant date fair value of any Awards (as determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718, or any successor provision thereto) granted under the Plan during any fiscal year of the Company to a Non-Employee Director as compensation for services as a Non-Employee Director may not exceed \$750,000 (the "Director Limit"). The Board may make exceptions to the Director Limit for individual Non-Employee Directors in extraordinary circumstances, as the Board may determine in its discretion (and the exercise of such discretion shall be final, conclusive and binding), provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such additional compensation.

4. Administration of Plan

(a) The Plan shall be administered by the (i) Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as "Non-Employee Directors" within the meaning

of Rule 16b-3 under the Exchange Act (or any successor rule thereto), “independent directors” within the meaning of the New York Stock Exchange’s listed company rules and “outside directors” within the meaning of Section 162(m) of the Code (or any successor section thereto), or (ii) Board acting on behalf of the Committee, in each case to the extent permitted by applicable law. The Committee may adopt its own rules of procedure, and action of a majority of the members of the Committee taken at a meeting, or action taken without a meeting by unanimous written consent, shall constitute action by the Committee. Subject to Section 10 of the Plan, the Committee shall have the power and authority to administer, construe and interpret the Plan, to make rules for carrying it out and to make changes in such rules, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan and any Award Agreement in the manner and to the extent the Committee deems necessary or desirable. Any such interpretations, rules, and administration shall be consistent with the basic purposes of the Plan. The Committee shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). At the time an Award is made or amended in accordance with the terms of the Plan, or the terms or conditions of an Award are changed in accordance with the terms of the Plan or the Award Agreement, the Committee may provide for limitations or conditions on such Award. Any decision of the Committee (including a duly authorized subcommittee thereof) in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). In the event of a conflict or inconsistency between the Plan and any Award Agreement, the Plan shall govern, and the Award Agreement shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(b) Subject to the limitations imposed under Section 7(h) below, Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its Affiliates or a company acquired by the Company or with which the Company combines.

(c) The Committee may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company, and the officers and directors of the Company shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Committee, nor employee or representative of the Company shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Awards, and all such members of the Committee, employees and representatives shall be fully protected and indemnified to the greatest extent permitted by applicable law by the Company with respect to any such action, determination or interpretation.

#### 5. Eligibility

The Committee may from time to time make Awards under the Plan to such Key Employees, or other persons having a relationship with the Company or any other Service Recipient, and in such form and having such terms, conditions and limitations as the

Committee may determine. The terms, conditions and limitations of each Award under the Plan shall be set forth in an Award Agreement, in a form approved by the Committee, consistent, however, with the terms of the Plan.

6. Awards

From time to time, the Committee (or the Board, as applicable) will determine the forms and amounts of Awards for Participants. Such Awards may take the following forms in the Committee's (or the Board's, as applicable) sole discretion:

(a) Stock Options.

(i) Stock Options. These are options to purchase Common Stock ("Stock Options"). At the time of Award the Committee shall determine, and shall include in the Award Agreement, the option exercise period, the option exercise price, vesting requirements, and such other terms, conditions or restrictions on the grant or exercise of the option as the Committee deems appropriate including, without limitation, the right to receive dividend equivalent payments on vested options. Notwithstanding the foregoing, the exercise price per Share of a Stock Option shall in no event be less than the Fair Market Value on the date the Stock Option is granted (subject to later adjustment pursuant to Sections 8 and 9 hereof). In addition to other restrictions contained in the Plan, a Stock Option granted under this Section 6(a) may not be exercised more than 10 years after the date it is granted. Payment of the Stock Option exercise price shall be made (i) in cash, (ii) with the consent of the Committee, in Shares (any such Shares valued at Fair Market Value on the date of exercise) that the Participant has held for such period of time as may be required by the Committee to avoid adverse accounting consequences, (iii) through the withholding of Shares (any such Shares valued at Fair Market Value on the date of exercise) otherwise issuable upon the exercise of the Stock Option in a manner that is compliant with applicable law, or (iv) a combination of the foregoing methods, in each such case in accordance with the terms of the Plan, the Award Agreement and of any applicable guidelines of the Committee in effect at the time.

(ii) ISOs. The Committee may grant Stock Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto). No ISO may be granted to any Participant who at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the option exercise price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition. All Stock Options granted under the Plan are intended to be nonqualified stock options, unless the applicable Award Agreement expressly states that the Stock Option is intended to be an ISO. If a Stock Option is intended to be an ISO, and if for any reason such Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Stock Option (or portion thereof) shall be regarded as a nonqualified stock option granted under the Plan; provided that such



Stock Option (or portion thereof) otherwise complies with the Plan's requirements relating to nonqualified stock options. In no event shall any member of the Committee, the Company or any of its Affiliates (or their respective employees, officers or directors) have any liability to any Participant (or any other Person) due to the failure of a Stock Option to qualify for any reason as an ISO.

(iii) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Stock Option exercise price of a Stock Option or taxes relating to the exercise of a Stock Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of Beneficial Ownership of such Shares, in which case the Company shall treat the Stock Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Stock Option, subject to actual receipt of such Shares (whether of the actual Share certificate or electronic delivery of such Shares).

(b) Stock Appreciation Rights. The Committee may grant "Stock Appreciation Rights" (as hereinafter defined) independent of, or in connection with, the grant of a Stock Option or a portion thereof. Each Stock Appreciation Right shall be subject to such other terms as the Committee may determine. The exercise price per Share of a Stock Appreciation Right shall in no event be less than the Fair Market Value on the date the Stock Appreciation Right is granted or, in the case of a Stock Appreciation Right granted in conjunction with a Stock Option, or a portion thereof, the Stock Option exercise price of the related Stock Option. Each "Stock Appreciation Right" granted independent of a Stock Option shall be defined as a right of a Participant, upon exercise of such Stock Appreciation Right, to receive an amount equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the exercise price per Share of such Stock Appreciation Right, multiplied by (ii) the number of Shares covered by the Stock Appreciation Right. Payment of the Stock Appreciation Right shall be made in Shares or in cash, or partly in Shares and partly in cash (any such Shares valued at the Fair Market Value on the date of the payment), all as shall be determined by the Committee. Stock Appreciation Rights may be exercised from time to time upon actual receipt by the Company of written notice of exercise stating the number of Shares with respect to which the Stock Appreciation Right is being exercised. The date a notice of exercise is received by the Committee shall be the exercise date. No fractional Shares will be issued in payment for Stock Appreciation Rights, but instead cash will be paid for a fraction or, if the Committee should so determine, the number of Shares will be rounded downward to the next whole Share.

(c) Other Stock-Based Awards.

(i) Generally. The Committee may grant or sell awards of Shares, awards of restricted Shares and awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value or number of, or are in any way payable in the form of, Shares (including, without limitation, restricted stock units and bonus stock). Such "Other Stock-Based Awards" shall be in such form, and dependent on such conditions, as the Committee may determine, including, without limitation, the right to receive, or vest with respect to, one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of

performance objectives. Other Stock-Based Awards may be granted alone or in addition to any other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when Other Stock-Based Awards will be made; the number of Shares to be awarded under (or otherwise related to) such Other Stock-Based Awards; whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued shall be fully paid and non-assessable).

(ii) Notwithstanding anything to the contrary herein, certain Other Stock-Based Awards granted under this Section 6(c) may be granted in a manner which is intended to qualify for the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto (“Performance-Based Awards”). A Participant’s Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee within the time period prescribed by Section 162(m) of the Code. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (a) net earnings or net income (before or after taxes); (b) earnings per share; (c) net sales or revenue growth; (d) gross or net operating profit; (e) return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue); (f) cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital); (g) earnings before or after taxes, interest, depreciation, and/or amortization; (h) gross or operating margins; (i) productivity ratios; (j) share price (including, but not limited to, growth measures and total shareholder return); (k) expense targets; (l) margins; (m) operating efficiency; (n) customer satisfaction; (o) working capital targets; (p) economic value added; (q) volume; (r) capital expenditures; (s) market share; (t) costs; (u) regulatory ratings; (v) asset quality; (w) net worth; and (x) safety. The foregoing criteria may relate to the Company, one or more of its Affiliates or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to non-recurring items, as the Committee may determine in its sole discretion. The maximum amount of a Performance-Based Award granted during a calendar year to any Participant shall be, with respect to Performance-Based Awards that are denominated in Shares, 24 million. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, shall so certify and ascertain the amount of the applicable Performance-Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may,

if and to the extent permitted by the Committee and consistent with the provisions of Section 162(m) of the Code, elect to defer payment of a Performance-Based Award.

(d) Dividend Equivalent Rights. The Committee may grant Dividend Equivalent Rights either alone or in connection with the grant of an Award. A “Dividend Equivalent Right” shall be the right to receive a payment in respect of one Share (whether or not subject to a Stock Option) equal to the amount of any dividend paid in respect of one Share held by a shareholder in the Company; provided, however, that the Company shall not grant any Dividend Equivalent Right in respect of any unearned performance Shares. Each Dividend Equivalent Right shall be subject to such terms as the Committee may determine.

7. Limitations and Conditions

(a) No Award may be granted under the Plan after June 1, 2022, but Awards theretofore granted may extend beyond that date.

(b) Nothing contained herein shall affect the right of the Company or any other Service Recipient to terminate any Participant’s employment or other service relationship at any time or for any reason.

(c) Unless otherwise permitted by the Committee at or after the time of grant of any Award, and except as shall be otherwise transferable or assignable by the Participant by will or the laws of descent and distribution, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void. No such benefit shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the Participant. No election as to benefits or exercise of any Award may be made during a Participant’s lifetime by anyone other than the Participant except by a legal representative appointed for or by the Participant or, after a Participant’s death, by the legatees, personal representatives of the Participant or distributees of the Participant.

(d) Participants shall not be, and shall not have any of the rights or privileges of, shareholders of the Company in respect of any Shares purchasable or deliverable in connection with any Award unless and until certificates representing any such Shares have been issued by the Company to such Participants (or book entry representing such Shares has been made and such Shares have been deposited with the appropriate registered book-entry custodian).

(e) Absent express provisions to the contrary, any Award under this Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement or severance plan of the Company or other Service Recipient and shall not affect any benefits under any other benefit plan of any kind now or subsequently in effect under which the availability or amount of benefits is related to level of compensation. This Plan is not a “retirement plan” or “welfare plan” under the Employee Retirement Income Security Act of 1974, as amended.

(f) Unless the Committee determines otherwise, no benefit or promise under the Plan shall be secured by any specific assets of the Company or any other Service Recipient, nor

shall any assets of the Company or any other Service Recipient be designated as attributable or allocated to the satisfaction of the Company's obligations under the Plan.

(g) The Plan shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

(h) Notwithstanding any provision herein to the contrary, other than as permitted under Section 8 or 9 below, the repricing of any Stock Option or Stock Appreciation Right, once granted hereunder, is prohibited without prior approval of the Company's shareholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of any Stock Option or Stock Appreciation Right to lower the exercise price thereof; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling any Stock Option or Stock Appreciation Right in exchange for another Award at a time when the exercise price per Share is greater than the Fair Market Value of the underlying Shares, unless the cancellation and exchange occurs in connection with an event described in Section 8 or 9 below.

8. Adjustments upon Certain Events.

In the event of any Share dividend, Share split, spin-off, share combination, reclassification, recapitalization, liquidation, dissolution, reorganization, merger, Change in Control, payment of a dividend (other than a cash dividend paid as part of a regular dividend program), exchange of Shares or other corporate exchange, any equity restructuring (as defined under FASB Accounting Standards Codification Topic 718 or any successor provision thereto), or other similar transaction or occurrence which affects the equity securities of the Company or the value thereof, the Committee shall (i) adjust the number and kind of shares subject to the Plan and available for or covered by Awards, (ii) adjust the share and/or exercise prices related to outstanding Awards, and/or (iii) take such other action (including, without limitation providing for payment of a cash amount to holders of outstanding Awards), in each case as it deems reasonably necessary to address, on an equitable basis, the effect of the applicable corporate event on the Plan and any outstanding Awards. Where an Award being adjusted is an ISO or is subject to Section 409A of the Code, the adjustment shall also be effected so as to comply with Section 424(a) of the Code and not to constitute a modification within the meaning of Section 424(h) or 409A, as applicable, of the Code. Any such adjustment made or action taken by the Committee in accordance with this Section 8 shall be final and binding upon holders of Awards and upon the Company.

9. Change in Control.

Notwithstanding Section 8 above, in the event of a Change in Control: (a) if determined by the Committee in the applicable Award Agreement or otherwise determined by the Committee in its sole discretion, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions may automatically be

deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (b) the Committee may, to the extent determined by the Committee to be permitted under Section 409A of the Code, but shall not be obligated to: (i) cancel such Awards for fair value (as determined in the sole discretion of the Committee) which, in the case of Stock Options and Stock Appreciation Rights, may equal the excess, if any, of the value of the consideration (as determined in the sole discretion of the Committee) to be paid in the Change in Control transaction to holders of the same number of Shares subject to such Stock Options or Stock Appreciation Rights over the aggregate exercise price of such Stock Options or the aggregate exercise price of such Stock Appreciation Rights, as the case may be; (ii) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms and value of any affected Awards previously granted hereunder, as determined by the Committee in its sole discretion; or (iii) provide that for a period of at least ten business days prior to the Change in Control, any Stock Options or Stock Appreciation Rights shall be exercisable, to the extent applicable, as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Awards shall terminate and be of no further force and effect. For the avoidance of doubt, the Committee may apply any of the foregoing to any given outstanding Award or group or type of Awards, and shall not be required to apply any of the foregoing uniformly to all outstanding Awards.

10. Amendment and Termination

(a) The Committee shall have the authority to make such amendments to any terms and conditions applicable to outstanding Awards as are consistent with this Plan, provided that no such action shall modify any Award in a manner that adversely impacts, other than in a *de minimis* manner, a Participant with respect to any outstanding Awards, other than pursuant to Sections 8, 9 or 10(c) hereof, without the Participant's consent, except as such modification is provided for or contemplated in the terms of the Award or this Plan (including Section 4(a) above).

(b) The Board may amend, suspend or terminate the Plan, except that no such action, other than an action under Sections 8, 9 or 10(c) hereof, may be taken which would, without shareholder approval, increase the aggregate number of Shares available for Awards under the Plan, decrease the exercise price of outstanding Stock Options or Stock Appreciation Rights, change the requirements relating to the Committee, or extend the term of the Plan. However, no such Board action shall adversely impact, other than in a *de minimis* manner, a Participant with respect to any outstanding Awards, other than pursuant to Sections 8, 9 or 10(c) hereof, without the Participant's consent, except as otherwise contemplated in the terms of the Award or the Plan (including Section 4(a) above).

(c) This Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if, at the time of the Participant's termination of service with any Service Recipient, the Participant is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the

imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six months and one day following the Participant's termination of service with all Service Recipients (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of service and (ii) if any other payments of money or other benefits due to the Participant hereunder would cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred, if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, reasonably determined by the Board in consultation with the Participant, that does not cause such an accelerated or additional tax or result in an additional cost to the Company (without any reduction in such payments or benefits ultimately paid or provided to the Participant). Each payment made under the Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code and all references to "termination of employment" or "termination of service" shall be deemed to refer to a "separation from service" within the meaning of Section 409A of the Code. Notwithstanding the above, the Company shall not be liable to a Participant in the event any payment or benefit under the Plan fails to be exempt from, or comply with, Section 409A of the Code.

(d) The Committee shall specify in, or in respect of, any Award granted hereunder on or subsequent to the Effective Date, that as a condition of receiving payment of such Award, the 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 Board or the Committee.

#### 11. Governing Law; International Participants

(a) This Plan shall be governed by and construed in accordance with the laws of the State of Delaware applicable therein.

(b) With respect to Participants who reside or work outside the United States of America, the Committee may, in its sole discretion, amend the terms of the Plan or awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Company or any other Service Recipient.

#### 12. Transfers and Leaves of Absence

For purposes of the Plan, unless the Committee determines otherwise: (a) a transfer of a Participant's employment without an intervening period of separation among the Company and any other Service Recipient shall not be deemed a termination of employment, and (b) a Participant who is granted in writing a leave of absence or who is entitled to a statutory leave of

absence shall be deemed to have remained in the employ of the Company (and other Service Recipient) during such leave of absence.

13. Withholding Taxes

The Company shall have the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any federal, state or local income or other taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of the Plan. It shall be a condition to the obligation of the Company to deliver Shares upon the exercise of a Stock Option or upon the occurrence of any other taxable event with respect to any Award that the Participant pays to the Company or makes arrangements satisfactory to the Company for payment of the applicable withholding taxes. As an alternative to making a cash payment to the Company to satisfy applicable withholding tax obligations, a Participant may elect or the Committee may require a Participant to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value equal to the amount required to be withheld, or by delivering to the Company Shares having a Fair Market Value equal to the amount required to be withheld. The value of any Shares so withheld or delivered shall be based on Fair Market Value of the Shares on the date that the amount of tax to be withheld is to be determined. All elections by the Participant shall be irrevocable and be made in writing and in such manner as determined by the Committee in advance of the day that the transaction becomes taxable and, to the extent applicable, in accordance with the requirements of Section 409A of the Code.

14. Effectiveness of the Plan

This Plan as amended and restated shall be effective on November 30, 2016 (the "Effective Date"), except for the amendments set forth in Sections 2(j), 3(b) and 6(c)(ii) which shall not take effect, and no Award shall be granted hereunder that are subject to the amendments set forth in Sections 2(j), 3(b) and 6(c)(ii), unless and until the Company's shareholders approve the proposal related to the Plan at the annual meeting of shareholders held in 2017 (the "2017 Annual Meeting").

December 1, 2016  
The Board of Directors and Shareholders  
Dollar General Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-151047, 333-151049, 333-151655, and 333-163200 on Form S-8) of Dollar General Corporation of our report dated December 1, 2016 relating to the unaudited condensed consolidated interim financial statements of Dollar General Corporation that are included in its Form 10-Q for the quarter ended October 28, 2016.

/s/ Ernst & Young LLP  
Nashville, Tennessee

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## CERTIFICATIONS

I, Todd J. Vasos, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: December 1, 2016

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

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I, John W. Garratt, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: December 1, 2016

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

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

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2016 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: December 1, 2016

/s/ John W. Garratt

Name: John W. Garratt  
Title: Chief Financial Officer  
Date: December 1, 2016

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