DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 09/13/99 for the Period Ending 07/30/99

Address	100 MISSION RIDGE GOODLETTSVILLE, TN, 37072
Telephone	6158554000
CIK	0000029534
Symbol	DG
SIC Code	5331 - Retail-Variety Stores
Industry	Discount Stores
Sector	Consumer Cyclicals
Fiscal Year	02/02

DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 9/13/1999 For Period Ending 7/30/1999

Address	100 MISSION RIDGE
	GOODLETTSVILLE, Tennessee 37072
Telephone	615-855-4000
CIK	0000029534
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	01/31

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 30, 1999

Commission file number 1-11421

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

TENNESSEE	61-0502302
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

104 Woodmont Blvd.
Suite 500

Nashville, Tennessee 37205
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (615) 783-2000

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 X No____.

The number of shares of common stock outstanding at September 9, 1999, was 265,979,479.

Dollar General Corporation

Form 10-Q

For the Quarter Ended July 30, 1999

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	July 30, 1999 (Unaudited)	Jan. 29, 1999 *	July 31, 1998 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 25,303	$ 22,294	$ 33,158
Merchandise inventories	951,109	811,722	797,277
Deferred income taxes	2,664	2,523	6,192
Other current assets	49,767	42,378	37,553
Total current assets	1,028,843	878,917	874,180
Property and equipment, at cost	523,601	528,238	445,362
Less: accumulated depreciation	219,978	201,830	174,886
	303,623	326,408	270,476
Other assets	9,617	6,459	6,546
Total assets	$ 1,342,083	$ 1,211,784	$ 1,151,202

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

	July 30, 1999 (Unaudited)	Jan. 29, 1999 *	July 31, 1998 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 1,420	$ 725	$ 704
Short-term borrowings	148,494	0	160,856
Accounts payable	209,868	257,759	214,496
Accrued expenses	104,405	172,825	109,416
Income taxes	21,142	23,825	0
Total current liabilities	485,329	455,134	485,472
Long-term debt	1,507	786	223
Deferred income taxes	18,089	30,103	21,665
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	133,116	105,121	105,211
Additional paid-in capital	440,482	418,039	406,079
Retained earnings	463,229	402,270	332,221
	1,037,685	926,288	844,369
Less: treasury stock	200,527	200,527	200,527
Total shareholders' equity	837,158	725,761	643,842
Total liabilities and shareholders' equity	$ 1,342,083	$ 1,211,784	$ 1,151,202

* Derived from the January 29, 1999 audited financial statements.

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

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

	Three Months Ended		Six Months Ended	
	July 30, 1999	July 31, 1998	July 30, 1999	July 31, 1998
Net sales	$ 915,210	$ 741,355	$ 1,759,803	$ 1,446,615
Cost of goods sold	665,628	535,874	1,284,274	1,050,802
Gross profit	249,582	205,481	475,529	395,813
Selling, general and administrative expense	182,407	150,401	350,458	291,340
Operating profit	67,175	55,080	125,071	104,473
Interest expense	1,897	2,031	2,776	2,970
Income before taxes on income	65,278	53,049	122,295	101,503
Provision for taxes on income	23,663	19,761	44,332	37,810
Net income	$ 41,615	$ 33,288	$ 77,963	$ 63,693
Diluted earnings per share	$ 0.15	$ 0.12	$ 0.29	$ 0.24
Weighted average diluted shares	271,069	268,291	270,011	268,511
Basic earnings per share	$ 0.18	$ 0.15	$ 0.34	$ 0.28

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

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended July 30, 1999	Six Months Ended July 31, 1998
Operating activities:		
Net income	$ 77,963	$ 63,693
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	30,296	25,312
Deferred income taxes	(12,155)	(721)
Change in operating assets and liabilities:		
Merchandise inventories	(139,387)	(165,323)
Other current assets	(7,389)	(15,669)
Accounts payable	(47,891)	34,538
Accrued expenses	(68,420)	17,389
Income taxes	(2,683)	(12,343)
Other	823	1,169
Net cash used in operating activities	(168,843)	(51,955)
Investing activities:		
Purchase of property and equipment	(73,433)	(58,210)
Proceeds from sale of property and equipment	61,941	2,836
Net cash used in investing activities	(11,492)	(55,374)
Financing activities:		
Issuance of short-term borrowings	222,814	184,603
Repayments of short-term borrowings	(74,320)	(45,680)
Issuance of long-term debt	2,086	0
Repayments of long-term debt	(670)	(1,817)
Payments of cash dividend	(17,004)	(14,873)
Proceeds from exercise of stock options	26,523	23,062
Repurchase of common stock	0	(37,183)
Tax benefit of stock options exercised	23,915	25,247
Net cash provided by financing activities	183,344	133,359
Net increase in cash and cash equivalents	3,009	26,030
Cash and cash equivalents, beginning of period	22,294	7,128
Cash and cash equivalents, end of period	$ 25,303	$ 33,158

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except per share amounts)

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of the quarterly report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the year ended January 29, 1999, for additional information.

The accompanying consolidated financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated results of operations for the three-month periods ended July 30, 1999 and July 31, 1998, respectively, have been made.

Interim cost of goods sold is determined using estimates of inventory shrinkage, inflation, and markdowns which are adjusted to reflect actual results at year-end. Because of the seasonal nature of the Company's business, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

2. Shareholders' Equity

Changes in shareholders' equity for the three months ended July 30, 1999 and July 31, 1998 were as follows.

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances, January 30, 1998	$ 858	$ 83,526	$ 379,954	$ 320,085	$ (200,527)	$ 583,896
Net income				63,693		63,693
5-for-4 stock split, Septebmber 21, 1998		21,042	(21,042)			0
Cash dividend, $.07 per common share, as declared				(12,779)		(12,779)
Cash dividend, $1.22 per preferred share				(2,094)		(2,094)
Issuance of common stock under employee stock incentive plans		1,142	21,920			23,062
Stock repurchased		(499)		(36,684)		(37,183)
Tax benefit of stock options exercised			25,247			25,247
Balances, July 31, 1998	$ 858	$ 105,211	$ 406,079	$ 332,221	$ (200,527)	$ 643,842

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances, January 29, 1999	$ 858	$ 105,121	$ 418,039	$ 402,270	$ (200,527)	$ 725,761
Net income				77,963		77,963
5-for-4 stock split, May 24, 1999		26,573	(26,573)			0
Cash dividend, $.06 per common share, as declared				(14,648)		(14,648)
Cash dividend, $1.37 per preferred share				(2,356)		(2,356)
Issuance of common stock under employee stock incentive plans		1,422	25,101			26,523
Tax benefit of stock options exercised			23,915			23,915
Balances, July 30, 1999	$ 858	$ 133,116	$ 440,482	$ 463,229	$ (200,527)	$ 837,158

3. Earnings Per Share

Shares have been adjusted for all stock splits including the May 24, 1999 five-for-four common stock split. Six months ended July 30, 1999

	Income	Shares	Per-Share Amount
Net income	$ 77,963		
Less: preferred stock dividends	2,356		
Basic earnings per share			
Income available to common shareholders	$ 75,607	223,942	$ 0.34
Stock options outstanding		5,310	
Convertible preferred stock	2,356	40,906	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$ 77,963	270,158	$ 0.29

Six months ended July 31, 1998

	Income	Shares	Per-Share Amount
Net income	$ 63,693		
Less: preferred stock dividends	2,094		
Basic earnings per share			
Income available to common shareholders	$ 61,599	220,692	$ 0.28
Stock options outstanding		6,913	
Convertible preferred stock	2,094	40,906	
Diluted earnings per Share			
Income available to common shareholders plus assumed conversions	$ 63,693	268,511	$ 0.24

	Three months ended July 30, 1999		
	Income	Shares	Per-Share Amount
Net income	$ 41,615		
Less: preferred stock dividends	1,178		
Basic earnings per share			
Income available to common shareholders	$ 40,437	224,929	$ 0.18
Stock options outstanding		5,234	
Convertible preferred stock	1,178	40,906	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$ 41,615	271,069	$ 0.15

	Three months ended July 31, 1998		
	Income	Shares	Per-Share Amount
Net income	$ 33,288		
Less: preferred stock dividends	1,047		
Basic earnings per share			
Income available to common shareholders	$ 32,241	221,005	$ 0.15
Stock options outstanding		6,380	
Convertible preferred stock	1,047	40,906	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$ 33,288	268,291	$ 0.12

4. Stock Repurchases

Under current Board authorization, which expires May 1, 2001, the Company may repurchase up to 6.3 million shares from time to time in the open market or in privately negotiated transactions. The Company may repurchase shares depending upon the market price of the shares and other factors in order to offset the impact of the Company's employee stock option program and to take advantage of an undervalued share price as cash is available. As a part of its share repurchase program, the Company has entered into equity collar arrangements with independent third parties. Under these arrangements, the Company sold put warrants to independent third parties which entitle the holders to sell shares of the Company's common stock to the Company on certain dates at specified prices. In addition, the Company purchased call options which entitle the Company to purchase shares of the Company's common stock on certain dates at specified prices. The Company has the option of a net-share settlement. At July 30, 1999, put warrants on 2.0 million shares of common stock and call options on 1.0 million shares of common stock were outstanding. The outstanding warrants and options expire in March 2000 and have strike prices ranging from $22 to $26 per share.

5. Segment Reporting

The Company manages its business on the basis of one reportable segment. As of July 30, 1999 and July 31, 1998, all of the Company's operations were located within the United States. The following data is presented in accordance with Statements of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information."

	Three Months Ended		Six Months Ended	
	July 30, 1999	July 31, 1998	July 30, 1999	July 31, 1998
Classes of similar products				
Net sales:				
Hardlines	$ 755,473	$ 607,032	$1,448,154	$1,186,690
Softlines	159,737	134,323	311,649	259,925
	$ 915,210	$ 741,355	$1,759,803	$1,446,615

6. Subsequent Event

On August 23, 1999 the holders of all of the Company's 1,715,742 shares of Series A Convertible Junior Preferred Stock converted their shares to 40,906,477 shares of Dollar General Common Stock in accordance with the relevant provisions of the Company's Charter.

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

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Dollar General Corporation (the "Company") believes the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements will prove to be accurate. Forward-looking statements may be significantly impacted by certain risks and uncertainties, including, but not limited to: general transportation and distribution delays or interruptions; interruptions in suppliers' operations; inventory risks due to shifts in market demand; changes in product mix; costs and delays associated with building, opening and operating new distribution centers; and the other risk factors referenced in the Annual Report on Form 10-K for the year ended January 29, 1999 and the Company's other periodic reports and filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

The following text contains references to years 1999, 1998, 1997 and 1996 which represent fiscal years ending or ended January 28, 2000, January 29, 1999, January 30, 1998 and January 31, 1997, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and their notes thereto.

RESULTS OF OPERATIONS

The nature of the Company's business is seasonal. Historically, sales in the fourth quarter have been significantly higher than sales achieved in each of the first three quarters of the fiscal year. Thus, expenses, and to a greater extent operating income, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, comparing any period to a period other than the same period of the previous year may reflect the seasonal nature of the Company's business.

SIX MONTHS ENDED JULY 30, 1999 AND JULY 31, 1998

NET SALES. Net sales for the first six months of 1999 increased $313.2 million, or 21.7%, to $1,759.8 million from $1,446.6 million for the comparable period in 1998. The increase resulted from 537 net additional stores being in operation as of July 30, 1999, as compared with July 31, 1998, and an increase of 7.3% in same-store sales. The increase in same-store sales for the six and three month periods ended July 30, 1999 was primarily driven by continued improvements in the Company's consumable basic merchandise mix and improved in-stock levels. Same-store sales growth resulted in a 14.1% increase for the same period last year driven by the addition of 700 faster-turning consumable items to the merchandise mix and refurbishing more than 2,400 stores to a new prototype reflecting a 65% hardlines/35% softlines space allocation versus the previous 50%/50% allocation.

The Company defines same stores as those opened before the beginning of the previous fiscal year which have remained open throughout the current period.

GROSS PROFIT. Gross profit for the first six months of 1999 was $475.5 million, or 27.0% of net sales, compared with $395.8 million, or 27.4% of net sales, in the same period last year. This decrease was driven by higher distribution expense associated with the operation of additional distribution centers compared with the same six-month period last year.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expense for the first six months of 1999 totaled $350.5 million, or 19.9% of net sales, compared with $291.3 million, or 20.1% of net sales during the comparable period last year. Total SG&A expense increased 20.3% primarily as a result of 537 net additional stores being in operation compared with the same six-month period last year.

INTEREST EXPENSE. Interest expense decreased to $2.8 million, or 0.16% of sales, compared with $3.0 million or 0.21%, in the comparable period last year. This decrease is primarily a result of lower average borrowings during the comparable period.

PROVISIONS FOR TAXES ON INCOME. The effective income tax rate for the three and six-month periods ended July 30, 1999 was 36.3% compared with 37.3% in the comparable period last year. The 1999 effective tax rate decreased as a result of certain tax planning strategies.

THREE MONTHS ENDED JULY 30, 1999 AND JULY 31, 1998

NET SALES. Net sales for the quarter increased $173.8 million, or 23.4%, to $915.2 million from $741.4 million for the comparable period in 1998. The increase resulted from 537 net additional stores being in operation as of July 30, 1999, compared with July 31, 1998, and an increase of 9.0% in same-store sales. Same-store sales increased 9.2% for the second quarter last year.

GROSS PROFIT. Gross profit for the quarter was $249.6 million, or 27.3% of net sales, compared with $205.5 million, or 27.7% of net sales, in the same period last year. This decrease was driven by higher distribution expense associated with the operation of additional distribution centers compared with the second quarter last year.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expense for the quarter totaled $182.4 million, or 19.9% of net sales, compared with $150.4 million, or 20.3% of net sales during the comparable period last year. Total SG&A expense increased 21.3% primarily as a result of 537 net additional stores being in operation compared with the same three month period last year.

INTEREST EXPENSE. Interest expense decreased to $1.9 million, or 0.21% of sales, from $2.0 million, or 0.27% of sales, in the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Net cash used by operating activities totaled $168.8 million during the first six months of 1999, compared with $52.0 million cash used in operating activities in the comparable period last year. This increase in use of cash was primarily driven by decreased accounts payable leverage as a result of receiving imported seasonal merchandise earlier than last year and decreased accrued expenses as a result of a $61.9 million decrease in advances received from the sale/leasebacks of the South Boston, Virginia distribution center expansion and the Ardmore, Oklahoma distribution center.

Cash flows from investing activities - Net cash used by investing activities totaled $11.5 million during the first six months of 1999 compared with $55.4 million in the comparable period last year. The decrease in cash used by investing activities was primarily the result of $61.9 million of proceeds recognized in 1999 from the sale/leasebacks of the South Boston, Virginia distribution center expansion and the Ardmore, Oklahoma distribution center. Current period cash used resulted from $73 million in capital expenditures primarily from opening 324 new stores during the first six months of 1999.

Cash flows from financing activities - Total debt (including current maturities and short-term borrowings) at July 30, 1999 was $151.4 million compared with $161.8 million at July 31, 1998.

Because of the significant impact of seasonal buying (e.g., Spring and December holiday purchases), the Company's working capital requirements vary significantly during the year. These working capital requirements were financed by short-term borrowings under the Company's $175.0 million revolving credit/term loan facility and short-term bank lines of credit totaling $155.0 million at July 30, 1999. The Company had short-term borrowings of $148.5 million outstanding as of July 30, 1999 and $160.9 million as of July 31, 1998. Management believes seasonal working capital expenditure requirements will continue to be met through cash flow provided by operations supplemented by the revolving credit/term loan facility and short-term bank lines of credit.

On June 11, 1999, the Company entered into a five year commercial paper funded synthetic lease facility with $200.0 million capacity. This facility will be funded as needed for the construction of new stores and new distribution centers. As of July 30, 1999 $5.0 million of construction costs for new stores had been funded under this facility.

The Company had previously entered into a synthetic lease facility with $225.0 million capacity to fund the capital requirements for the construction of new stores, new distribution centers and the new corporate headquarters complex. As of July 30, 1999, $217.8 million of construction costs had been funded under this facility including: $82.4 million for new stores; $53.2 million for the Fulton, Missouri distribution center; $45.5 million for the Indianola, Mississippi distribution center and $36.7 million for the corporate headquarters complex.

On July 16, 1999, the Company replaced its existing interest-rate-swap agreements with $200 million in interest rate swaps maturing in February 2001 with an option by the counter-parties to extend the swap to September 2002. The purpose of the interest rate swap is to fix the interest rate on $200 million of leveraged lease financing.

ACCOUNTING PRONOUNCEMENTS

The Company is in the process of analyzing the impact of the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133." Adoption of this Statement, as amended, is required for the Company's fiscal year ending February 1, 2002.

YEAR 2000

The Company recognizes that without appropriate modification some computer programs may not operate properly when asked to recognize the year 2000. Upon reaching the year 2000, these computer programs will inaccurately interpret the "00" used in two-digit date calculations as the year 1900. In anticipation of the need to correct and otherwise prepare for any potential year 2000 computer problems, the Company formed a Year 2000 Task Force (the "Task Force") which has developed a year 2000 compliance plan (the "Plan"). The Plan addresses the Company's state of readiness, the costs to address the Company's year 2000 issues, the risks of the Company's year 2000 issues and the Company's contingency plans.

The Company's state of readiness

Internal Systems: The Company's Plan addresses all of the Company's hardware and software systems, as well as equipment controlled by microprocessors used in the offices, stores, and distribution centers. As a part of the Plan, the Task Force has completed its assessment of the

Company's systems, has identified the Company's hardware, software and equipment that will not operate properly in the year 2000 and in most cases, has remedied the problem with programming changes. The Plan has identified the Company's accounting, inventory management and warehouse management systems as critical systems. The Company expects the programming changes and software replacement for systems that are not already year 2000 compliant will be completed during the third quarter of 1999. The Company has completed testing the year 2000 readiness of many of its systems and expects to complete the testing process by October 1999. The Company's year 2000 compliance effort has not resulted in any material delays to other internal information technology projects.

External Systems: The Company has requested, and is receiving, written confirmation from vendors, suppliers and other service providers ("Third Party Vendors") as to their year 2000 system compliance status. Although the Company is diligently seeking and is receiving information as to its Third Party Vendors' year 2000 compliance progress, there can be no assurance that such Third Party Vendors will have remedied their year 2000 issues. Although the Company currently knows of no material Third Party Vendor system that will not be year 2000 ready, the failure of any significant Third Party Vendor to remedy its year 2000 issues could have a material adverse effect on the Company's operations, financial position or liquidity. The Company will continue to aggressively monitor the progress of its Third Party Vendors in an effort to mitigate its own year 2000 non-compliance risk.

The costs to address the Company's year 2000 issues

Based on the Company's current estimates, the cost of addressing the Company's year 2000 remediation efforts will be between $400,000 and $600,000. To date, expenditures have been approximately $300,000. Costs are being expensed when incurred. This cost estimate excludes the costs of previously planned software implementations as well as salaries of existing employees involved in the year 2000 remediation efforts. These projected costs are based upon management's best estimates which were derived utilizing numerous assumptions of future events. However, there can be no guarantee that these cost estimates will be accurate; actual results could differ materially.

The risks of the Company's year 2000 issues

Management believes that its greatest risk to achieving timely year 2000 compliance is in its third-party relationships. For example, if a significant vendor experiences shipping delays because either its systems or a business partner's systems are not year 2000 compliant, such delays could have a material impact on the Company's business depending on the nature of the shipment and the length of the shipping delay. However, currently available information indicates that the Company's significant Third Party Vendors will be year 2000 ready. Management also believes there is a moderate level of risk associated with the unconfirmed year 2000 compliance status of utility companies that provide utility service to the Company's individual stores and its distribution centers.

The Company's contingency plans

The Company will continue to closely monitor the year 2000 compliance readiness of its Third Party Vendors and, where appropriate, will replace those Third Party Vendors who appear to be unwilling to confirm their year 2000 readiness or who are unable to meet compliance deadlines. The Company has been developing, and intends to complete by October 1999, a comprehensive business continuity plan ("BCP") that is designed to respond to significant business interruption. The BCP focuses on business recovery and continuation made necessary by natural disaster, year 2000 system non-compliance, vendor breach of contract or any other factor. Although it is impossible to accurately predict and prepare for all risks associated with the year 2000 issue, the Company will continue to evaluate and modify where appropriate its BCP to address those risks which it believes are reasonably foreseeable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing and cash management activities. The Company utilizes a credit facility to fund seasonal working capital requirements which is comprised primarily of variable rate debt. As of July 30, 1999, the Company had outstanding short term borrowings of $148.5 million at a weighted average interest rate of 5.33%.

On July 16,1999, the Company replaced its existing interest-rate-swap agreements with $200 million in interest rate swaps maturing in February 2001 with an option by the counter-parties to extend the swap agreements to September 2002. These swap agreements exchange the Company's floating interest rate exposure on the lease payments under its $225 million leveraged lease facility for fixed rent payments. The Company will pay a weighted average fixed rate of 5.26% on $200 million of the $225 million facility rather than a rate based on the one-month LIBOR, which was 5.24% at July 30, 1999. The fair value of the interest rate swap agreements was $2.0 million at July 30, 1999.

PART II - OTHER INFORMATION

Item 1. Not applicable.
Item 2. Not applicable.
Item 3. Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

At the Annual Meeting of Shareholders of the Corporation held June 7, 1999, the shareholders voted on these proposals as follows:

Proposal No. 1: Election of Directors.

The following nominees were elected to serve as Directors of the Corporation until the next Annual Shareholders' Meeting:

Nominee	Votes For	Votes Withheld/Against
Dennis C. Bottorff	173,598,687	586,550
James L. Clayton	173,636,178	549,059
Reginald D. Dickson	173,633,724	551,513
John B. Holland	173,607,000	578,237
Barbara M. Knuckles	173,638,204	547,033
Cal Turner, Jr.	173,491,249	693,988
Cal Turner, Sr.	173,616,575	568,662
David M. Wilds	173,634,595	550,642
William S. Wire, II	173,590,398	594,839

Proposal No. 2: Shareholder Proposal Regarding Equal Employment Opportunity Information.

Number of shares for	11,607,661
Number of shares against	116,636,238
Number of shares abstaining	4,058,642

Proposal No. 3: Shareholder Proposal Regarding Cumulative Voting.

Number of shares for	37,040,467
Number of shares against	92,867,804
Number of shares abstaining	2,394,268

Item 5. Not applicable.

Item 6. A. Exhibits:
27 Financial Data Schedule (for SEC use only)

B. Reports on Form 8-K

No Current Reports on Form 8-K were filed by Dollar General Corporation during the quarter ended July 30, 1999.

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.

DOLLAR GENERAL CORPORATION
(Registrant)

September 10, 1999 *By: /s/Brian M. Burr*
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Brian M. Burr, Executive Vice President,

Chief Financial Officer

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MONS	
FISCAL YEAR END	JAN 28 2000	JAN 29 1999
PERIOD END	JULY 30 1999	JULY 31 1998
CASH	25,303	33,158
SECURITIES	0	0
RECEIVABLES	0	0
ALLOWANCES	0	0
INVENTORY	951,109	797,277 <CURRENT ASSETS 1,028,843 874,180
PP&E	523,601	445,362
DEPRECIATION	219,978	174,886 <TOTAL ASSETS 1,342,083 1,151,202
CURRENT LIABILITIES	485,329	485,472
BONDS	0	0
COMMON	133,116	105,211
PREFERRED MANDATORY	0	0
PREFERRED	858	858
OTHER SE	703,184	537,773
TOTAL LIABILITY AND EQUITY	1,342,083	1,151,202
SALES	1,759,803	1,446,615
TOTAL REVENUES	1,759,803	1,446,615
CGS	1,284,274	1,050,802
TOTAL COSTS	350,458	291,340
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	2,776	2,970
INCOME PRETAX	122,295	101,503
INCOME TAX	44,332	37,810
INCOME CONTINUING	77,963	63,693
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	77,963	63,693
EPS BASIC	0.34	0.28
EPS DILUTED	0.29	0.24

End of Filing