

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 May 2, 2014

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

Accelerated filer

Non-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 303,303,655 shares of common stock outstanding on May 27, 2014.

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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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

	May 2, 2014	January 31, 2014
	(Unaudited)	(see Note 1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 166,330	\$ 505,566
Merchandise inventories	2,605,356	2,552,993
Prepaid expenses and other current assets	171,660	147,048
<b>Total current assets</b>	<b>2,943,346</b>	<b>3,205,607</b>
Net property and equipment	2,079,832	2,080,305
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,205,598	1,207,645
Other assets, net	34,519	35,378
<b>Total assets</b>	<b>\$ 10,601,884</b>	<b>\$ 10,867,524</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term obligations	\$ 100,989	\$ 75,966
Accounts payable	1,222,680	1,286,484
Accrued expenses and other	394,827	368,578
Income taxes payable	121,277	59,148
Deferred income taxes	23,545	21,795
<b>Total current liabilities</b>	<b>1,863,318</b>	<b>1,811,971</b>
Long-term obligations	3,006,404	2,742,788
Deferred income taxes	600,239	614,026
Other liabilities	299,696	296,546
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	-	-
Common stock	265,379	277,424
Additional paid-in capital	3,016,262	3,009,226
Retained earnings	1,560,098	2,125,453
Accumulated other comprehensive loss	(9,512)	(9,910)
<b>Total shareholders' equity</b>	<b>4,832,227</b>	<b>5,402,193</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,601,884</b>	<b>\$ 10,867,524</b>

*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	
	May 2, 2014	May 3, 2013
Net sales	\$ 4,522,081	\$ 4,233,733
Cost of goods sold	3,164,335	2,938,585
Gross profit	1,357,746	1,295,148
Selling, general and administrative expenses	978,038	900,148
Operating profit	379,708	395,000
Interest expense	22,267	24,516
Other (income) expense	-	18,871
Income before income taxes	357,441	351,613
Income tax expense	135,043	131,530
Net income	\$ 222,398	\$ 220,083
Earnings per share:		
Basic	\$ 0.72	\$ 0.67
Diluted	\$ 0.72	\$ 0.67
Weighted average shares:		
Basic	309,331	326,975
Diluted	310,295	328,132

*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	
	May 2, 2014	May 3, 2013
Net income	\$ 222,398	\$ 220,083
Unrealized net gain (loss) on hedged transactions, net of related income tax expense (benefit) of \$268 and \$(5,628), respectively	398	(8,768)
<b>Comprehensive income</b>	<b>\$ 222,796</b>	<b>\$ 211,315</b>

*See notes to condensed consolidated financial statements.*

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

(Unaudited)  
(In thousands)

	For the 13 weeks ended	
	May 2, 2014	May 3, 2013
<i>Cash flows from operating activities:</i>		
Net income	\$ 222,398	\$ 220,083
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	84,158	80,493
Deferred income taxes	(18,542)	7,999
Tax benefit of share-based awards	(9,398)	(21,633)
Loss on debt retirement, net	-	18,871
Noncash share-based compensation	8,752	5,310
Other noncash gains and losses	224	148
Change in operating assets and liabilities:		
Merchandise inventories	(51,536)	(16,411)
Prepaid expenses and other current assets	(24,210)	(13,162)
Accounts payable	(62,361)	(138,227)
Accrued expenses and other liabilities	30,932	7,709
Income taxes	71,527	(3,214)
Other	(484)	(740)
Net cash provided by (used in) operating activities	251,460	147,226
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(84,088)	(149,652)
Proceeds from sales of property and equipment	103	75
Net cash provided by (used in) investing activities	(83,985)	(149,577)
<i>Cash flows from financing activities:</i>		
Issuance of long-term obligations	-	2,297,177
Repayments of long-term obligations	(1,434)	(2,119,316)
Borrowings under revolving credit facilities	431,000	494,900
Repayments of borrowings under revolving credit facilities	(141,000)	(608,800)
Debt issuance costs	-	(15,938)
Payments for cash flow hedge related to debt issuance	-	(13,217)
Repurchases of common stock	(800,095)	(20,000)
Other equity transactions, net of employee taxes paid	(4,580)	(19,371)
Tax benefit of share-based awards	9,398	21,633
Net cash provided by (used in) financing activities	(506,711)	17,068
Net increase (decrease) in cash and cash equivalents	(339,236)	14,717
Cash and cash equivalents, beginning of period	505,566	140,809
Cash and cash equivalents, end of period	\$ 166,330	\$ 155,526
<i>Supplemental schedule of non-cash investing and financing activities:</i>		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 25,639	\$ 54,162

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 or those normally made in the Company’s Annual Report on Form 10-K, including the condensed consolidated balance sheet as of January 31, 2014 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 31, 2014 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 2014 fiscal year will be a 52-week accounting period ending on January 30, 2015, and the 2013 fiscal year was a 52-week accounting period that ended on January 31, 2014.

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 May 2, 2014 and results of operations for the 13-week accounting periods ended May 2, 2014 and May 3, 2013, 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.

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 provision (benefit) of \$0.1 million and \$(0.5) million in the respective 13-week periods ended May 2, 2014 and May 3, 2013. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation. 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.

In July 2013, the Financial Accounting Standards Board issued an accounting standards update which relates to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The Company's adoption of this guidance in the first quarter of 2014 did not have a material effect on the Company's condensed consolidated financial statements.

Certain financial statement amounts relating to prior periods may have been reclassified to conform to the current period presentation where applicable.

## 2. Earnings per share

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

	13 Weeks Ended May 2, 2014			13 Weeks Ended May 3, 2013		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic earnings per share	\$ 222,398	309,331	\$ 0.72	\$ 220,083	326,975	\$ 0.67
Effect of dilutive share-based awards		964			1,157	
Diluted earnings per share	\$ 222,398	310,295	\$ 0.72	\$ 220,083	328,132	\$ 0.67

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 1.5 million and 1.2 million in the 2014 and 2013 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 Internal Revenue Service ("IRS") has previously examined the Company's 2008 and earlier federal income tax returns. As a result, the 2008 and earlier tax years are not open for further examination by the IRS. The Company has filed an amended federal income tax return requesting a refund of approximately \$5.1 million for its 2009 tax year. This amended return is

expected to be examined by the IRS. As the statute of limitations has otherwise closed for the 2009 tax year, the IRS's ability to assess additional income tax for 2009 is limited to the refund requested on the amended income tax return. The IRS, at its discretion, may choose to examine the Company's 2010 through 2013 fiscal year income tax filings. The Company has various state income tax examinations that are currently in progress. Generally, the Company's 2010 and later tax years remain open for examination by the various state taxing authorities.

As of May 2, 2014, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$17.2 million, \$1.9 million and \$0.4 million, respectively, for a total of \$19.5 million. Of this amount, \$0.6 million and \$18.9 million are reflected in current liabilities as Accrued expenses and other and in noncurrent Other liabilities, respectively, 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 \$8.8 million in the coming twelve months principally as a result of the effective settlement of uncertain tax positions. As of May 2, 2014, approximately \$17.2 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 rate for the 13-week period ended May 2, 2014 was 37.8% compared to a rate of 37.4% for the 13-week period ended May 3, 2013. The 13-week effective income tax rate increased approximately 1.0 percentage point due to the expiration of various federal job credit programs (primarily the Work Opportunity Tax Credit) for eligible employees hired after December 31, 2013. Partially offsetting this tax rate increase were benefits recognized due to the favorable resolution of several state tax examinations.

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

On April 11, 2013, the Company consummated a refinancing pursuant to which it terminated its existing senior secured credit agreements, entered into a new five-year unsecured credit agreement, and issued senior notes due in 2018 and 2023 as discussed in greater detail below. The Company's senior unsecured credit facilities (the "Facilities") consist of a \$1.0 billion senior unsecured term loan facility (the "Term Facility") and an \$850.0 million senior unsecured revolving credit facility (the "Revolving Facility"), which provides for the issuance of letters of credit up to \$250.0 million. The Term Facility will amortize in quarterly installments of \$25.0 million, with the first such payment due on August 1, 2014, and final payment at maturity on April 11, 2018. The Company capitalized \$5.9 million of debt issuance costs associated with the Facilities, the amortized balance of which is included in long-term Other assets, net in the condensed consolidated balance sheet.

Under the Revolving Facility as of May 2, 2014, the Company had total outstanding borrowings of \$290.0 million, outstanding letters of credit of \$26.0 million, and borrowing availability of \$534.0 million. Also as of May 2, 2014, the Company had letters of credit totaling \$23.0 million which were not issued under the Revolving Facility.



In connection with the refinancing discussed above, the Company terminated its senior secured term loan facility and senior secured revolving credit facility. The Company incurred a pretax loss of \$18.9 million for the write off of debt issuance costs associated with the termination of its previous credit facilities, which is reflected in Other (income) expense in the condensed consolidated statement of income for the 13-week period ended May 3, 2013.

On April 11, 2013, the Company issued \$400.0 million aggregate principal amount of 1.875% senior notes due 2018, net of discount of \$0.5 million, which mature on April 15, 2018, and issued \$900.0 million aggregate principal amount of 3.25% senior notes due 2023, net of discount of \$2.4 million, which mature on April 15, 2023. The Company capitalized \$10.1 million of debt issuance costs associated with these issuances of senior notes, the amortized balance of which is included in long-term Other assets, net in the condensed consolidated balance sheet.

## **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).

In connection with accounting standards for fair value measurement, the Company has made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The Company has determined that the majority of the inputs used to value its derivative financial instruments using the income approach fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of May 2, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that such adjustments are not significant to the derivatives' valuation. As a result, the Company has classified its derivative valuations, as discussed in detail in Note 6, in Level 2 of the fair value hierarchy. The Company's long-term obligations that are classified in Level 2 of the fair value hierarchy are valued at cost. The Company does not have any fair value measurements categorized within Level 3 as of May 2, 2014.

<i>(in thousands)</i>	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 May 2, 2014
<b>Assets:</b>				
Trading securities (a)	\$ 376	\$ -	\$ -	\$ 376
<b>Liabilities:</b>				
Long-term obligations (b)	3,065,185	19,902	-	3,085,087
Derivative financial instruments (c)	-	3,773	-	3,773
Deferred compensation (d)	22,598	-	-	22,598

(a) Reflected at fair value in the condensed consolidated balance sheet as Prepaid expenses and other current assets.

(b) Reflected at book value in the condensed consolidated balance sheet as Current portion of long-term obligations of \$100,989 and Long-term obligations of \$3,006,404.

(c) Reflected at fair value in the condensed consolidated balance sheet as noncurrent Other liabilities.

(d) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$1,794 and noncurrent Other liabilities of \$20,804.

## 6. Derivatives and hedging activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

The Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply the hedge accounting standards. Changes in the fair value of such derivatives are recorded directly in earnings.

### Risk management objective of using derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage

exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined primarily by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

In addition, the Company is exposed to certain risks arising from uncertainties of future market values caused by the fluctuation in the prices of commodities. From time to time the Company may enter into derivative financial instruments to protect against future price changes related to these commodity prices.

### **Cash flow hedges of interest rate risk**

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate changes. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of interest rate swaps designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income (loss) (also referred to as "OCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the 13-week periods ended May 2, 2014 and May 3, 2013, such interest rate swaps were used to hedge the variable cash flows associated with variable-rate debt. Any ineffective portion of the change in fair value of the interest rate swaps is recognized directly in earnings.

As of May 2, 2014, the Company had interest rate swaps with a combined notional value of \$875.0 million that were designated as cash flow hedges of interest rate risk. Amounts reported in Accumulated other comprehensive income (loss) related to these derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

During the 13-week period ended May 3, 2013, the Company entered into U.S. Treasury locks related to its issuance of senior notes due April 15, 2023, as further discussed in Note 4. The settlement of the U.S. Treasury locks resulted in a loss which was deferred to OCI and is being amortized as an increase to interest expense over the period corresponding to the debt's maturity as the Company accrues or pays interest on the hedged long-term debt.

During the 52-week period following May 2, 2014, the Company estimates that approximately \$4.9 million will be reclassified as an increase to interest expense for its interest rate swaps and U.S. Treasury locks.

All of the amounts reflected in Accumulated other comprehensive income (loss) in the condensed consolidated balance sheets for the periods presented are related to cash flow hedges.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification in the condensed consolidated balance sheets as of May 2, 2014 and January 31, 2014:

<i>(in thousands)</i>	May 2, 2014	January 31, 2014
Derivatives Designated as Hedging Instruments		
Interest rate swaps classified as noncurrent Other liabilities	\$ 3,773	\$ 4,109

The table below presents the pre-tax effect of the Company's derivative financial instruments as reflected in the condensed consolidated statements of comprehensive income for the 13-week periods ended May 2, 2014 and May 3, 2013:

<i>(in thousands)</i>	13 Weeks Ended	
	May 2, 2014	May 3, 2013
Derivatives in Cash Flow Hedging Relationships		
Loss related to effective portion of derivatives recognized in OCI	\$ 616	\$ 15,327
Loss related to effective portion of derivatives reclassified from Accumulated OCI to Interest expense	\$ 1,282	\$ 931

### **Credit-risk-related contingent features**

The Company has agreements with all of its interest rate swap counterparties that contain a provision providing that the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on such indebtedness.

As of May 2, 2014, the fair value of interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, was \$3.8 million. If the Company had breached any of these provisions at May 2, 2014, it could have been required to post full collateral or settle its obligations under the agreements at an estimated termination value of \$3.8 million. As of May 2, 2014, the Company had not breached any of these provisions or posted any collateral related to these agreements.

## **7. Commitments and contingencies**

### **Legal proceedings**

On August 7, 2006, a lawsuit entitled *Cynthia Richter, et al. v. Dolgencorp, Inc., et al.* was filed in the United States District Court for the Northern District of Alabama (Case No. 7:06-cv-01537-LSC) ("Richter") in which the plaintiff alleges that she and other current and former Dollar General store managers were improperly classified as exempt executive employees under the Fair Labor Standards Act ("FLSA") and seeks to recover overtime pay, liquidated damages, and attorneys' fees and costs. On August 15, 2006, the *Richter* plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff's motion. On March 23, 2007, the court conditionally certified a nationwide class. On December 2, 2009, notice was mailed to over 28,000 current or former Dollar General store managers. Approximately 3,950 individuals opted

into the lawsuit, approximately 1,000 of whom have been dismissed for various reasons, including failure to cooperate in discovery.

On April 2, 2012, the Company moved to decertify the class. The plaintiff's response to that motion was filed on May 9, 2012.

On October 22, 2012, the court entered a memorandum opinion granting the Company's decertification motion. On December 19, 2012, the court entered an order decertifying the matter and stating that a separate order would be entered regarding the opt-in plaintiffs' rights and plaintiff Cynthia Richter's individual claims. To date, the court has not entered such an order.

The parties agreed to mediate the matter, and the court informally stayed the action pending the results of the mediation. Mediations were conducted in January, April and August 2013. On August 10, 2013, the parties reached a preliminary agreement, which has been formalized and submitted to the court for approval, to resolve the matter for up to \$8.5 million. The Company has deemed the settlement probable and recorded such amount as the estimated expense in the second quarter of 2013.

The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that the *Richter* action is not appropriate for collective action treatment. The Company has obtained summary judgment in some, although not all, of its pending individual or single-plaintiff store manager exemption cases in which it has filed such a motion.

At this time, although probable, it is not certain that the court will approve the settlement. If it does not, and the case proceeds, it is not possible to predict whether *Richter* ultimately will be permitted to proceed collectively, and no assurances can be given that the Company will be successful in its defense of the action 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 if this action were to proceed. For these reasons, the Company is unable to estimate any potential loss or range of loss in such a scenario; however, if the Company is not successful in its defense efforts, the resolution of *Richter* could have a material adverse effect on the Company's consolidated financial statements as a whole.

On April 9, 2012, the Company was served with a lawsuit filed in the United States District Court for the Eastern District of Virginia entitled *Jonathan Marcum, et al. v. Dolgencorp. Inc.* (Civil Action No. 3:12-cv-00108-JRS) in which the plaintiffs, one of whose conditional offer of employment was rescinded, allege that certain of the Company's background check procedures violate the Fair Credit Reporting Act ("FCRA"). Plaintiff Marcum also alleges defamation. According to the complaint and subsequently filed first and second amended complaints, the plaintiffs seek to represent a putative class of applicants in connection with their FCRA claims. The Company responded to the complaint and each of the amended complaints. The plaintiffs' certification motion was due to be filed on or before April 5, 2013; however, plaintiffs asked the court to stay all deadlines in light of the parties' ongoing settlement discussions (as more fully described below). On November 12, 2013, the court entered an order

lifting the stay but has not issued a new scheduling order in light of the parties' preliminary agreement to resolve the matter.

The parties have engaged in formal settlement discussions on three occasions, once in January 2013 with a private mediator, and again in March 2013 and July 2013 with a federal magistrate. On February 18, 2014, the parties reached a preliminary agreement to resolve the matter for up to \$4.08 million, which must be submitted to and approved by the court.

The Company's Employment Practices Liability Insurance ("EPLI") carrier has been placed on notice of this matter and participated in both the formal and informal settlement discussions. The EPLI policy covering this matter has a \$2 million self-insured retention. Because the Company believes that it is likely to expend the balance of its self-insured retention in settlement of this litigation or otherwise, it accrued \$1.8 million in the fourth quarter of 2012, an amount that is immaterial to the Company's consolidated financial statements as a whole.

At this time, although probable, it is not certain that the court will approve the settlement. If the court does not approve the settlement and the case proceeds, it is not possible to predict whether *Marcum* ultimately will be permitted to proceed as a class action under the FCRA, and no assurances can be given that the Company will be successful in its defense on the merits or otherwise. At this stage in the proceedings, the Company cannot estimate either the size of any potential class or the value of the claims asserted by the plaintiffs.

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* (Case No. 1:13-cv-04307) 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.

On January 29, 2014, the court entered an order, which, among other things, bifurcates the issues of liability and damages during discovery and at trial. Under this order, fact discovery relating to liability is to be completed by September 15, 2014. A status conference is scheduled for June 5, 2014.

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, therefore, 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, it 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* (Case No. RIC 1306158) ("Varela") was filed in the Superior Court of the State of California for the County of Riverside in which the 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. The *Varela* plaintiff 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 ("PAGA").

The Company removed the action to the United States District Court for the Central District of California (Case No. 5:13-cv-01172VAP-SP) on July 1, 2013, and filed its answer to the complaint on July 1, 2013. On July 30, 2013, the plaintiff moved to remand the action to state court. The Company's response to that motion was filed on August 19, 2013.

On September 13, 2013, the court granted plaintiff's motion and remanded the case. The Company filed a petition for permission to appeal to the United States Court of Appeals for the Ninth Circuit on September 23, 2013. Although the petition for permission to appeal remains pending, based on the Ninth Circuit's denial of a similar petition filed by the Company in the *Main* matter and as more fully discussed below, the Company has filed a petition for coordination of those matters. A status conference has been scheduled by the Superior Court for July 23, 2014.

Similarly, on June 6, 2013, a lawsuit entitled *Victoria Lee Dinger Main v. Dolgen California, LLC and Does 1 through 100* (Case No. 34-2013-00146129) ("Main") was filed in the Superior Court of the State of California for the County of Sacramento. The *Main* plaintiff alleges that she and other "key carriers" were not provided with meal and rest periods, accurate wage statements and appropriate pay upon termination in violation of California wage and hour laws and seeks to recover alleged unpaid wages, declaratory relief, restitution, statutory penalties and attorneys' fees and costs. The *Main* plaintiff seeks to represent a putative class of California "key carriers" as to these claims. The *Main* plaintiff also asserts a claim for unfair business practices and seeks to proceed under the PAGA.

The Company removed this action to the United States District Court for the Eastern District of California (Case No. 2:13-cv-01637-MCE-KJN) on August 7, 2013, and filed its

answer to the complaint on August 6, 2013. On August 29, 2013, the plaintiff moved to remand the action to state court. The Company's response to that motion was filed on September 19, 2013. On October 28, 2013, the court granted plaintiff's motion and remanded the case. The Company filed a petition for permission to appeal to the United States Court of Appeals for the Ninth Circuit on November 7, 2013. The plaintiff filed its opposition brief on November 15, 2013. The Ninth Circuit denied the petition for permission to appeal on April 10, 2014.

On February 6, 2014, the Superior Court referred the matter to the trial setting process and ordered the parties to confer and agree upon a date for trial and a mandatory settlement conference. The parties are to advise the court of the date agreed upon for a trial and settlement conference no later than January 30, 2015. If the parties are unable to agree upon a date by such time, the court will assign the next available dates.

On April 28, 2014, the Company filed a petition for coordination of the *Main* and *Varela* matters. As no hearing date has been scheduled, no deadline currently exists for either plaintiff's response to the petition for coordination.

The Company believes that its policies and practices comply with California law and that the *Varela* and *Main* 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* or *Main* 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 either action 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* and *Main* actions. For these reasons, the Company is unable to estimate any potential loss or range of loss in either matter; however, if the Company is not successful in its defense efforts, the resolution of either action could have a material adverse effect on the Company's consolidated financial statements as a whole.

On May 31, 2013, a lawsuit entitled *Judith Wass v. Dolgen Corp, LLC* (Case No. 13PO-CC00039) ("Wass") was filed in the Circuit Court of Polk County, Missouri. The *Wass* plaintiff seeks to proceed collectively on behalf of a nationwide class of similarly situated non-exempt store employees who allegedly were not properly paid for certain breaks in violation of the FLSA. The *Wass* plaintiff seeks back wages (including overtime), injunctive and declaratory relief, liquidated damages, pre- and post-judgment interest, and attorneys' fees and costs.

On July 11, 2013, the Company removed this action to the United States District Court for the Western District of Missouri (Case No. 6:113-cv-03267-JFM). The Company filed its answer on July 18, 2013.

On March 28, 2014, the *Wass* plaintiff moved for conditional certification of her FLSA claims. Shortly thereafter, on April 3, 2014, the plaintiff moved the court for permission to conduct additional limited discovery and to file a supplemental brief in support of her motion for conditional certification. By agreement of the parties, the court permitted the limited discovery and ordered that the plaintiff file any supplemental brief by June 15, 2014, or within 15 days from the last deposition of Company's corporate representatives. The Company's response to



plaintiff's motion for conditional certification and any supplemental briefing is due 30 days thereafter.

Similarly, on July 2, 2013, a lawsuit entitled *Rachel Buttry and Jennifer Peters v. Dollar General Corp.* (Case No. 3:13-cv-00652) ("Buttry") was filed in the United States District Court for the Middle District of Tennessee. The *Buttry* plaintiffs seek to proceed on a nationwide collective basis under the FLSA and as a statewide class under Tennessee law on behalf of non-exempt store employees who allegedly were not properly paid for certain breaks. The *Buttry* plaintiffs seek back wages (including overtime), injunctive and declaratory relief, liquidated damages, compensatory and economic damages, "consequential" and "incidental" damages, pre-judgment and post-judgment interest, and attorneys' fees and costs.

The Company filed its answer on August 7, 2013. The plaintiffs filed their motion for conditional certification of their FLSA claims on December 5, 2013, to which the Company responded on February 3, 2014. On April 4, 2014, the court denied plaintiffs' certification motion. Plaintiffs filed a motion for reconsideration or in the alternative for permission to seek interlocutory appeal in the United States Court of Appeals for the Sixth Circuit on April 18, 2014. The court denied the plaintiffs' motion on April 24, 2014.

The *Buttry* plaintiffs' motion for certification of their statewide claims is due to be filed on or before September 22, 2014. The court has set this matter for trial on February 17, 2015.

On March 19, 2014, a lawsuit entitled *Danielle Harsey v. Dolgencorp, LLC* (Case No. 5:14-cv-00168-WTH-PRL) ("Harsey") was filed in the United States District Court for the Middle District of Florida. The *Harsey* plaintiff seeks to proceed on a nationwide collective basis under the FLSA and as a statewide class under the Florida Minimum Wage Act on behalf of all similarly situated non-exempt store employees who allegedly were not paid for all hours worked. The *Harsey* plaintiff seeks back wages (including overtime), liquidated damages, pre- and post-judgment interest, injunctive relief, and attorneys' fees and costs. The Company filed its answer on May 7, 2014.

The Company believes that its wage and hour policies and practices comply with both the FLSA and state law, including Tennessee and Florida law, and that the *Wass*, *Buttry* and *Harsey* actions are not appropriate for collective or class treatment. The Company intends to vigorously defend these actions; however, at this time, it is not possible to predict whether the *Wass*, *Buttry* or *Harsey* action ultimately will be permitted to proceed collectively or 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 *Wass*, *Buttry* and/or *Harsey* actions. 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 September 16, 2013, a lawsuit entitled *Lisa Kocmich v. DolgenCorp, LLC* (Case No. 2013CA005841AX) ("Kocmich") was filed in the Circuit Court of Manatee County, Florida. The *Kocmich* plaintiff seeks to proceed on a nationwide collective basis under the FLSA on

behalf of all similarly situated non-exempt store employees who allegedly were not paid for all hours worked (including overtime) as required by the FLSA. The *Kocmich* plaintiff seeks back wages, liquidated damages and attorneys' fees and costs.

The Company removed this matter to the United States District Court for the Middle District of Florida (Case No. 8:13-cv-02705-RAL-MAP) on October 21, 2013. The Company filed its answer on November 4, 2013.

The parties have reached an agreement to resolve the *Kocmich* matter for an amount that is immaterial to the Company's consolidated financial statements as a whole.

On May 20, 2011, a lawsuit entitled *Winn-Dixie Stores, Inc., et al. v. Dolgencorp, LLC* was filed in the United States District Court for the Southern District of Florida (Case No. 9:11-cv-80601-DMM) ("Winn-Dixie") in which the plaintiffs allege that the sale of food and other items in approximately 55 of the Company's stores, each of which allegedly is or was at some time co-located in a shopping center with one of plaintiffs' stores, violates restrictive covenants that plaintiffs contend are binding on the occupants of the shopping centers. Plaintiffs sought damages and an injunction limiting the sale of food and other items in those stores. Although plaintiffs did not make a demand for any specific amount of damages, documents prepared and produced by plaintiffs during discovery suggested that plaintiffs would seek as much as \$47 million although the court limited their ability to prove such damages. The case was consolidated with similar cases against Big Lots and Dollar Tree. The court issued an order on August 10, 2012 in which it (i) dismissed all claims for damages, (ii) dismissed claims for injunctive relief for all but four stores, and (iii) directed the Company to report to the court on its compliance with restrictive covenants at the four stores for which it did not dismiss the claims for injunctive relief. The Company believes that compliance with the August 2012 ruling will have no material adverse effect on the Company or its consolidated financial statements.

On August 28, 2012, the *Winn-Dixie* plaintiffs filed a notice of appeal with the United States Court of Appeals for the Eleventh Circuit (Docket No. 12-14527-B). Oral argument was conducted on January 16, 2014, and the appellate court rendered its decision on March 5, 2014, affirming in part and reversing in part the trial court's decision. Specifically, the appellate court affirmed the trial court's dismissal of plaintiffs' claim for monetary damages but reversed the trial court's decision denying injunctive relief as to thirteen additional stores and remanded for further proceedings. On March 26, 2014, the plaintiffs moved the appellate court for rehearing. This motion was denied on May 2, 2014.

At this time, the Company is unable to predict whether the trial court will enter an injunction as to any of the additional stores at issue; however, the Company does not believe that such an injunction, even if entered as to each remaining additional store at issue, would have a material adverse effect on the Company or its consolidated financial statements as a whole.

The Company also is unable to predict whether the plaintiffs will seek further appellate review of the trial court's dismissal of plaintiffs' claim for damages. If plaintiffs were to obtain further appellate review, and the Company were unsuccessful in its defense of such appeal, the

outcome could have a material adverse effect on the Company's consolidated financial statements as a whole.

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 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.

## 8. Segment reporting

The Company manages its business on the basis of one reportable segment. As of May 2, 2014, all of the Company's operations were located within the United States with the exception of a Hong Kong subsidiary and a liaison office in India, the collective assets and revenues of which are not material. The following net sales data is presented in accordance with accounting standards related to disclosures about segments of an enterprise.

<i>(in thousands)</i>	13 Weeks Ended	
	May 2, 2014	May 3, 2013
Classes of similar products:		
Consumables	\$ 3,445,465	\$ 3,194,906
Seasonal	541,432	529,281
Home products	283,597	265,811
Apparel	251,587	243,735
Net sales	\$ 4,522,081	\$ 4,233,733

## **9. Common stock transactions**

On August 29, 2012, the Company's Board of Directors authorized a common stock repurchase program, which was increased on March 19, 2013 and again on December 4, 2013. As of May 2, 2014, a total of \$2.0 billion had been authorized under the program and \$223.4 million 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 our debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings under the Company's credit facilities discussed in further detail in Note 4.

Pursuant to its common stock repurchase program, during the 13-week periods ended May 2, 2014, and May 3, 2013, the Company repurchased in the open market approximately 14.1 million shares of its common stock at a total cost of \$800.1 million, and approximately 0.4 million shares at a total cost of \$20.0 million, respectively.

## 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 May 2, 2014, and the related condensed consolidated statements of income, comprehensive income, and cash flows for the thirteen week periods ended May 2, 2014 and May 3, 2013. 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, 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 31, 2014 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the fiscal year then ended (not presented herein) and in our report dated March 20, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

June 3, 2014  
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 year ended January 31, 2014. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

### **Executive Overview**

We are the largest discount retailer in the United States by number of stores, with 11,338 stores located in 40 states as of May 2, 2014, primarily 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, pet supplies and tobacco products, 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 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 (small store) locations.

The core customers we serve are value-conscious, many with low or fixed incomes, and we have always been intensely focused on helping them make the most of their spending dollars. Like other companies, we have been operating for several years in an environment with ongoing macroeconomic challenges and uncertainties, and the timetable and strength of economic recovery for our core customers remains uncertain. The longer our customers have to manage under such negative conditions, the more difficult it is for them to stretch their spending dollars, not only for discretionary purchases (as has been the case in recent years) but also for non-discretionary purchases. During this period of extended economic weakness, we have achieved significant success by responding to our customers' needs for value and convenience, in part, by increasing our offerings of basic consumables. In recent years, other retailers, including many of those in the dollar, discount and drug sectors, have expanded their consumables offerings. In addition, these retailers, as well as others, such as those in the mass merchandising and grocery sectors, have increased their promotional activities. As a result, the current competitive environment is more challenging than in the relatively recent past.

We remain focused on executing our four operating priorities, which are: 1) drive productive sales growth, 2) increase, or enhance, our gross profit margins, 3) leverage process improvements and information technology to reduce costs, and 4) strengthen and expand our culture of serving others.

We seek to drive productive sales growth through increasing customer traffic, unit sales and average transaction amount in our same-stores and by adding new stores, as well as remodeling and relocating stores. We opened 214 new stores in the 2014 first quarter and plan to open 700 stores for the full year. In the 2013 first quarter, we made a strategic decision to add tobacco products in our stores with the primary goal of increasing customer traffic. The rollout of tobacco products was substantially executed between March and June of 2013. In addition, in the first half of 2013, we expanded the number of coolers for refrigerated and frozen foods and beverages in over 1,600 existing stores. Tobacco products and perishables were the most significant drivers of same-store sales growth in 2013 and continued to increase at a faster rate than overall same-store sales through the 2014 first quarter. As expected, the addition of tobacco products and the increased proportion of sales of perishables have posed challenges to our second priority of enhancing our gross profit rate because these products generally have lower profit margins.

Ongoing initiatives to enhance our gross profit rate include merchandise category management, utilization of private brands, inventory shrink reduction initiatives, efforts to improve distribution and transportation efficiencies, and strategic focus on pricing and markdowns, while remaining committed to our everyday low price strategy. We remain committed to our seasonal, home, and apparel categories, which generally have higher gross profit rates. However, in 2014, we expect the growth of consumables to continue to outpace the growth of non-consumables. Commodities cost inflation was minimal in the 2014 first quarter and throughout 2013 and, in some instances, we experienced a decrease in such costs. Accordingly, overall price increases passed through to our customers have been minimal.

We remain committed to reducing costs, particularly selling, general and administrative expenses (“SG&A”) that do not affect the customer experience. In 2012 and 2013, we successfully reduced our retail labor costs as a percentage of sales, in part, by optimizing our workforce management system and simplifying or eliminating various tasks performed in the stores. In 2014, we plan to continue these work elimination efforts, both in our stores and elsewhere in the Company. In addition, we believe we have additional opportunities to reduce costs through our focused procurement efforts. However, we expect overall SG&A to be a higher percentage of sales in 2014 than in 2013, as was the case in the 2014 first quarter, due to several factors, including the year-over-year impact of a significant reduction in incentive compensation in 2013, increased anticipated costs associated with compliance with certain provisions of the Affordable Care Act in 2014, and an increase in 2014 store occupancy costs resulting from a sale-leaseback transaction completed at the end of 2013.

During the first quarter of 2014, we continued our mission of serving others by giving back to our store communities through our charitable and other efforts.

The following highlights the results of the first quarter of 2014 as compared to the comparable 2013 period in many of our key financial metrics. Basis points amounts referred to below are equal to 0.01% as a percentage of sales.

- Net sales increased 6.8% to \$4.52 billion. Sales in same-stores increased 1.5% driven by increases in customer traffic and average transaction amount. Average sales per square foot for all stores over the 52-week period ended May 2, 2014 were \$220.

- Gross profit, as a percentage of sales, was 30.0% in the 2014 period compared to 30.6% in the 2013 period, a decline of 57 basis points. We experienced an increase in the proportion of overall sales from lower margin consumables categories, including tobacco products and perishables. In addition, we incurred increased markdowns driven by increased promotional activity, partially offset by higher initial inventory markups.
- SG&A, as a percentage of sales, was 21.6% compared to 21.3% in the 2013 period, an increase of 37 basis points. Changes in SG&A, as a percentage of sales, were impacted by lower same-store sales growth and increases in rent and utilities expenses, partially offset by reductions in workers' compensation and general liability costs.
- Interest expense decreased by \$2.2 million to \$22.3 million in the 2014 period due to lower all-in interest rates primarily resulting from a refinancing in the first quarter of 2013. Total outstanding debt (including the current portion of long-term obligations) as of May 2, 2014 was \$3.11 billion.
- Net income was \$222.4 million, or \$0.72 per diluted share, compared to net income of \$220.1 million, or \$0.67 per diluted share, in the 2013 period. Net income in the 2013 period reflected a pre-tax loss of \$18.9 million (\$11.5 million, net of income taxes) relating to the refinancing of our credit facilities. Diluted shares outstanding decreased by 17.8 million shares as a result of share repurchases.
- Cash generated from operating activities was \$251.5 million in the quarter, up from \$147.2 million in the comparable prior year period. At May 2, 2014, we had a cash balance of \$166.3 million.
- Inventories increased 1% on a per store basis over the 2013 period.
- During the 2014 year-to-date period, we opened 214 new stores and closed 8 stores, resulting in a store count of 11,338 as of May 2, 2014.

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 2014 and 2013, which represent the 52-week fiscal years ending January 30, 2015 and January 31, 2014, respectively. References to the first quarter accounting periods for 2014 and 2013 contained herein refer to the 13-week accounting periods ended May 2, 2014 and May 3, 2013, 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 first 13 weeks of each of 2014 and 2013, and the dollar and percentage variances among those periods:

	13 Weeks Ended		2014 vs. 2013	
	May 2, 2014	May 3, 2013	Amount change	% change
<i>(dollars in millions, except per share amounts)</i>				
Net sales by category:				
Consumables	\$ 3,445.5	\$ 3,194.9	\$ 250.6	7.8 %
% of net sales	76.19%	75.46%		
Seasonal	541.4	529.3	12.2	2.3
% of net sales	11.97%	12.50%		
Home products	283.6	265.8	17.8	6.7
% of net sales	6.27%	6.28%		
Apparel	251.6	243.7	7.9	3.2
% of net sales	5.56%	5.76%		
Net sales	4,522.1	4,233.7	288.3	6.8
Cost of goods sold	3,164.3	2,938.6	225.8	7.7
% of net sales	69.98%	69.41%		
Gross profit	1,357.7	1,295.1	62.6	4.8
% of net sales	30.02%	30.59%		
Selling, general and administrative expenses	978.0	900.1	77.9	8.7
% of net sales	21.63%	21.26%		
Operating profit	379.7	395.0	(15.3)	(3.9)
% of net sales	8.40%	9.33%		
Interest expense	22.3	24.5	(2.2)	(9.2)
% of net sales	0.49%	0.58%		
Other (income) expense	-	18.9	(18.9)	(100.0)
% of net sales	0.00%	0.45%		
Income before income taxes	357.4	351.6	5.8	1.7
% of net sales	7.90%	8.31%		
Income tax expense	135.0	131.5	3.5	2.7
% of net sales	2.99%	3.11%		
Net income	\$ 222.4	\$ 220.1	\$ 2.3	1.1 %
% of net sales	4.92%	5.20%		
Diluted earnings per share	\$ 0.72	\$ 0.67	\$ 0.05	7.5 %

### 13 WEEKS ENDED MAY 2, 2014 AND MAY 3, 2013

*Net Sales .* The net sales increase in the 2014 first quarter reflects a same-store sales increase of 1.5% compared to the 2013 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 2014 quarter, there were 10,529 same-stores which accounted for sales of \$4.26 billion. Increases in customer traffic and average transaction amount contributed to the increase in same-store sales. The remainder of the increase in net sales was attributable to new stores, partially offset by lost sales from closed stores. Sales growth was challenged in the 2014 first quarter by unfavorable

weather, a heightened competitive environment and continued financial pressures on our core customers. Consumables sales continued to increase at a higher rate than non-consumables in the 2014 first quarter, with the most significant growth related to our tobacco products and perishables. Sales growth was solid in the home products category. Despite a reduction in apparel inventories in certain stores in the second half of 2013, sales of apparel increased, and gross profit in this category increased at a significantly higher rate than sales.

*Gross Profit.* Gross profit increased by 4.8%, and as a percentage of sales, decreased by 57 basis points to 30.0%, in the 2014 first quarter. The majority of the gross profit rate decrease in the 2014 period as compared to the 2013 period was due to consumables comprising a larger portion of our net sales, primarily as a result of increased sales of lower margin consumables, including tobacco and perishable products. In addition, we experienced an increase in markdowns due primarily to increased promotional activity. These factors were partially offset by higher initial markups on inventory purchases.

*SG&A Expense.* SG&A was 21.6% as a percentage of sales in the 2014 period compared to 21.3% in the 2013 period, an increase of 37 basis points. The moderate same-store sales growth in the quarter was a primary factor in the deleverage of SG&A. Rent and utilities expenses were significant contributors to the overall increase in SG&A as a percentage of sales. These costs were partially offset by workers' compensation and general liability expenses, which declined in the 2014 period compared to the 2013 period.

*Interest Expense .* The decrease in interest expense in the 2014 period compared to the 2013 period is due to lower all-in interest rates primarily resulting from a refinancing in the first quarter of 2013. For more information, see "Liquidity and Capital Resources" in this report.

*Other (Income) Expense.* In the 2013 period, we recorded pretax losses of \$18.9 million resulting from a refinancing and the related termination of senior secured credit facilities.

*Income Taxes.* The effective income tax rate for the 2014 period was 37.8% compared to a rate of 37.4% for the 2013 period, which represents a net increase of 0.4 percentage points. The effective tax rate increased approximately 1.0 percentage point due to the expiration of various federal job credit programs (primarily the Work Opportunity Tax Credit) for eligible employees hired after December 31, 2013. When these credit programs have expired in the past, most recently impacting our 2012 fiscal year, Congress has re-instated them on a retroactive basis. It is uncertain as to whether or when this will occur on this occasion. Partially offsetting this tax rate increase were benefits recognized due to the favorable resolution of several state tax examinations.

## **Liquidity and Capital Resources**

### *Facilities*

In April 2013, we consummated a refinancing pursuant to which we terminated our existing senior secured credit agreements, entered into a five-year \$1.85 billion unsecured credit agreement, and issued senior notes with a face value of \$1.3 billion. Our senior unsecured credit facilities (the "Facilities") consist of a \$1.0 billion senior unsecured term loan facility (the "Term

Facility”) and an \$850.0 million senior unsecured revolving credit facility (the “Revolving Facility”) which provides for the issuance of letters of credit up to \$250.0 million. We may request, subject to agreement by one or more lenders, increased revolving commitments and/or incremental term loan facilities in an aggregate amount of up to \$150.0 million.

Borrowings under the Facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable margin for borrowings as of May 2, 2014 was 1.275% for LIBOR borrowings and 0.275% for base-rate borrowings. We must also pay a facility fee on any used and unused amounts of the Facilities and letter of credit fees. The applicable margins for borrowings, the facility fees and the letter of credit fees under the Facilities are subject to adjustment each quarter based on our long-term senior unsecured debt ratings.

The Term Facility will amortize in quarterly installments of \$25.0 million, with the first such payment due on August 1, 2014, and the final payment due at maturity on April 11, 2018. The Facilities can be prepaid in whole or in part at any time. The Facilities contain certain covenants which place limitations on the incurrence of liens; change of business; mergers or sales of all or substantially all assets; and subsidiary indebtedness, among other limitations. The Facilities also contain financial covenants which require the maintenance of a minimum fixed charge coverage ratio and a maximum leverage ratio. As of May 2, 2014, we were in compliance with all such covenants. The Facilities also contain customary affirmative covenants and events of default.

As of May 2, 2014, we had total outstanding letters of credit of \$49.0 million, \$26.0 million of which were issued under the Revolving Facility, and borrowing availability under the Revolving Facility was \$534.0 million.

For the remainder of fiscal 2014, we anticipate potential borrowings under the Revolving Facility up to a maximum of approximately \$450.0 million outstanding at any one time, including any anticipated borrowings to fund repurchases of common stock.

### *Senior Notes*

On April 11, 2013, as part of our refinancing, we issued \$400.0 million aggregate principal amount of 1.875% senior notes due 2018 (the “2018 Senior Notes”), net of discount of \$0.5 million, which mature on April 15, 2018, and issued \$900.0 million aggregate principal amount of 3.25% senior notes due 2023 (the “2023 Senior Notes”), net of discount of \$2.4 million, which mature on April 15, 2023. We also have outstanding \$500.0 million aggregate principal amount of 4.125% senior notes due 2017 (the “2017 Senior Notes”) which mature on July 15, 2017. Collectively, the 2017 Senior Notes, the 2018 Senior Notes and the 2023 Senior Notes comprise the “Senior Notes”, each of which were issued pursuant to an indenture as modified by supplemental indentures relating to each series of Senior Notes (as so supplemented, the “Senior Indenture”). Interest on the 2018 Senior Notes and the 2023 Senior Notes is payable in cash on April 15 and October 15 of each year beginning October 15, 2013. Interest on the 2017 Senior Notes is payable in cash on January 15 and July 15 of each year.

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

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

At May 2, 2014, we had total outstanding debt (including the current portion of long-term obligations) of approximately \$3.11 billion and \$534.0 million available for borrowing under our Revolving Facility. We believe our cash flow from operations and existing cash balances, combined with availability under the Facilities, will provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes the next twelve months as well as the next several years.

Our inventory balance represented approximately 52% of our total assets exclusive of goodwill and other intangible assets as of May 2, 2014. Our ability to effectively manage our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 7 to the 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.

In March 2014, Moody's reaffirmed our senior unsecured debt rating at Baa3 and upgraded our outlook from stable to positive. In May 2014, Standard and Poor's reaffirmed our senior unsecured debt rating at BBB- 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 be able to maintain or improve our current credit ratings.

*Cash flows from operating activities* . Cash flows from operating activities were \$251.5 million in the 2014 period, compared to \$147.2 million in the 2013 period. Significant components of the increase in cash flows from operating activities were related to changes in working capital, including Merchandise inventories, Accounts payable and Accrued expenses and other liabilities. The impact of the changes in inventory balances, which increased by a greater amount in the 2014 period than in the 2013 period, is explained in more detail below. Items positively affecting working capital related to Accrued expenses and other liabilities include reduced incentive compensation payouts in the 2014 period compared to the 2013 period. Changes in Accounts payable also had a positive impact on working capital and were due primarily to increases in domestic merchandise receipts, including those related to tobacco and for our new distribution center in Pennsylvania.

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 rose 2% during the 2014 year to date period compared to a 1% increase in the comparable 2013 period. In the 2014 period compared to the respective 2013 period, changes in inventory balances in our four inventory categories were as follows: the consumables category increased 6% in both periods; the seasonal category declined by 6% compared to a 5% decline; the home products category declined by 1% compared to a 4% decline; and apparel declined by 3% compared to a 9% decline in the prior year period.

*Cash flows from investing activities* . Significant components of property and equipment purchases in the 2014 period included the following approximate amounts: \$27 million for improvements, upgrades, remodels and relocations of existing stores; \$25 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$14 million for information systems upgrades and technology-related projects; \$12 million for distribution and transportation-related capital expenditures; and \$6 million for stores built by us. 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 2014 period, we opened 214 new stores and remodeled or relocated 251 stores, including the limited scope remodels discussed below.

Significant components of property and equipment purchases in the 2013 period included the following approximate amounts: \$74 million for improvements, upgrades, remodels and relocations of existing stores; \$30 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$25 million for stores purchased or built by us; \$14 million for distribution and transportation-related capital expenditures; and \$6 million for information systems upgrades and technology-related projects. During the 2013 period, we opened 165 new stores and remodeled or relocated 207 stores.

Capital expenditures during 2014 are projected to be in the range of \$450 million to \$500 million. We anticipate funding 2014 capital requirements with existing cash balances, cash flows from operations, and if necessary, our Revolving Facility. We plan to continue to invest in store growth and development with approximately 700 new stores and approximately 500 stores to be relocated or remodeled in our traditional manner. We are also testing a limited-scope remodeling program to refresh some of our older, smaller stores with the goal of increasing sales by making them more appealing to our customers. We currently plan to have completed 400 of these limited-scope remodels by the end of 2014. Capital expenditures in 2014 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 and technology initiatives; and routine and ongoing capital requirements.

*Cash flows from financing activities* . Net borrowings under the Revolving Facility were \$290.0 million during the 2014 period compared to net repayments of \$113.9 million during the 2013 period. During the 2014 and 2013 periods, we repurchased 14.1 million and 0.4 million outstanding shares of our common stock at a total cost of \$800.1 million and \$20.0 million, respectively. Proceeds from the issuance of long-term obligations in the 2013 period include the \$1.0 billion unsecured Term Facility and the issuance of the Senior Notes totaling approximately \$1.3 billion, the proceeds from which were used to extinguish our previous secured term loan and revolving credit facilities. We also paid debt issuance costs and hedging fees totaling \$29.2 million in the 2013 period related to our refinancing.

#### *Share Repurchase Program*

We have an existing common stock repurchase program with a total remaining authorization of approximately \$223.4 million at June 2, 2014. 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, and the authorization has no expiration date.

### **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 31, 2014.

### **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 May 2, 2014 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 7 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 31, 2014.

**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 May 2, 2014 by or on behalf of Dollar General Corporation or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Exchange Act:

**Issuer Purchases of Equity Securities**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share (\$)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(a) (\$)</b>
02/01/14-02/28/14	3,416,675	57.12	3,416,675	828,345,000
03/01/14-03/31/14	9,191,208	56.67	9,191,208	307,472,000
04/01/14-05/02/14	1,498,026	56.11	1,498,026	223,417,000
Total	14,105,909	56.72	14,105,909	223,417,000

(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) and December 4, 2013 (\$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” and “Note 7. Commitments and Contingencies.” 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,” “intend,” or “could,” and similar expressions that concern our strategy, plans, 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, growth or initiatives, including the number of planned store openings, trends in sales of consumable products, and the levels of future costs and expenses; anticipated borrowing under certain of our credit facilities; 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, disposable income, credit availability and spending patterns, inflation, 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, inventory shrinkage, private brand, distribution and transportation, store operations, 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 our competitive environment and the markets where we operate;
- our level of success in gaining and maintaining broad market acceptance of our private brands;
- disruptions, unanticipated expenses or operational failures in our supply chain including, without limitation, a decrease in transportation capacity for overseas shipments, increases in transportation costs, 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, as well as trade restrictions;

- unfavorable publicity or consumer perception of our products, including, without limitation, related product liability and food safety claims;
- the impact of changes in or noncompliance with governmental laws and regulations (including, without limitation, product safety, healthcare, and labor and employment laws, as well as tax laws, the interpretation of existing laws, or our failure to sustain our reporting positions negatively affecting our tax rate) and developments in or outcomes of legal proceedings, investigations or audits;
- natural disasters, unusual weather conditions, pandemic outbreaks, terrorist acts and geo-political events;
- damage or interruption to our information systems;
- ability to attract and retain qualified employees, while controlling labor costs (including healthcare costs) and other labor issues;
- our loss of key personnel or our inability to hire additional qualified personnel;
- failure to successfully manage inventory balances;
- seasonality of our business;
- incurrence of material uninsured losses, excessive insurance costs or accident costs;
- a data security breach;
- deterioration in market conditions, including interest rate fluctuations, or a lowering of our credit ratings;
- our debt levels and restrictions in our debt agreements;
- new accounting guidance, or changes in the interpretation or application of existing guidance, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended January 31, 2014; 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 (“SEC”) filings and public communications. You should evaluate forward-looking statements in the context of these risks and uncertainties. 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.

## SIGNATURES

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 and accounting officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: June 3, 2014

By: /s/ David M. Tehle  
David M. Tehle  
Executive Vice President and Chief Financial Officer

## EXHIBIT INDEX

- 10.1 Dollar General Corporation 2014 Teamshare Bonus Program for Named Executive Officers
- 10.2 Dollar General Corporation Executive Relocation Policy (effective March 18, 2014)
- 10.3 Form of Performance Share Unit Award Agreement (approved March 18, 2014) for awards to certain employees of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan
- 10.4 Form of Restricted Stock Unit Award Agreement (approved May 28, 2014) for awards to non-employee directors of Dollar General Corporation pursuant to the Amended and Restated 2007 Stock Incentive Plan
- 10.5 Amendment to Employment Agreement, effective March 18, 2014, by and between Dollar General Corporation and Richard Dreiling (incorporated by reference to Exhibit 10.26 to the Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed with the SEC on March 20, 2014 (file no. 001-11421))
- 10.6 Amendment to Employment Agreement, effective March 18, 2014, by and between Dollar General Corporation and Todd J. Vasos (incorporated by reference to Exhibit 10.34 to the Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed with the SEC on March 20, 2014 (file no. 001-11421))
- 10.7 Amendment to Employment Agreement, effective March 18, 2014, by and between Dollar General Corporation and David M. Tehle (incorporated by reference to Exhibit 10.32 to the Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed with the SEC on March 20, 2014 (file no. 001-11421))
- 10.8 Amendment to Employment Agreement, effective March 18, 2014, by and between Dollar General Corporation and John W. Flanigan (incorporated by reference to Exhibit 10.39 to the Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed with the SEC on March 20, 2014 (file no. 001-11421))
- 10.9 Amendment to Employment Agreement, effective March 18, 2014, by and between Dollar General Corporation and Robert D. Ravener (incorporated by reference to Exhibit 10.45 to the Dollar General Corporation's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed with the SEC on March 20, 2014 (file no. 001-11421))
- 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



## 2014 Teamshare Incentive Program

### I. Definitions

As used in this document:

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

“*Applicable Base Pay*” shall mean the eligible employee’s annual salary (or hours, where applicable) plus shift differential, subject to adjustment based on all other eligibility requirements and administrative rules.

“*Committee*” shall mean the Compensation Committee of the Board (or any successor committee with oversight of executive compensation) or any subcommittee thereof which meets the requirements of Section 162(m).

“*Covered Employees*” shall mean those officers who could, in respect of the Company’s 2014 fiscal year, be “covered employees” under Section 162(m).

“*Dollar General*” or the “*Company*” means Dollar General Corporation.

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

“*Executive Officers*” refers to employees designated as such by the Board of Directors.

“*Management*” refers to an individual Teamshare participant’s direct supervisor and/or the Company’s Executive Officers up to and including the Chief Executive Officer.

“*Merit Effective Date*” shall mean April 1 of the applicable performance period or, if later, the applicable date of the annual merit increase (e.g., for the 2014 Teamshare program, the Merit Effective Date for salaried employees is April 1, 2014).

“*Performance Period*” refers to the 2014 fiscal year from February 1, 2014 to January 30, 2015.

“*Section 162(m)*” refers to Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance issued thereunder from time to time.

“*Senior Officers*” shall include Senior Vice Presidents, Executive Vice Presidents, Chief Operating Officer and Chief Executive Officer.

“*Teamshare*” shall mean the 2014 Teamshare Incentive Program as authorized by the Committee.

## **II. Teamshare Overview**

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

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

## **III. 2014 Teamshare Program**

For the 2014 Teamshare program, the Committee selected earnings before interest and taxes, as adjusted for certain items ("Adjusted EBIT"), as the financial performance measure. In determining the level of performance the Company has achieved for this performance measure at year end, certain categories of items previously identified by the Committee may be excluded from the calculation. Threshold and maximum performance results for Adjusted EBIT coincide with potential Teamshare payout levels equal to 50% and 300% of individual payout targets, respectively (as a percentage of the Eligible Employee's Applicable Base Pay).

For purposes of the 2014 Teamshare program, the Adjusted EBIT performance target shall be the Company's Operating Profit as calculated in accordance with U.S. general accepted accounting principles, but shall exclude:

- (a) the impact of (i) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Amended and Restated 2007 Dollar General Corporation Stock Incentive Plan) of the Company or any offering of Company common stock or other security; (ii) any gain or loss recognized as a result of derivative instrument transactions or other hedging activities; (iii) any gains or losses associated with the early retirement of debt obligations; (iv) charges resulting from significant natural disasters; and (v) any significant gains or losses associated with the Company's LIFO computation; and
- (b) unless the Committee disallows any such item, (i) non-cash asset impairments; (ii) any significant loss as a result of an individual litigation, judgment or lawsuit settlement (including a collective or class action lawsuit and security holder

lawsuit, among others); (iii) charges for business restructurings; (iv) losses due to new or modified tax or other legislation or accounting changes enacted after the beginning of the 2014 fiscal year; (v) significant tax settlements; and (vi) any significant unplanned items of a non-recurring or extraordinary nature.

#### **IV. Determination of Bonuses**

(a) Eligibility to Participate in Teamshare:

- i. Active regular, full-time or part-time store support center (SSC), Dollar General Global Sourcing (DGGS) or distribution center (DC) employee during the Performance Period.
- ii. Hired by January 15 of 2015.
- iii. Employed with the Company through January 30, 2015 and, unless otherwise required by law, on the date on which the Teamshare payment is made.
- iv. Bonuses for the estates of Eligible Employees will be eligible to receive the Teamshare payment if the employee's death occurs on or after January 30, 2015.

(b) Eligibility to Receive Bonus Payout:

If the Company achieves at least the threshold financial performance level, each employee who participates in Teamshare who is not a Senior Officer will become eligible to receive a bonus payout if he or she receives at least a "Needs Improvement" individual performance review. If the Company achieves at least the threshold financial performance level, each Senior Officer who participates in Teamshare will become eligible to receive a bonus payout if he or she receives a satisfactory (i.e., "Good" or better) individual performance review; provided, however, that the Committee may determine in its discretion that a Senior Officer who receives a performance review of "Needs Improvement" is eligible to receive a bonus payout. No employee who participates in Teamshare may be eligible for a bonus payout if he or she receives a performance review of "Unsatisfactory".

(c) Adjustments to Bonus Payouts to Eligible Employees:

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

- i. Bonuses for eligible Executive Officers and hourly employees will be paid 100% based on Company financial performance, subject to downward adjustment if rated "Needs Improvement". Such downward adjustment must be approved by the Committee in the case of Executive Officers.
- ii. Bonuses for all other Eligible Employees are calculated 100% on Company financial performance, subject to upward or downward adjustment based



upon such employee's personal performance (see below for a limitation on this authority for Covered Employees). Such upward or downward adjustment must be approved by the Committee in the case of any Senior Officer or certain others identified in the resolution adopting this Teamshare program.

- iii. Payouts to Covered Employees shall follow the rules set forth immediately above depending upon whether the Covered Employee is an Executive Officer or is not an Executive Officer; provided, however, that in no event may any bonus paid to a Covered Employee be adjusted upward.
- iv. In no event may the aggregate amount paid under Teamshare, taking into account all allowable adjustments, exceed the earned bonus pool.

(d) CEO Discretion to Distribute Unallocated Funds:

Bonuses that are not allocated out of the earned bonus pool are subject to distribution at the discretion of the Chief Executive Officer of the Company, except that no such unallocated bonus amounts may be allocated to any Covered Employee, Senior Officer or certain others identified in the resolution adopting this Teamshare program.

## **V. Administrative Rules**

- (a) Each Eligible Employee's Teamshare payout is computed as a percentage of the Applicable Base Pay plus any shift differential.
- (b) Teamshare payouts will be prorated for changes to an Eligible Employee's position, pay, individual target, shift differential or status that occur during the Performance Period based on the number of days the applicable element applies. The Applicable Base Pay used for Teamshare from the beginning of the Performance Period to the Merit Effective Date will be the Eligible Employee's base pay as of the Merit Effective Date.
- (c) Teamshare payouts are prorated to exclude leaves of absence during the Performance Period (unless otherwise required by law).
- (d) Teamshare payouts will be made no later than April 15 of the year following the fiscal year in which financial performance is measured (e.g., the 2014 Teamshare program payouts, if any, will be made no later than April 15, 2015).
- (e) Teamshare information is proprietary and confidential. Employees are reminded that they may not disclose Teamshare information relating to the Company's financial goals or performance. Such disclosure may result in disciplinary action, up to and including termination. The Company reserves the right to adjust, amend or suspend Teamshare at any time for any reason, including, but not limited to, unforeseen events.
- (f) Notwithstanding anything in this Teamshare program document to the contrary, the determination of the Adjusted EBIT performance measure and all other relevant

provisions and actions applicable to the determination of bonus payout amounts to Covered Employees under Teamshare shall be pursuant to and subject to the terms of the AIP and in the event of any conflict between the provisions of Teamshare and the AIP, the terms of the AIP shall govern.

## **VI. Tax and Other Withholding Information**

The Internal Revenue Service (the "IRS") considers incentive payments as supplemental wages. In accordance with IRS guidelines, Dollar General will withhold federal income taxes at the supplemental rate (currently established at 25%). In addition, this payment will be subject to applicable social security, Medicare, state and local taxes. Voluntary deductions (e.g. health insurance, 401k, etc.) will not be deducted from this amount. Where required by law, specific garnishments (e.g., child support) may be deducted, as appropriate, from this amount. Certain state laws require incentive payments be held for up to 30 days after the check date pending review of applicable child support garnishments. After the Company receives notification from the state child support agencies regarding whether part or all of the impacted employee's incentive payment should be paid toward child support, the Company will pay any remaining incentive funds with the next regular payroll.

# DOLLAR GENERAL®



## EXECUTIVE RELOCATION POLICY



Global Mobility Solutions



Congratulations on your new assignment!

In addition to the challenges your new position brings, you and your family will encounter many changes as you leave familiar surroundings, find a new place to live and settle into your new location.

The relocation of employees contributes to the Company's ability to stay flexible and competitive. For that reason, we have partnered with Global Mobility Solutions (GMS), as well as a number of other top rate service providers, to provide you with a program of relocation support to reduce normal move disruptions, and enable you to get settled in your new home and job as quickly as possible.

This Relocation Guide outlines the services made available to you to help facilitate your move, including selling your current residence and finding a new community and home.

Please take the time to read through this guide and familiarize yourself with the policy and GMS relocation services before you begin planning your relocation. Recognizing that relocating can be a disruptive time, the Company, through your dedicated Relocation Coach will assist you and your family throughout your move.

Our best wishes for success in your new location!

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# BENEFITS AT A GLANCE

Policy Component	Description
Eligibility	<ul style="list-style-type: none"> <li>You are eligible for coverage under the relocation program described in this guide if you are classified as an active full-time current or newly-hired, salaried executive level employees and senior officers; homeowner or renter. It is your responsibility to work with the Sr. Manager Human Resources to monitor your eligibility for benefits and to ensure your status is accurately reflected in the payroll system.</li> <li><b>Note: Active Full-time (AF) means not L, LP, or T status.</b></li> </ul>
Miscellaneous Allowance	<ul style="list-style-type: none"> <li>You will receive an Allowance of \$10,000 to cover expenses not provided elsewhere in the policy</li> <li>Such payment will not be grossed-up</li> </ul>
Home Finding Trip	<ul style="list-style-type: none"> <li>Professional assistance will be provided by GMS</li> <li>The Company will provide you with two home finding trips for up to seven days/six nights, for you, your spouse or one additional family member and for your children.</li> <li>Reimbursable expenses include reasonable costs associated with: <ul style="list-style-type: none"> <li>Airfare or Mileage</li> <li>Lodging</li> <li>Meals (\$25/day/adult &amp; \$15/day/child)</li> </ul> </li> <li>Rental car (if airfare)</li> </ul>
Temporary Housing	<ul style="list-style-type: none"> <li>Professional assistance will be provided by GMS</li> <li>The Company will provide you with temporary housing accommodations for up to 90 days</li> <li>Up to 14 days rental car if automobile is being shipped</li> </ul>
Home Sale Assistance: GPO/Amended Value Sale	<ul style="list-style-type: none"> <li>Marketing Assistance</li> <li>Appraised Value Offer</li> <li>Amended Value Sale</li> <li>Independent Sale</li> </ul>
Renter Services	<ul style="list-style-type: none"> <li>Lease Cancellation: <ul style="list-style-type: none"> <li>Up to two months' rent if required to cover lease cancellation or lease break fees</li> </ul> </li> </ul>
New Home Purchase Assistance	<ul style="list-style-type: none"> <li>If you decide to purchase a home in the new location, you will be reimbursed for normal and customary new home purchase closing costs</li> <li>Reimbursement includes a 1% loan origination fee</li> </ul>
Movement of Household Goods	<ul style="list-style-type: none"> <li>A professional van line will be selected and coordinated by GMS</li> <li>Van line will pack, load, transport, unload goods, including normal appliance servicing</li> <li>The Company will provide: <ul style="list-style-type: none"> <li>Debris pick up</li> <li>Storage for up to 90 days</li> <li>Up to \$75,000 of valuation coverage</li> <li>Shipment for up to two automobiles if the distance to the new location is over 300 miles</li> </ul> </li> </ul>
Final Trip to the Destination Location	<ul style="list-style-type: none"> <li>You and your family will be reimbursed for en route expenses from the departure location to the destination location. Reimbursable expenses include reasonable costs associated with: <ul style="list-style-type: none"> <li>Airfare if vehicle(s) is/are shipped</li> <li>Lodging – 1 night in origin, en route</li> <li>Mileage – 1 vehicle if 1 is shipped or 2 vehicles if none are shipped</li> <li>Meals(\$25/day/adult &amp; \$15/day/child)</li> </ul> </li> <li>You must travel a minimum of 300 miles per day by the most direct route</li> </ul>

# INTRODUCTION

## *On the Move...*

This handbook has been designed to help you understand Dollar General's relocation program and to assist you and your family in relocating as quickly as possible with minimal inconvenience. You are encouraged to carefully read this handbook in its entirety. Recognizing that relocating can be a disruptive process, the Company and GMS will assist you and your family throughout your move.

## *Eligibility*

The relocation program was developed to facilitate the movement of active, full-time newly-hired and current, salaried, executive-level employees or senior officers who are requested to relocate by the Company and designated by the Company to receive the benefits described in this handbook.

In order to be eligible for relocation as described in this handbook, your relocation must meet the IRS 50-mile distance test. The distance between your former residence and your new job site must be at least 50 miles greater than the distance between your former residence and your former job site.

## *Family*

Your family members eligible for assistance under this policy include your spouse and your dependent household members. In the event an additional member of your household is asked to relocate by the Company, you are eligible to receive only one set of benefits.

## *Time Limit*

You are eligible for the benefits extended in this handbook for up to 12 months following your effective date of transfer. All expense reports related to your relocation are required to be submitted within 90 days of the date incurred within this 12-month period.

## *Disclaimer*

The Company has the sole right at any time to revise, amend or discontinue this policy. This policy shall not be considered or construed as an employment contract and does not constitute a guarantee of employment for any minimum or specified period of time.

## *Policy Exceptions*

If you feel an exception is needed, please submit your request in writing to your GMS dedicated Relocation Coach. They will review and forward your request to the Relocation Department at Dollar General for consideration. Upon initial receipt, the Relocation Department will present a recommendation along with facts to the appropriate senior level officer for final approval by the Board's Compensation Committee. Your dedicated Relocation Coach will communicate the decision to you.



# RELOCATION ADMINISTRATION

Upon notification of your relocation, your dedicated Relocation Coach will contact you and be your main point of contact throughout your move. Your dedicated Relocation Coach will guide you through each step of the relocation process, answer your questions, and help coordinate all aspects of your move. Listed below are highlights of the services your dedicated Relocation Coach will provide to you:

- general information,
- expense report reimbursements,
- disposition of your present home,
- assistance in finding a new residence,
- moving your household goods,
- moving you and your family to the new location, and

We encourage you to become fully involved in your move and work closely with the professionals who have been made available to assist you throughout the relocation process. By working closely with your dedicated Relocation Coach, you will be able to effectively manage your move.

## *Forms to Complete*

Our goal is to have a relocation process that is as simple and easy to use as possible. Therefore, there are only two steps that you must complete before receiving your relocation benefits.

### **Step 1. Complete and return the Relocation Initiation Form**

The Relocation Initiation Form provides us with important information to pass on to the moving company and for relocation check/reimbursement requests.

### **Step 2. Complete and return the Employee Reimbursement Form.**

The Employee Reimbursement Form states that you have read Dollar General's Relocation policy and understand that you are responsible for any expenses not covered under the policy. This form may also have a reimbursement schedule you would follow to pay back a pro-rated share of your relocation benefits should you leave the company within a year of the date of your last relocation reimbursement or last relocation expense incurred by Dollar General..

**Both of these forms can be mailed or faxed to the following:**

**Dollar General Human Resources Relocation**

100 Mission Ridge  
Goodlettsville, TN 37072  
Fax (615) 855-5872

# EXPENSE REIMBURSEMENT

Most ordinary expenses involved in moving from one location to another are covered under this policy. Any questions of interpretation should be discussed with your dedicated Relocation Coach *before you take action*.


All relocation expenses must be submitted on the Relocation Expense Report Form (will be provided to you by GMS) and *must not* be combined with regular business expenses. In order to determine the federal and state tax liability for reimbursed expenses, all relocation expenses must be reported accurately.

Where relocation-related expenses are specifically reimbursable, consistent guidelines apply.

- All reimbursable expenses must be reasonable and appropriate.
- All relocation benefits are reflected in U.S. dollars.
- All reimbursable moving expenses must be incurred within 12 months from the effective date of employment or transfer and submitted for payment within 90 days from the date the expense is incurred.
- Only expenses specifically outlined in the policy will be reimbursed.
- You must submit original receipts for reimbursement. Your completed expense reports together with your original receipts should be forwarded directly to your dedicated Relocation Coach.
- It is important not to include any business expenses on relocation expense forms.

# RELOCATION AND TRANSITION EXPENSES

## *Miscellaneous Expense Allowance*

 The Company will provide you with an allowance equal to \$10,000, to cover many of the incidental expenses not specifically reimbursed under this policy, which may occur as a direct result of your transfer. Some of these expenses may include:

- driver's licenses and automobile registrations in the new location,
- meals during temporary living,
- duplicate mortgage,
- utility deposits,
- shipment of pets,
- cleaning or maid service (new or old location),
- non-refundable tuition, memberships, club dues or subscriptions,
- piano tuning,
- tips to movers,
- drapery and carpet installation or alterations,
- television or cable installation or adjustments,
- overnight mail charges,
- tax consulting,
- items unique to your personal move not covered by this policy,
- disassemble/reassemble playground, gym equipment, swimming pools, and similar items.

For newly hired employees, a check will be processed and deposited into your account within 2 weeks after your start date.

### Tax Assistance

Gross-up will not be provided for the Miscellaneous Expense Allowance.

### *House Hunting*

Dollar General will provide you and your spouse or one additional household member and your children with two (2) house hunting/apartment hunting trips for a total of seven (7) days. The House Hunting Trip will include the following:

- Hotel accommodations for a maximum six (6) nights.
- Airfare or mileage reimbursement at current Company rate if personal vehicle is driven.
- Reimbursement for rental car for maximum of seven (7) days.
- Reimbursable meal expenses not to exceed \$25.00/day per adult, \$15.00/day per child (original receipts must be submitted).

### Tax Assistance

Gross-up will be provided for residence hunting expenses.

### *Temporary Living*

Temporary Living Assistance is intended only for short-term living arrangements at the new location. Dollar General will reimburse you for up to 90 days of temporary living expenses. Temporary living assistance includes the following:

- One bedroom fully furnished corporate apartment for employee only.
- If trailing family, a two bedroom fully furnished corporate apartment may be requested in lieu of a one bedroom.
- Reimbursement for full size rental car for a maximum of two (2) weeks

If you require temporary living assistance please contact your dedicated Relocation Coach at least two weeks in advance. He or she will be happy to help you make arrangements and answer any questions you may have.

### *Return Trip*

If you are required to report to work in your new location prior to your family's final move, you shall receive coverage of travel expenses for one (1) return trip home per month up to a total of 3 round trips during the temporary living period. One family member may visit you in the new location in lieu of a return trip.

### Tax Assistance

Gross-up will be provided for temporary living and return trip expenses.

# HOME SALE ASSISTANCE PROGRAM

Your dedicated Relocation Coach will provide you with the necessary expertise to facilitate the sale of your home through the services described below.

## *Home Eligibility*

A home eligible for home sale assistance is any completed single-family or two-family residence, including a condominium that is used as your principal residence and that is owned by you, your spouse, any of your dependents residing in the same household, or any combination of those persons at the time you are asked to relocate. This also includes land customarily considered part of a residential lot and all personal property normally sold with a residence according to local custom. If your home does not meet these eligibility guidelines, you may qualify for reimbursement of certain home sale closing costs and commission expenses if you sell your primary residence on your own.

Homes considered *ineligible* for home sale assistance (Guaranteed Buyout Offer/Buyer Value Option) include, but are not limited to, the following:

- cooperative apartments,
- mobile homes,
- vacation/secondary homes,
- investment properties,
- homes with excessive acreage (+5 acres),
- homes that are partially completed or under substantial renovation,
- homes ineligible for conventional financing,
- houseboats,
- homes deemed ineligible through building inspections, and
- vacant lots appraised as contributory value only.

If you have any questions regarding your home's eligibility, please contact your dedicated Relocation Coach prior to beginning the relocation process.

## *Overview*

### *Marketing Your Home*



You are required to speak with your dedicated Relocation Coach prior to taking any steps to list or market your home. You are required to market your home for a minimum of 90 days from the date your home is listed with an approved real estate agent.

The home sale process will begin with the appraisal and listing your home. Your dedicated Relocation Coach will help you select a qualified real estate agent and together they will determine selling strategies targeted to help you receive the best

possible offer for your home. The advantage to successfully marketing your home and selling to an outside buyer is that you may receive a greater cash return than the Appraised Value Offer.

### Appraised Value Offer

Two independent appraisers will appraise your home to determine the Appraised Value Offer. Your relocation coach will provide a list of ERC endorsed appraisers in your area to choose from. This offer will be your “safety net” providing you with a guaranteed price, should your home not sell on the open market. Your Appraised Value Offer will be available to you for 90 days.


### Amended Value Sale

If you receive a qualified offer on your home from an outside buyer you have an opportunity to “amend” the Appraised Value Offer from GMS to reflect your buyer’s offer.

### Marketing Assistance

As soon as the Company authorizes your relocation, your dedicated Relocation Coach will contact you to explain the first step—the listing, marketing and appraisal of your home. Placing your home on the market as advantageously as possible is a critical element in successfully marketing your home. Throughout the home sale process, your dedicated Relocation Coach will continuously track your agent’s efforts to market your home. The goal of these efforts is to help you obtain the best offer for your home within a reasonable time frame.

Your dedicated Relocation Coach’s objectives are to:

- help you identify a qualified and active broker to assist you in marketing and listing your home in a highly effective manner;
-  → work with your real estate agent to develop a strategic marketing plan to sell your home at the best possible market value;
- in conjunction with your real estate agent, suggest any minor repairs and/or improvements that will increase the marketability of your home; and
- work with you throughout the process of you selling your home.

### How the Marketing Process Works...

The following is a step-by-step process of marketing assistance services provided by your dedication Relocation Coach.

### Agent Selection

Your dedicated Relocation Coach will place a referral with two (2) area real estate agents who will visit your home and prepare a complete Employee Relocation Council (ERC) Market Analysis. If you would like to designate a particular real estate agent that has not been recommended, please notify your dedicated Relocation Coach. As long as the real estate agent agrees to the program’s requirements, he or she will be able to work with you as one of your two selected agents. You may not utilize or ask to have qualified any real estate agent that is a family member; i.e., spouse, child, mother, father, brother, sister or in-laws. If you have no preference or are not familiar with local brokers, your dedicated Relocation Coach will assist you in the selection.

**Listing Your Home**

Your dedicated Relocation Coach will ask you to select one real estate agent from the two you have interviewed. He or she will then work with you and your selected agent to develop a marketing strategy and establish a list price that is both attractive and realistic in the local market.

You are required to list your home within 110% Appraised Value. You are required to list your home for a minimum of 90 days from the initial list date before you are eligible to accept the Appraised Value Offer.

**Listing Exclusion Clause**

When you speak with your dedicated Relocation Coach, he or she will discuss the necessity of including the following language in the listing agreement with your broker. The reason for this clause is to allow for cancellation of the listing agreement if necessary for GMS to close with the buyer. This clause is considered “standard operating procedure” among agents who work with corporate transferees. The following Exclusion Clause should be attached as an addendum to the Listing Agreement.

“In the event of any conflict or inconsistency between this Addendum and the Listing Agreement, the terms of this Addendum shall control.

It is understood and agreed that regardless of whether or not an offer is presented by a ready, willing and able buyer:

1. No commission or compensation shall be earned by, or be due and payable to, broker until the sale of the property has been consummated between seller and buyer, the deed delivered to the buyer and the purchase price delivered to the seller; and
2. The seller reserves the right to sell the property to GMS or to: \_\_\_\_\_ (individually and collectively a “Named Prospective Purchaser”) at any time. Upon the execution by a Named Prospective Purchaser and me (us) of an Agreement of Sale with respect to the property, this listing agreement shall immediately terminate without obligation of my (our) part or on the part of any Named Prospective Purchaser to either pay a commission or to continue this listing.”

\_\_\_\_\_  
Real Estate Agent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Date

## Monitoring the Marketing Process

Your dedicated Relocation Coach will work with you and your real estate agent throughout the marketing process to ensure maximum exposure for your home, provide feedback on the marketing process, and recommend strategy modifications, if needed.

## Negotiating a Sale



When you have an interested buyer and receive an offer, your dedicated Relocation Coach will be a valuable resource as you negotiate a price and an Offer Letter. You must submit ALL offers received to your dedicated Relocation Coach for review and consideration. **DO NOT SIGN** a contract (or any other document) with the buyers or take any money as a deposit from the real estate agent or prospective buyer.

## Finalizing a Sale

Your dedicated Relocation Coach will handle the details of the real estate transaction once the terms of the sales agreement have been finalized.

## **APPRAISED VALUE OFFER**

Your decision to relocate should not be hampered by concerns about selling your home. GMS will assist you by making an offer to purchase your home at a value established by independent fee appraisers. *The appraisal process will begin immediately after entering the relocation program*

### ***Appraiser Selection***

Once you have notified your dedicated Relocation Coach of your choice of appraiser's, your dedicated Relocation Coach will notify the approved appraisers to contact you in order schedule a convenient time to survey your home.

### ***Relocation Appraisal***

A relocation appraisal is an estimate of the anticipated sales price of your home over a reasonable selling period. Relocation Appraisers estimate value primarily by comparing your home to the sales of similar properties making detailed adjustments for the differences between those properties and your home. The appraisers consider location, size, age, condition, and marketability.

When the appraisers arrive to inspect your home, you should be prepared to discuss any facts that may be important in determining the value of your home:

- any improvements you have made to the home that may or may not be visible to the appraisers; and
- any information on similar homes that have recently sold in your area.

Your home will be appraised in "as is" condition, so it is important your home shows favorably to maximize the appraised value and resale efforts. Your dedicated

Relocation Coach and your real estate agent will assist in suggesting specific fix-up items to help maximize your marketing efforts.

The appraisers may also ask for a copy of the land survey and a copy of the title policy that you received when you closed on your home. They will need these items to obtain the correct legal description.

### *Determining the Appraised Value Offer*

Your Appraised Value Offer will be equal to the average of two independent relocation appraisals. However, if the variance between the two appraisals is greater than 5% of the higher amount, a third relocation appraisal will be ordered. In this case, your offer will be determined by averaging the two closest appraisals. Normal and customary home inspections will be ordered at the time of the appraisals.

Your dedicated Relocation Coach will present you with your Appraised Value Offer once the inspection and appraisal reports have been received and reviewed. Your home will have to pass all inspections and/or you must satisfactorily remedy any deficiencies before your offer is finalized. The entire process should be completed within 30 days from the date of the last inspection.



You are required to list your home at no more than 110% of the Appraised Value Offer. This may require you to make an adjustment to your most current list price.

### *Title Search*

In addition to arranging for the appraisals and inspections, a title search will be initiated in order to prepare for closing. You may need to be involved in clearing any title issues should they appear on the title report. Please inform your real estate agent that GMS is bringing the title up-to-date. This can avoid a duplicate title search. Often an agent will arrange for a title search upon notification from a lender of a buyer's loan approval.

### *Offer Period*

Your dedicated Relocation Coach will call you with your Appraised Value Offer and outline the timing and process of the home sale program. The Appraised Value Offer has a 90-day acceptance period—90 days to continue marketing your home knowing you have a set "safety net". Your 90-day acceptance period begins the day your Offer Letter is postmarked. You may accept the appraised value offer at any time after marketing your home for 90 days.





You are required to market your home for 90 days from the list date before you are able to accept the Appraised Value Offer.

### *Accepting the Appraised Value Offer*

If you are unable to sell your home during the 90-day offer period and accept the Appraised Value Offer, you and your spouse should sign the GMS Offer Letter and return both copies to your dedicated Relocation Coach along with the other supporting documents. Your execution of the Offer Letter is a legal transaction. You will need to sign and notarize the Offer Letter and other related documents.

The signed GMS Offer Letter and related documents must be received by your dedicated Relocation Coach on or prior to the expiration date of your offer. The contract will be dated on the day all necessary documents are completed and signed by you and your dedicated Relocation Coach.

### *Vacating the Home*

You have 60 days from the date you sign the GMS Offer Letter in which to vacate the property provided a resale closing does not occur sooner. If you cannot move within 60 days, please let your dedicated Relocation Coach know and you may be granted additional time to vacate, if circumstances warrant.

After you and GMS have signed the Offer Letter, you will continue to be responsible for the costs of maintenance, repairs, utilities, insurance, etc., until you actually vacate. Prior to vacating, you will be expected to cooperate fully with all attempts by GMS to market the home by allowing prospective purchasers to view the premises by appointment during reasonable hours.

From the date you vacate, GMS will make all future mortgage, tax, and other carrying payments on your home. It will also assume payment of maintenance and utility costs. Your equity statement will reflect mortgage interest through your executed GMS contract or vacate date, whichever comes last.

## *Utilities*

Since sudden cold weather can cause damage due to freezing, do not turn off any utilities when you vacate the home. The utilities must be left in your name until you contract with GMS or vacate the home, whichever is later. At that time, you should request final readings from the utility companies serving your home. Your dedicated Relocation Coach will instruct your real estate agent to transfer the utilities into the real estate company's name until the home closes with new buyers. The day you vacate is customarily the date utilities are transferred to the real estate company. If you receive a utility bill covering a period of time when payment was not your responsibility, please submit the invoice to your dedicated Relocation Coach for payment.

## *Insurance*

You will need to cancel your homeowner's insurance policy effective when GMS signs the Offer Letter or you vacate, whichever is later. Any refund due to you from the insurance company will be paid directly to you. Make note to discuss this with your insurance agent and follow-up if necessary.



If you are vacating your home prior to contracting with GMS, contact your insurance agent to arrange coverage during any periods the home will be unoccupied. Most homeowner's insurance policies state coverage is void if the dwelling is unoccupied for a specific period of time.

## **AMENDED VALUE SALE**

Achieving an Amended Value Sale is of benefit to you and the Company. The Company avoids the significant expense of purchasing, maintaining, and reselling your home through GMS and you receive the highest possible price for your home.

If at any time during your marketing period, you receive an offer through the efforts of your real estate agent, you must submit the offer to your dedicated Relocation Coach. **DO NOT SIGN** a contract (or any other document) with the buyers or take any money as a deposit from the real estate agent or prospective buyer.

## *Advantages of an Amended Value Sale*

- You may receive a greater cash net return than the Appraised Value Offer.
- You will be relieved of the responsibilities of property ownership upon vacate or contract date with GMS, whichever is later.
- You will be relieved of the necessity of closing with the buyer.
- After contracting with GMS, you will be assured of receiving the net proceeds based upon the Amended Value Sale even if the original sale falls through and does not close.

## *Analyzing the Offer*

Your dedicated Relocation Coach will review the terms of the offer in an effort to determine whether the offer is bona fide (made in good faith), and to confirm that it is not subject to the sale of the buyer's property, does not contain any unusual or unreasonable terms, and is not subject to interim financing.

## *Amending the Offer Letter*

Once the final offer has been approved, your dedicated Relocation Coach will ask you to "amend" the amount in your GMS Offer Letter to reflect the buyer's offer and to sign and return the Offer Letter.

## *Buyer's Offer Less Than Appraised Value Offer*

At its discretion, the Company may also accept offers which are lower than your Appraised Value Offer. You will remain eligible to receive your equity calculation based on the Appraised Value Offer.

## *Closing an Amended Value Sale*

GMS will acquire your home, according to the terms of the amended GMS Offer Letter with you. GMS will also fully honor the terms of the Purchase Agreement with the buyers.

GMS will make every effort to close the transaction with the buyer. However, since GMS has already purchased your home, you will not be impacted if the sale to the buyer is not eventually consummated. Your equity payment will be based upon the Amended Value Sale Price.

Responsibility for your property remains with you until you contract with GMS or vacate, whichever is later. This includes maintenance of your home, payments for utilities, mortgage, taxes, and premiums for insurance.

## *Equity*

Your equity is calculated as of the GMS contract date or your scheduled vacate date, whichever is later, and is based upon the Amended Value sale price or guaranteed offer price, whichever is greater. You will need to coordinate the timing of your equity check with your dedicated Relocation Coach. You may be eligible to receive an equity advance once you have signed the GMS Offer Letter and when there is a specific need for funds to close on a new home in the destination area.



It is important to note that certain items are not covered under the policy and will be deducted from your final equity, if you have agreed to any of these additional seller's expenses:

- repairs and improvements requested by the buyer;
- buyer's closing costs;
- homeowner warranties;
- buyer's incentives;

- real estate commission above the standard rate for your area;
- closing dates beyond 60 days of vacating or contracting with GMS.

## INDEPENDENT SALE

If your home is considered ineligible for the Company's Home Sale Assistance Program (Buyer Value Option or Amended Value Offer) or you elect to sell your home independently prior to initiation into GMS' Home Sale Assistance Program, you may be eligible to receive direct reimbursement of normal and customary home sale closing costs and commission when you sell your home on your own. Contact your dedicated Relocation Coach to determine if your home qualifies for this home sale option.

If your home is *eligible* for GMS' home sale assistance (Buyer Value Option or Amended Value Offer) and you sell your home on your own, the Company will *not* provide tax assistance for your home sale commission and closing cost expenses.

### *Reimbursement of Expenses*

Normal and customary home sale closing costs and real estate commission at the prevailing rate in your current location (maximum of 6%) will be reimbursed if you sell your home independently within twelve (12) months of your effective date of transfer.

Discount points incurred through negotiation with FHA, VA and conventional financing are not reimbursable.

### Tax Assistance



You will receive tax assistance for normal and customary home sale closing costs and eligible commission expenses only if your home is ineligible for the Home Sale Assistance Program (Buyer Value Option or Amended Value Offer). If you choose to sell your home on your own, no tax assistance will be provided to you.

## RENTERS' ASSISTANCE

### *Lease Cancellation*

If you are presently renting your home or apartment at the origination location, you should immediately notify your landlord or lease holder of your move to avoid or minimize penalty charges. You should attempt to obtain a written waiver of any provisions of the lease requiring fees or penalties due to your transfer. The Company asks that you make every effort to minimize the penalties by making the best possible arrangements with your landlord.

Should you be required to pay a penalty, the Company reimburses up to a maximum of two (2) months' rent for any combination of lease termination penalty charges, forfeiture of lease deposit, and/or duplicate rent on your former home or apartment. If necessary, your dedicated Relocation Coach can assist you with lease cancellation arrangements.

## New Lease Agreement



Should you decided to rent a home or apartment in the destination location your new lease should be examined carefully before it is signed. You should negotiate a cancellation clause that would give you the right to cancel the lease without penalty after giving 30 days' notice, in the event of a company-initiated transfer.

### Sample Clause:

*If tenant's employer relocates tenant to a location more than fifty (50) miles from the premises that are the subject of this lease, this lease will be automatically terminated without further liability at any time. Tenant agrees to give landlord at least 30 days' notice of his/her intention to terminate this lease along with proof of such transfer of employment.*

### Tax Assistance

Gross-up will be provided for renters' assistance reimbursements.

## DESTINATION LOCATION

### *Planning Your House Hunting Trip*

Whether you are a homeowner or a renter, selecting a new community and home is one of the most important decisions you will make as a result of your job transfer. The Company's relocation program offers you professional home finding counseling through GMS. The Company encourages you to take advantage of this valuable service.

Your dedicated Relocation Coach will discuss your family's specific needs, preferences, and lifestyle. After review of your requirements, your dedicated Relocation Coach will select a local real estate professional who is experienced in the areas of interest to you.



Remember to contact your dedicated Relocation Coach prior to contacting any real estate agent in the new location.

Your dedicated Relocation Coach and real estate agent will work together to organize your house hunting trip so it is productive. By planning in advance, the agent will be prepared to take you on area tours and discuss items of interest to you and your family. Preparation gives you a better chance of quickly finding a residence to fit your needs at a price you can afford.

Once your real estate agent is contacted, he or she will provide the following information:

- schools, churches, etc.,
- commuting times,
- child and elder care services, and
- pre-selected homes for viewing



If you are a current homeowner, you should delay house hunting in the new location until you have an estimated value on your present home and you have been pre-qualified by a mortgage lender. Home purchase decisions made with unrealistic expectations of current equity may result in over-commitment at the new location.

### *Internet Home Search*

Although the Internet can be a useful tool to gain information on housing in the new area, keep in mind you need to use the approved real estate agent assigned to you to obtain information or to view any home you find on the Internet. This will avoid confusion as to which agent you are working with and any possible real estate commission disputes.

## **HOME PURCHASE CLOSING COST ASSISTANCE**

If you are purchasing a residence in the new location, you will be reimbursed for reasonable and actual home purchase closing costs provided you sign a contract to purchase a home in the new area and close within one year of your employment effective date or effective date of transfer.

One time closing costs for permanent financing will be reimbursed including:

- normal attorney's fees,
- appraisal fees,
- tax service fees,
- title insurance (lender's coverage, only),
- recording fees (including tax stamps),
- credit reports,
- survey fees,
- flood certification, and
- inspections required by the lender

In addition to all closing costs mentioned, the Company will pay one origination point (fee) to close a new first mortgage. The Company does not cover one-time closing adjustments such as property taxes, home hazard insurance, fuel adjustments, or private mortgage insurance (PMI). The Company does not cover the costs associated with establishing second mortgages, home equity lines of credit or construction loans.

### Tax Assistance

Gross-up will be provided for non-deductible home purchase closing costs.

### *National Mortgage Lender Program*

The Company has selected national mortgage lenders to provide you with a wide variety of mortgage services. Your dedicated Relocation Coach will provide you with information on participating mortgage companies.

Using the services of these preferred lenders offers many advantages:

- familiarity with the Company's program,
- mortgage loan pre-approval process,

- direct billing of closing costs to the Company, and
- consideration of current spousal income



### *New Construction*

If you elect to build a home in the new location, you may incur additional expenses as opposed to purchasing an existing home. Be aware in making your decision that policy benefits will not be extended if you decide to build.

## **MOVING TO THE NEW LOCATION**

To enable you and your family to make an effective transition to the new area, the Company's relocation program provides for a range of move-related assistance:

- pre-move survey of your household goods by the moving company;
- complete packing of all items;
- transportation of your household goods to your new residence;
- up to \$75,000 in full replacement valuation coverage for your household goods;
- unloading, unpacking, and placement of all furniture in your new residence; and
- storage of your household goods for up to 90 days, if required.

### *Shipment of Household Goods*

You, or a representative appointed by you, will need to plan to be present during all phases of your move—pack, load, delivery, and unpacking. Your own planning, preparation, and involvement during the process will contribute to a successful move.

### *Items Excluded From Shipment*



The items listed below are not ordinarily considered household goods and are your responsibility. The Company, GMS Relocation, and the moving company will not be able to take responsibility for these items.

The Miscellaneous Expense Allowance is intended to assist you with expenses unique to your personal move and for items not covered by this policy. Please note the Company will not pay for the shipping of the following items. If you have any questions, contact your dedicated Relocation Coach.

- |   |   |
|---|---|
| → boats   | → airplanes   |
| → campers, trailers, motor homes                                | → plants, animals   |
| → farm machinery  | → large playground equipment  |
| → firewood, rocks, sand, soil, etc.                             | → tool or storage sheds, outdoor buildings  |
| → perishable food items, refrigerated or frozen                 | → valuables such as jewelry, money, coins, coin and stamp collections, irreplaceable photos, stocks, bonds, deeds, wills, and other legal documents |
| → aerosol cans, flammable liquids and other hazardous materials |   |
| → lumber, bricks, blocks, cement, tiles and building materials  |   |

## *Playground and Similar Equipment*

Playground, gym equipment, swimming pools, and similar items must be disassembled prior to your move day. If the movers disassemble and reassemble these items, you will be responsible for payment of these costs at the time of service.

## *Insurance*

Your household goods are protected with up to \$75,000 of full replacement valuation coverage.

## *Items of Extraordinary Value (Including Antiques)*

It is recommended that items of extraordinary value such as antiques, fine art, furs, silver, china, crystal, photography equipment, oriental rugs, baseball cards, comics, other collectibles, etc. be professionally appraised prior to your move. If purchased within the last year, the value can be substantiated with a sales receipt. The Company will not pay for appraisals or any special handling and packaging of antiques or other high-value items.

## *Packing and Loading*

Careful packing and proper loading are very important steps in assuring a successful move. It is important that the mover packs all your household goods. The driver will prepare a complete inventory list of your household goods describing the condition of each item (nicks, scratches, dents, etc.). Review the inventory carefully to make sure you agree with the driver's description before you sign the inventory. The inventory is an important document in the settlement of claims for loss and damage.

## *Unloading*

Check with the van driver about delivery times at the new location. Be sure to give them all possible telephone numbers where you can be reached en route and in the new location.

As your goods are being unloaded, you must check off each item on your inventory sheets. Make notations on the sheets of missing or damaged items immediately and have the driver sign it. Assembly of furniture will be completed prior to the driver leaving your home. Unpacking of your goods consists of removing the items from the cartons in the room for which they are labeled. This does not include putting items away. Disposal of cartons is included in the move services.

## *Billing*

The van line will send the invoice for your move directly to GMS. If you transport household goods not covered by the policy or incur unauthorized charges, you will be expected to pay for these items at the time of delivery.

## *Tipping*

Tips to the movers are not covered under this policy. Your Miscellaneous Expense Allowance is designed to offset costs associated with tipping.



### *Shipment of Automobiles*

The Company will reimburse mileage at the current business rate for up to two (2) automobiles to be driven to the new location. In lieu of driving, the Company will pay to ship up to two automobiles if the distance to the new location exceeds 300 miles.

### *Storage in the New Location*

You should make every effort to move directly to your permanent residence. If necessary, are eligible for the storage of your household goods for up to 90 days.

### *Time Off for Moving*

Dollar General understands that moving can be a time-consuming and stressful project. Therefore, you may need to take some time off from work for this purpose. At your manager's approval, Dollar General will allow you up to one week of paid time off for relocation. During this time it is suggested that you take care of anything relating to your relocation so that you are able to become settled in your new residence and be fully focused on your job upon your return. Please discuss your plans to take time off for moving with your manager well in advance, so that he or she may plan for your absence.

### *Travel to the New Location*

You will be reimbursed for one-way transportation for you and your family to travel to the new location. If you drive, you will be expected to drive a minimum of 300 miles per day and via the most direct route as established by a standard Rand McNally table or equivalent.

You will be reimbursed for the following reasonable and actual en route expenses:

- lodging (one night in departure or destination location or en route night as needed),
- meals, reimbursed up to \$25.00/day for adults and \$15.00/day for children (original receipts must be submitted),
- mileage (current business mileage rate), parking, and tolls, and
- airfare, if necessary (14-day advance purchase required).

## **TAX ASSISTANCE**

Many reimbursements made to you are considered taxable income. The Company is required to report all relocation reimbursements as compensation with the exception of items identified below. For informational purposes, the Company will provide you with a tax assistance sheet that will be prepared and mailed to you in January following your move.

The following expenses are *excluded* from taxable income:

- reasonable and normal expenses for the movement of household goods;
- up to thirty days (30) of household goods storage while waiting to occupy your residence in the new location; and
- reasonable and normal expenses for transportation and lodging for you and your eligible family members from your present location to the new location.

The Company will assist in paying the additional tax resulting from taxable relocation reimbursements. Payments will be made directly to the federal, state, and FICA tax authorities. It is recommended you seek guidance from a tax professional for any year in which you receive relocation-related services or expense reimbursements. Accurate expense documentation is very important.

The tax assistance provided to you is based solely on your Company derived income, your filing status, and number of 1040 exemptions. Spouse income, investment income or any other outside income will not be included in the calculations. Individual variances from the program's calculations will not be reimbursed.

The additional taxes as calculated by the gross-up program and paid on your behalf will be included on your W-2 as income.

# TAX TREATMENT TABLE

Keep in mind some relocation items are not eligible for gross-up. The table below outlines which relocation payments will be tax assisted.

Relocation Provision	Taxable	Deductible/ Excludable	Grossed Up
Miscellaneous Expense Allowance	✓		No
House Hunting	✓		Yes
Temporary Living	✓		Yes
Home Sale Assistance	Billed directly to Company		
Independent Sale - <i>eligible home</i>	✓		No
Independent Sale - <i>ineligible home</i>	✓		Yes
Renters' Assistance	✓		Yes
Home Purchase Closing Cost	✓	Point may be deductible	Yes <i>excluding point</i>
Household Goods Move		✓	
Storage	✓ Days over 30	✓	Yes Days over 30
Travel to the New Location	Meals & Mileage greater than the current IRS mileage rate for moving	Transportation & Lodging	Meals & Mileage greater than the current IRS mileage rate for moving

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

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

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

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

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

1. **Grant of Performance Share Unit Award**. Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Grantee a certain number of performance units (referred to as “Performance Share Units”) which the Grantee will have an opportunity to earn over a Performance Period of one year if certain performance goal measures are met in accordance with Section 4 and to receive if additional time-based vesting conditions are met in accordance with Section 5. A Performance Share Unit represents the right to receive one Share of Common Stock upon satisfaction of the performance, vesting and other conditions set forth in Agreement.

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

3. **Performance Period**. The period during which the performance goal measures apply (the “Performance Period”) begins and ends as set forth on Schedule A hereto.

4. **Performance Goal Measures** .

(a) The performance goal measures and the levels of performance for each of the performance goal measures that is required to earn Performance Share Units were established by the Committee on the Grant Date. Performance goals are based on Adjusted EBITDA (weighted [50%]) and ROIC (weighted [50%]), each as defined below and as established by the Committee, for the Performance Period, with the method for determining the number of Performance Share Units that can be earned (including the threshold, target and maximum number of Performance Share Units) set forth on **Schedule A** hereto, subject to the additional time-based vesting requirements that extend beyond the end of the Performance Period as provided in Section 5. If the performance level for a performance goal measure is below the established threshold, no Performance Share Units shall be earned. If the performance level for a performance goal measure is above the established maximum, no additional Performance Share Units shall be earned above the associated maximum payout level. Within sixty (60) days following the end of the Performance Period, the Committee will determine the extent to which the performance goal measures have been met and the number of Performance Share Units earned (subject to the additional time-based vesting requirements that extend beyond the end of the Performance Period as provided in Section 5) and will interpolate on a straight-line basis all stated levels between the performance results and Performance Share Units to be earned and will round to the nearest whole Performance Share Unit. The Performance Share Units are intended to be Performance-Based Awards under the Plan, and the provision of Section 6(c)(ii) of the Plan shall apply. The Committee must certify the performance results for each of the performance goal measures following the end of the Performance Period. The Committee may exercise its discretion to reduce the number of Performance Share Units earned in its assessment of performance in relation to the performance goal measures or in light of other considerations that the Committee deems relevant. Except as provided in Section 5(h) in the event of a Change in Control during the Performance Period, any Performance Share Units that are not, based on the Committee's determination, earned by performance during the Performance Period, including Performance Share Units that had been potentially earnable by performance in excess of the actual performance levels achieved, shall be cancelled and forfeited as of the last day of the Performance Period. The number of Performance Share Units earned as determined by the Committee (but subject to the additional pro-ratio provisions and vesting provisions set forth in Section 5) shall be divided into three equal and separate installments as provided in Section 5. To the extent allocation of the Performance Share Units to the three installments results in fractional shares, the vesting of the fractional shares shall be combined and be a part of the first installment.

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

(i) “ Adjusted EBITDA ” shall be computed as income (loss) from continuing operations before cumulative effect of change in accounting principles plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization, but (1) shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) share-based compensation charges; (c) any gain or loss recognized as a result of derivative instrument transactions or other hedging activities; (d) any gains or losses associated with the early retirement of debt obligations; (e) charges resulting from significant natural disasters; and (f) any significant gains or losses associated with the Company's LIFO computation; and (2) unless the Committee disallows any such item, shall also exclude (a) non-cash asset impairments; (b) any significant loss as a result of an individual litigation, judgment or

lawsuit settlement (including a collective or class action lawsuit and security holder lawsuit, among others); (c) charges for business restructurings; (d) losses due to new or modified tax or other legislation or accounting changes enacted after the beginning of the Performance Period; (e) significant tax settlements; and (f) any significant unplanned items of a non-recurring or extraordinary nature.

(ii) “ROIC” shall mean (a) the result of (x) the sum of (i) the Company’s operating income, plus (ii) depreciation and amortization, plus (iii) minimum rentals, minus (y) taxes, divided by (b) the result of (x) the sum of the averages of: (i) total assets, plus (ii) accumulated depreciation and amortization, minus (y) (i) cash, minus (ii) goodwill, minus (iii) accounts payable, minus (iv) other payables, minus (v) accrued liabilities, plus (vi) 8x minimum rentals (with all of the foregoing terms as determined per the Company’s financial statements), but (1) shall exclude the impact of (a) any costs, fees and expenses directly related to the consideration, negotiation, preparation, or consummation of any asset sale, merger or other transaction that results in a Change in Control (within the meaning of the Plan) of the Company or any offering of Company common stock or other security; (b) any gain or loss recognized as a result of derivative instrument transactions or other hedging activities; (c) any gains or losses associated with the early retirement of debt obligations; (d) charges resulting from significant natural disasters; and (e) any significant gains or losses associated with the Company’s LIFO computation; and (2) unless the Committee disallows any such item, shall also exclude (a) non-cash asset impairments; (b) any significant loss as a result of an individual litigation, judgment or lawsuit settlement (including a collective or class action lawsuit and security holder lawsuit, among others); (c) charges for business restructurings; (d) losses due to new or modified tax or other legislation or accounting changes enacted after the beginning of the Performance Period; (e) significant tax settlements; and (f) any significant unplanned items of a non-recurring or extraordinary nature.

## 5. Vesting and Payment.

(a) Vesting and Payment of One-Third of Earned Performance Share Units. One-third of the Performance Share Units earned based on the Committee’s determination of the level of achievement for each of the performance goal measures in accordance with Section 4 (such one-third installment being the “Initial Earned Performance Share Units”) shall become vested and nonforfeitable as of the last day of the Performance Period but only if the Grantee has remained continuously employed through such date. If the Grantee does not remain continuously employed through the last day of the Performance Period because of Grantee’s Retirement, death or Disability during the Performance Period, then a Pro-Rata Portion of the Initial Earned Performance Share Units (rounded to the nearest whole share) shall become vested and nonforfeitable as of the last day of the Performance Period and all remaining Initial Earned Performance Share Units shall be automatically forfeited to the Company and cancelled. For purposes of this Section 5(a) only, a “Pro Rata Portion” is determined by a fraction (not to exceed one), the numerator of which is the number of months in the Performance Period during which the Grantee was continuously in the employment of the Company and the denominator of which is the number of months in the Performance Period. Grantee will be deemed to be employed for a month if the Grantee’s Retirement, death or Disability occurs after the fifteenth (15<sup>th</sup>) day of a month. If the Grantee does not remain continuously employed through the last day of the Performance Period for any other reason, then all Initial Earned Performance Share Units shall be automatically forfeited to the Company and cancelled on the date the Grantee’s employment terminates. The Initial Earned Performance Share Units that become vested under this Section 5(a) shall be paid following the Performance Period once performance has been certified by the Committee but in no event later than the fifteenth (15<sup>th</sup>) day of the third month

following the end of the Performance Period. Notwithstanding the above, no Initial Earned Performance Share Units shall be paid if the Grantee is terminated for Cause prior to the date of payment.

(b) Vesting and Payment of Additional One-Third of Earned Performance Share Units. An additional one-third of the Performance Share Units earned based on the Committee's determination of the level of achievement for each of the performance goal measures in accordance with Section 4 (such one-third installment being the "Additional Earned Performance Share Units") shall become vested and nonforfeitable and shall be paid on the second anniversary of the Grant Date but only if the Grantee has remained continuously employed through such date. If the Grantee does not remain continuously employed through the second anniversary of the Grant Date because of Grantee's earlier Retirement, but only if Grantee remained continuously employed through the first day following the first anniversary of the Grant Date, then the Additional Earned Performance Share Units shall become vested and nonforfeitable and shall be paid on the date of Grantee's Retirement. If the Grantee does not remain continuously employed through the second anniversary of the Grant Date because of Grantee's death or Disability, but only if the Grantee does not die or become Disabled prior to the first day following the first anniversary of the Grant Date, then the Additional Earned Performance Share Units shall become vested and nonforfeitable as of the date of Grantee's death or Disability. The Additional Earned Performance Share Units that become vested and nonforfeitable on the date of Grantee's death or Disability as provided above shall be paid within thirty (30) days following such death or Disability but in all events no later than the Latest Payment Date, as defined in Section 5 (j). If the Grantee does not remain continuously employed until the second anniversary of the Grant Date under any other circumstances, then all Additional Earned Performance Share Units that are not vested as of the date of the Grantee's termination of employment shall be automatically forfeited to the Company and cancelled on the date of the Grantee's termination of employment.

(c) Vesting and Payment of Remaining Earned Performance Share Units. The remaining one-third Performance Share Units earned based on the Committee's determination of the level of achievement for each of the performance goal measures in accordance with Section 4 (such one-third installment being the "Remaining Earned Performance Share Units") shall become vested and nonforfeitable and shall be paid on the third anniversary of the Grant Date but only if the Grantee has remained continuously employed through such date. If the Grantee does not remain continuously employed through the third anniversary of the Grant Date because of Grantee's earlier Retirement, but the Grantee has remained continuously employed through the first day following the second anniversary of the Grant Date, then the Remaining Earned Performance Share Units shall become vested and nonforfeitable and shall be paid on the date of Grantee's Retirement. If the Grantee does not remain continuously employed through the third anniversary of the Grant Date because of Grantee's death or Disability, but only if the Grantee does not die or become Disabled prior to the first day following the first anniversary of the Grant Date, then the Remaining Earned Performance Share Units shall become vested and nonforfeitable as of the date of Grantee's death or Disability. All Remaining Earned Performance Share Units that become vested and nonforfeitable on the date of Grantee's death or Disability shall be paid within thirty (30) days following such death or Disability but in no event later than the Latest Payment Date, as defined in Section 5(j). If the Grantee does not remain continuously employed through the third anniversary of the Grant Date under any other circumstances, then all Remaining Performance Share Units that are not vested as of the date of the Grantee's termination of employment shall be automatically forfeited to the Company and cancelled on the date of the Grantee's termination of employment.

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

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

(f) Disability. For the purposes of this Agreement, Disability shall mean the Grantee's termination of employment by the Company due to Grantee's "Disability" (i) as defined in any employment agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (ii) if there is no such employment agreement in effect or no definition therein, as defined in any change-in-control agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (iii) if there is no such employment or change-in-control agreement or definitions therein, as defined in the Company's long-term disability plan.

(g) Cause. For the purposes of this Agreement, Cause shall mean (i) "Cause" as such term may be defined in any employment agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (ii) if there is no such employment agreement in effect, "Cause" as such term may be defined in any change-in-control agreement between the Grantee and the Company that is in effect at the time of termination of employment; or (iii) if there is no such employment or change-in-control agreement, with respect to a Grantee: (A) any act of the Grantee involving fraud or dishonesty, or any willful failure to perform reasonable duties assigned to the Grantee which failure is not cured within 10 business days after receipt from the Company of written notice of such failure; (B) any material breach by the Grantee of any securities or other law or regulation or any Company policy governing trading or dealing with stock, securities, investments or the like, or any inappropriate disclosure or "tipping" relating to any stock, securities, investments or the like; (C) other than as required by law, the carrying out by the Grantee of any activity, or the Grantee making any public statement, which prejudices or ridicules the good name and standing of the Company or its Affiliates (including any limited partner of Buck Holdings, L.P.) or would bring such persons into public contempt or ridicule; (D) attendance by the Grantee at work in a state of intoxication or the Grantee otherwise being found in possession at the Grantee's place of work of any prohibited drug or substance, possession of which would amount to a criminal offense; (E) any assault or other act of violence by the Grantee; or (F) the Grantee being indicted for any crime constituting (I) any felony whatsoever or (II) any misdemeanor that would preclude employment under the Company's hiring policy.

(h) Change in Control. Notwithstanding any other provision of this Section 5 (other than Section 5(i)), in the event of a Change in Control, vesting and payment of the Performance Share Units that have not previously become vested and nonforfeitable, or have not previously been forfeited, under Section 4, 5(a), 5(b), or 5(c) shall be determined under this Section 5(h). If a Change in Control occurs on or before the end of the Performance Period and provided the Grantee is continuously employed until the Change in Control, the target number of the Performance



Share Units shall be deemed earned and shall become vested and nonforfeitable and shall be paid upon the Change in Control. In the event of a Change in Control occurs following the end of the Performance Period and provided the Grantee is continuously employed until the Change in Control, all of the Performance Share Units previously earned based on the Committee's determination of performance in accordance with Section 4 shall become vested and nonforfeitable and shall be paid upon the Change in Control.

(i) [Reserved]

(j) Delivery of Shares. Shares of Common Stock corresponding to the number of Performance Share Units that have been earned and become vested and nonforfeitable ("Performance Shares") shall be paid to the Grantee, or, if deceased, to the Grantee's estate, in settlement of the Performance Share Units at the times provided in Sections 5(a), 5(b), 5(c), and 5(h). However, notwithstanding any other payment timing provision, in all events, payment and delivery of the Performance Shares shall be made no later than the later of the 15<sup>th</sup> day of the third month following the end of the Grantee's first taxable year (usually the calendar year) in which the right to the payment is no longer subject to a substantial risk of forfeiture (upon the fixed payment date, death, Disability, or a Change in Control or when the Grantee who is eligible for Retirement has met all service requirements for vesting) or the 15<sup>th</sup> day of the third month following the end of the Company's first taxable year (usually the fiscal year) in which the right to the payment is no longer subject to such substantial risk of forfeiture (the latest such date, the "Latest Payment Date"). Such payment shall be accomplished either by delivering a share certificate or by providing evidence of electronic delivery, and the Performance Shares shall be registered in the name of the Grantee or, if deceased, Grantee's estate. The Performance Shares may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable.

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

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

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

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

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

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

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

13. **Notices**. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Grantee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 13, either party may hereafter designate a different address for notices to be given to him. Any notice that is required to be given to the Grantee shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 13. Any notice shall have been deemed duly given when delivered by hand or courier or when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

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

15. **Section 409A of the Code**. This Agreement is intended to be exempt from Section 409A of the Code as a short-term deferral. Each installment payment under this Agreement will be treated as a separate payment. Notwithstanding the foregoing, the Company shall not be

liable to the Grantee in the event this Agreement fails to be exempt from, or comply with, Section 409A of the Code.

16. **Arbitration** . In the event of any controversy among the parties hereto arising out of, or relating to, this Agreement which cannot be settled amicably by the parties, such controversy shall be finally, exclusively and conclusively settled by mandatory arbitration conducted expeditiously in accordance with the American Arbitration Association rules, by a single independent arbitrator. Such arbitration process shall take place within the Nashville, Tennessee metropolitan area. The decision of the arbitrator shall be final and binding upon all parties hereto and shall be rendered pursuant to a written decision, which contains a detailed recital of the arbitrator's reasoning. Judgment upon the award rendered may be entered in any court having jurisdiction thereof. Each party shall bear its own legal fees and expenses, unless otherwise determined by the arbitrator.

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

18. **[Applicability of Plan and Management Stockholder's Agreement]** . The Performance Share Units and the Performance Shares issued to the Grantee upon payment of the Performance Share Units shall be subject to all terms and provisions of the Plan to the extent applicable to performance share units and Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control. The Performance Share Units and the Performance Shares issued to the Grantee shall not be subject to, and hereby are expressly exempted from, all of the terms and provisions of any Management Stockholder's Agreement between the Grantee and the Company in existence on the Grant Date.]

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

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

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

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

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

DOLLAR GENERAL CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

GRANTEE

\_\_\_\_\_

[name]

ADDRESS:

\_\_\_\_\_

\_\_\_\_\_

**Schedule A to Performance Share Unit Award Agreement**

**Grant Date:** [ ]

**Target Number of Performance Share Units Awarded:** [ ]

**Performance Period :** Begins on [1<sup>st</sup> day of applicable fiscal year] and ends on [last day of applicable fiscal year]

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

**Exhibit 1 to Schedule A to Performance Share Unit Award Agreement**

**[ ] Performance Share Matrix**

<b>Performance Level</b>	<b>EBITDA Based Shares Earned (50% Weighting)</b>				<b>ROIC Based Shares Earned (50% Weighting)</b>				
	<b>EBITDA Result Vs. Target</b>	<b>EBITDA Based Shares</b>	<b>EBITDA Weight</b>	<b>Shares Earned</b>	<b>ROIC Result Vs. Target</b>	<b>ROIC Shares</b>	<b>ROIC Weight</b>	<b>Shares Earned</b>	<b>Total Shares Earned</b>
Threshold									
Target									
Maximum									

Note: Interpolate between all EBITDA & ROIC results and award levels

DOLLAR GENERAL CORPORATION  
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS AGREEMENT (the “Agreement”) is made effective as of [date] (the “Grant Date”), between Dollar General Corporation, a Tennessee corporation (hereinafter called the “Company”), and [Name] (hereinafter referred to as the “Grantee”). Capitalized terms not otherwise defined herein shall have the same meanings as in the Amended and Restated 2007 Stock Incentive Plan for Key Employees of Dollar General Corporation and its Affiliates, as amended from time to time (the “Plan”), the terms of which are hereby incorporated by reference and made a part of this Agreement.

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

WHEREAS, the committee of the Company’s Board appointed to administer the Plan (the “Committee”) has determined that it would be to the advantage and in the best interest of the Company and its shareholders to grant the Restricted Stock Unit Award provided for herein to the Grantee;

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

1. Grant of the Restricted Stock Unit. Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Agreement, the Company hereby grants to the Grantee [# of RSUs] Restricted Stock Units. A “Restricted Stock Unit” represents the right to receive one share of Common Stock upon satisfaction of the vesting and other conditions set forth in this Agreement. The Restricted Stock Units shall vest and become nonforfeitable in accordance with Section 2 hereof.

2. Vesting.

(a) The Restricted Stock Units shall become vested and nonforfeitable in three equal installments on each of the first, second, and third anniversaries of the Grant Date (each such date, a “Vesting Date”), so long as the Grantee continues to be a member of the Board through each such Vesting Date. Subject to acceleration of vesting pursuant to Section 2(b) below, upon any cessation of service by the Grantee as a member of the Board prior to any Vesting Date(s), the Grantee shall forfeit any rights to vest in any then unvested Restricted Stock Units.

(b) Notwithstanding the foregoing, (i) if the Grantee ceases to be a member of the Board due to the Grantee’s death or Disability (as defined below), then that 33 1/3% portion of the Restricted Stock Units that would have become vested and nonforfeitable on the next Vesting Date if the Grantee had remained a member of the Board through such date will become vested and nonforfeitable upon such death or Disability (and any remaining unvested Restricted Stock Units shall be immediately forfeited); and (ii) the Restricted Stock Units shall become immediately vested and nonforfeitable as to 100% of the shares of Common Stock subject to

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such Restricted Stock Units immediately prior to a Change in Control (but only to the extent such Restricted Stock Units have not otherwise terminated or become vested and nonforfeitable) so long as the Grantee is a member of the Board through the date of the Change in Control.

(c) For the purposes of this Agreement, Disability shall have the meaning as provided under Section 409A(a)(2)(C)(i) of the Code.

(d) Except as provided in the following sentence, for purposes of this Agreement, a Change in Control shall have the meaning as provided in the Plan. In the event the Grantee has elected to defer receipt of any RSU Shares as provided under Section 3(a) below, for purposes of this Agreement, a Change in Control (as defined in the Plan) will be deemed to have occurred with respect to the Grantee only if an event relating to the Change in Control constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Treas. Reg. Section 1.409A-3(i)(5).

### 3. Entitlement to Receive Common Stock.

(a) Shares corresponding to the number of Restricted Stock Units granted herein (“RSU Shares”) are to be delivered to the Grantee as soon as reasonably and administratively practicable after the Restricted Stock Units become vested pursuant to the provisions of Section 2 above, but in no event later than two and one-half months after the end of the fiscal year of the Company during which the applicable Restricted Stock Units become vested. *However*, if the Grantee has made an election to defer receipt of all or any portion of the vested RSU Shares to a date beyond the applicable Vesting Date in accordance with the provisions of the Dollar General Corporation Deferral Election Form provided to the Grantee and returned to the Company prior to the Grant Date (such shares, the “Deferred Shares”), any such Deferred Shares shall instead be delivered on the date(s) so elected by the Grantee pursuant to such Deferral Election Form, or, if earlier, upon a Change in Control.

(b) As soon as is administratively feasible on or following any date on which any RSU Shares are to be delivered to the Grantee in accordance with Section 3(a) above, the Company shall deliver to the Grantee or the Grantee’s legal representative a share certificate or evidence of electronic delivery of such RSU Shares in the amount of the RSU Shares so delivered to the Grantee, and such RSU Shares shall be registered in the name of the Grantee.

(c) The shares of Common Stock deliverable upon the payment of a vested Restricted Stock Unit may be either previously authorized but unissued Shares or issued Shares, which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable.

4. Dividend Equivalents. In the event that the Company pays any ordinary dividend (whether in cash, shares of Common Stock or other property) on its Shares, on the date such dividend is paid to shareholders the Grantee shall be credited, based on the number of unvested Restricted Stock Units held by the Grantee and the number of Deferred Shares (if any) that the Grantee is entitled to receive, in each case as of the record date of such dividend, with additional Restricted Stock Units or Deferred Shares, as applicable, that reflect the amount of such dividend (or if such dividend is paid in shares of Common Stock or other property, the fair value of the dividend, as determined in good faith by the Board). Any such additional Restricted

Stock Units and Deferred Shares, as applicable, shall be subject to all terms and conditions of this Agreement.

5. Transferability. Neither the Restricted Stock Units prior to becoming vested pursuant to Section 2 nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Grantee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5 shall not prevent transfers by will or by the applicable laws of descent and distribution.

6. Grantee's Continued Service on the Board. Nothing contained in this Agreement or in any other agreement entered into by the Company and the Grantee guarantees that the Grantee will continue to serve as a member of the Board for any specified period of time.

7. Change in Capitalization. If any event described in Section 9 of the Plan occurs, this Agreement and the Restricted Stock Units (and any Deferred Shares due to be delivered hereunder) shall be adjusted to the extent required or permitted, as applicable, pursuant to Section 9 of the Plan.

8. Taxes. The Grantee shall have full responsibility, and the Company shall have no responsibility, for satisfying any liability for any federal, state or local income or other taxes required by law to be paid with respect to such Restricted Stock Units, including upon the vesting of the Restricted Stock Units and the delivery of any RSU Shares. The Grantee is hereby advised to seek his or her own tax counsel regarding the taxation of the grant and vesting of the Restricted Stock Units hereunder (and the tax consequences of any deferral election made in respect of the delivery of any RSU Shares).

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

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

11. Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary or his or her designee, and any notice to be given to the Grantee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 11, either party may hereafter

designate a different address for notices to be given to him. Any notice that is required to be given to the Grantee shall, if the Grantee is then deceased, be given to the Grantee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 11. Any notice shall have been deemed duly given when delivered by hand or courier or when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

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

13. Section 409A of the Code. The provisions of Section 10(c) of the Plan are hereby incorporated by reference.

14. Restricted Stock Units Subject to Plan. The Restricted Stock Unit Award and the Shares issued to the Grantee upon payment of the Restricted Stock Units shall be subject to all terms and provisions of the Plan, to the extent applicable to the Restricted Stock Units and such Shares. In the event of any conflict between this Agreement and the Plan, the terms of the Plan shall control.

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

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

17. Rights as Shareholder. Except as may be otherwise provided in Section 7 of this Agreement, the holder of a Restricted Stock Unit Award shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any Shares issuable upon the payment of a vested Restricted Stock Unit unless and until a certificate or certificates representing such Shares shall have been issued by the Company to such holder or, if the Common Stock is listed on a national securities exchange, a book entry representing such Shares has been made by the registrar of the Company.

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

[ Signatures on next page ]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

DOLLAR GENERAL CORPORATION

By: \_\_\_\_\_

Name: Robert D. Ravener

Title: EVP and Chief People Officer

GRANTEE

\_\_\_\_\_

June 3, 2014  
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 and 333-187493 on Form S-3) of Dollar General Corporation of our report dated June 3, 2014 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 May 2, 2014.

/s/ Ernst & Young LLP  
Nashville, Tennessee

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## CERTIFICATIONS

I, Richard W. Dreiling, 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: June 3, 2014

/s/ Richard W. Dreiling  
Richard W. Dreiling  
Chief Executive Officer

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I, David M. Tehle, 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: June 3, 2014

/s/ David M. Tehle

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David M. Tehle  
Chief Financial Officer

**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 May 2, 2014 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/ Richard W. Dreiling

Name: Richard W. Dreiling  
Title: Chief Executive Officer  
Date: June 3, 2014

/s/ David M. Tehle

Name: David M. Tehle  
Title: Chief Financial Officer  
Date: June 3, 2014

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