

THE STATE OF SOUTH CAROLINA

In The Court of Appeals

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JUN 30 2021

APPEAL FROM THE ADMINISTRATIVE LAW COURT

SC Court of Appeals

S. Phillip Lenski, Administrative Law Judge

Case No. 14-ALJ-17-0552-CC

Appellate Case No. 2021-000031

Lowe's Home Centers, LLC

Appellant,

v.

South Carolina Department of Revenue

Respondent.

**RECORD ON APPEAL**  
**Volume 6 of 12**

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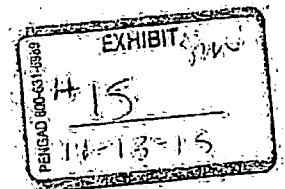
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INVENTORY OF ITEMS CONSULTED BY HENNIE VAN BULCK AS REQUESTED PURSUANT TO PETITIONER'S SUBPOENA DUCES TECUM DATED SEPTEMBER 2, 2015

1. Email correspondence. See Bates Stamp (BS) 1-19.
2. Engagement Documents
  - a. Notice of Deposition dated September 2, 2015. (In opposing counsel's possession).
  - b. Summary Opinion Letter. BS 21-23.
  - c. Curriculum Vitae. BS 24-28.
  - d. Graphics printout. BS 29-30.
  - e. Engagement Letter dated August 24, 2015. BS 31-32.
  - f. Confidentiality Agreement. BS 33-34.
3. Case Background and Parties Involved
  - a. Email regarding Charles Crider. BS 35.
  - b. AIS and Notice of Appearance. (In opposing counsel's possession).
  - c. Request for Contested Case Hearing Form. (In opposing counsel's possession).
  - d. Department Determination. (In opposing counsel's possession).
  - e. Supplement to Protest of Proposed Assessment. (In opposing counsel's possession).
  - f. Protest of Proposed Assessment. (In opposing counsel's possession).
  - g. Crider, Bouye, Elloit & Goodwin LLC website.
  - h. Jones Day website.
4. SC Code of Laws and Regulations; Various Case Law. (In opposing counsel's possession).
  - a. S.C. Code Ann. Regs. 117-309-17.
  - b. South Carolina Sales Tax Manual, Chapter 16.
  - c. S.C. Code Ann. Regs. 117-314 Construction.
  - d. S.C. Code Ann. Regs. 117-324 Dual Business.
  - e. S.C. Code Ann. § 12-36-90 "Gross Proceeds of Sales"
  - f. S.C. Code Ann. § 12-36-110 "Sale at retail; retail sale"
  - g. S.C. Code Ann. § 12-36-910.
  - h. Board of Tax Appeals, State of Kansas, Docket No. 2014-34-DT, dated July 1, 2015, in the Matter of the Appeal of Lowe's Home Centers, L.L.C. FKA Lowe's Home Centers, Inc.
  - i. Colonial Stores, Inc. v. S.C. Tax Comm'n, 253 S.C.14, 168 S.E.2d 774 (1969).
5. Depositions
  - a. Charles Crider, dated October 1, 2015.
  - b. Craig Price, dated July 21, 2015.
  - c. John P. McCormack, dated June 30, 2015.
  - d. Paulette Crawford, dated June 30, 2015.
6. Subject Company Information
  - a. 2014 Annual Report. BS 37-72.
  - b. 10-K for the fiscal year ended January 30, 2015. BS 73-164.
  - c. Summary financial information (source: finance.yahoo.com). BS 165-172.



7. Industry Information
  - a. NAICS Codes. BS 173-184.
  - b. US Census Industry Snapshot (SC). BS 185-187.
  - c. US Census 2013 County Business Patterns (NAICS). BS 188-200.
  - d. Pulte Homes (website pages). BS 201-204.
  
8. Valuation Standards
  - a. Uniform Standards of Professional Appraisal Practice. (In opposing counsel's possession).
  - b. AICPA Statement on Standards for Valuation Services. BS 205-264.
  - c. IRS Rev. Rul. 59-60. BS 265-270.
  
9. Research on Applicable Standards of Value
  - a. Bases of Value Skeleton Outline. BS 271-274.
  - b. Equipment Valuation Levels of Trade. BS 275-277.
  - c. Equipment Appraisals: What's so Fair about Their Market Value. BS 278-280.
  - d. Standard Measures of Value: TPP Appraisal Guidelines. BS 281-283.
  - e. 19 CFR 351.412. BS 286-288.
  - f. Summary of Statement Number 157. BS 289-292.
  - g. Property Tax Rule 10. BS 293-314.
  
10. Various documents. BS 315-317.
  
11. Additional Correspondence. BS 319-322.

From: Hennie van Bulck <hennie@ftc-i.net>  
Sent: Thursday, August 20, 2015 4:30 PM  
To: Nicole Wooten  
Subject: RE: Potential Expert Witness.

Will do.  
H

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Thursday, August 20, 2015 2:58 PM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: Potential Expert Witness.

Can you come to our main office in Columbia? We're located at 300A Outlet Pointe Blvd., Columbia SC. That is off Bush River Rd. near the Doubletree Hotel. If you're familiar with the area, our office building was formerly Outlet Pointe Mall (that housed Hamrick's).

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]  
Sent: Thursday, August 20, 2015 12:30 PM  
To: Nicole Wooten  
Subject: RE: Potential Expert Witness.

I would like to in meet person, at least for a "first meeting." I can meet you at 12. Where should I meet you?

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Thursday, August 20, 2015 11:47 AM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: Potential Expert Witness.

I have a meeting outside of the office beginning at 2 pm. But, I can be available from 12-1:30 pm. If it suits you, we can do another conference call. I don't think it's necessary for you to come in, unless you would prefer an in person meeting. We'll have plenty of time in the next couple of weeks to set up an in person meeting.

Nikki

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]  
Sent: Thursday, August 20, 2015 11:26 AM  
To: Nicole Wooten  
Subject: RE: Potential Expert Witness.

I can meet with you tomorrow, Friday (August 21) afternoon. Will that work for you?

Subject: RE: Potential Expert Witness.

Thank you. I've attached the Department Determination which is our final agency decision in this matter. Also attached are the Taxpayer's protests.

After review, please let me know a convenient time us to discuss this matter.

Thanks,  
Nikki.

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]

Sent: Wednesday, August 19, 2015 7:12 PM

To: Nicole Wooten

Subject: RE: Potential Expert Witness.

Nikki,

I reviewed the Agency Information Sheet (AIS) and I am not aware of any conflict of interest.  
I am attaching a copy of my vita.

Hennie van Bulck

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]

Sent: Wednesday, August 19, 2015 3:20 PM

To: Hennie van Bulck <hennie@ftc-i.net>

Subject: RE: Potential Expert Witness.

As a follow up to our conversation, please find attached the Agency Information Sheet (AIS) filed with the Court in this case. After reviewing the AIS, please let me know if you have a conflict of interest.

Thank you,  
Nikki

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]

Sent: Wednesday, August 19, 2015 11:13 AM

To: Nicole Wooten

Subject: RE: Potential Expert Witness.

Good morning Ms. Wooten,

Thank you for contacting me. I would be happy to meet with you.

I am accredited in business valuations (ABV) by the AICPA and I have testified as an expert witness on several occasions.

You can reach me by phone at my office, 803-775-3000, on my cell phone 803-983-3773, or by email -

hennie@vabulckCPAs.com

-----Original Message-----


From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Wednesday, August 19, 2015 10:53 AM  
To: hennie@vañbulckCPAs.com  
Subject: Potential Expert Witness

Good morning,

I'm attorney with the SC Dept. of Revenue. I was referred to you by another attorney in our office, Bill Condon. Our office is potentially seeking an expert to testify on the Department's behalf in a case currently pending at the SC Administrative Law Court. The case involves sales tax and the issue relates to whether a retailer, who sells tangible personal property to customers, should remit tax based on its acquisition cost or the retail price sold to customers. We are specifically interested in someone with experience in the area of business valuations and is aware of the terms "levels of trade" or "premise of value".

If you believe you may have some expertise in these areas and would like to be retained as an expert on the Department's behalf, I'd like to speak with you at your convenience. Please do not hesitate to contact me via email or phone, listed below. I look forward to speaking with you soon.

Best,  
Nikki Wooten

 Nicole (Nikki) M. Wooten  
Counsel for Litigation  
303-898-1826  
Nicole.Wooten@dor.sc.gov

South Carolina Department of Revenue  
Office of General Counsel  
300A Outlet Pointe Blvd. (29210)  
Post Office Box 12265  
Columbia, SC 29211-9979  
www.dor.sc.gov

From: Hennie van Bulck <hennie@ftc-i.net>  
Sent: Thursday, September 03, 2015 2:06 PM  
To: Nicole Wooten  
Subject: RE: engagement letter

Ok, I'll do my best to get there on time.  
Hennie

-----Original Message-----

From: Nicole Wooten (mailto:Nicole.Wooten@dor.sc.gov)  
Sent: Thursday, September 3, 2015 1:39 PM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: engagement letter

Good afternoon Hennie,

How about 3:30? I have to leave the office at 4:30, and I want to ensure we have enough time to talk.

Thanks,  
Nikki

-----Original Message-----

From: Hennie van Bulck (mailto:hennie@ftc-i.net)  
Sent: Thursday, September 03, 2015 1:29 PM  
To: Nicole Wooten  
Subject: RE: engagement letter

Nikki,

I just left you a voice message. Can I meet with you tomorrow (Friday, 9/4) for about 30 minutes? I can get to your office between 3:30 and 4.

Hennie

-----Original Message-----

From: Nicole Wooten (mailto:Nicole.Wooten@dor.sc.gov)  
Sent: Monday, August 31, 2015 11:46 AM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: engagement letter

My apologies! They are attached now.

Thank you. I'll let opposing counsel know that time will work for us.

-----Original Message-----

Yes, I can be available that day. No documents were attached to your email, though.

Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Monday, August 31, 2015 11:38 AM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: engagement letter

Hennie,

Attached is the confidentiality agreement and engagement letter for your reference.

Opposing counsel has requested your deposition on Wednesday, October 7. Are you available to come to the Department that day?

Thanks,  
Nikki

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]  
Sent: Monday, August 24, 2015 2:57 PM  
To: Nicole Wooten  
Subject: RE: engagement letter

Good afternoon, Nikki,

I'm returning a signed copy of the engagement letter. Please let me know if you need anything else from me at this time. Will you let me know when this engagement is formally approved?

Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Monday, August 24, 2015 2:07 PM  
To: hennie@ftc-i.net  
Subject: engagement letter

Good afternoon Hennie,

It was a pleasure meeting you Friday. Attached is the revised engagement letter we discussed. If you have any questions or concerns, please let me know. If it looks ok, please sign and return to me. Looking forward to working with you.

Thank you,

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Office of General Counsel  
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From: Hennie van Bulck, <hennie@ftc-i.net>  
Sent: Thursday, September 10, 2015 8:58 AM  
To: Nicole Wooten  
Subject: RE: engagement letter

Good morning, Nikki,

Has a time been set for the deposition on the 7th? How long do you anticipate it will take?

Hennie,

-----Original Message-----

From: Nicole Wooten, [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Monday, August 31, 2015 11:38 AM  
To: Hennie van Bulck, <hennie@ftc-i.net>  
Subject: RE: engagement letter

Hennie,

Attached is the confidentiality agreement and engagement letter for your reference.

Opposing counsel has requested your deposition on Wednesday, October 7. Are you available to come to the department that day?

Thanks,  
Nikki

-----Original Message-----

From: Hennie van Bulck, [mailto:hennie@ftc-i.net]  
Sent: Monday, August 24, 2015 2:57 PM  
To: Nicole Wooten  
Subject: RE: engagement letter

Good afternoon, Nikki,

I'm returning a signed copy of the engagement letter. Please let me know if you need anything else from me at this time. Will you let me know when this engagement is formally approved?

Hennie

-----Original Message-----

From: Nicole Wooten, [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Monday, August 24, 2015 2:07 PM  
To: hennie@ftc-i.net  
Subject: engagement letter

Thank you,  
Nikki

Nicole (Nikki) M. Wooten  
Counsel for Litigation  
303-898-1826  
Nicole.Wooten@dor.sc.gov

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Office of General Counsel  
300A Outlet Pointe Blvd. (29210)  
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From: Hennie van Bulck, CPA <hennie@ftc-inet>  
Sent: Friday, September 25, 2015 4:19 PM  
To: Nicole Wooten  
Subject: Re: expert testimony

Will do. Have a great weekend!

Sent from my iPhone

> On Sep 25, 2015, at 3:07 PM, Nicole Wooten <Nicole.Wooten@dor.sc.gov> wrote:

>

> Good afternoon,

>

> I apologize for not returning your call yesterday afternoon. I've been in court all week for one case, and it just concluded this afternoon. Are you available to speak with me Monday or Tuesday of next week? In the meantime, I will be gathering the information you've requested.

>

> Thanks,

> Nikki

>

> Nicole (Nikki) M. Wooten

> Counsel for Litigation

> 803-898-1826

> Nicole.Wooten@dor.sc.gov

>

> South Carolina Department of Revenue

> Office of General Counsel

> 300A Outlet Pointe Blvd. (29210)

> Post Office Box 12265

> Columbia, SC 29211-9979

> www.dor.sc.gov

>

>

From: Hennie van Bulck <hennie@ftc.i.net>  
Sent: Monday, September 28, 2015, 11:06 AM  
To: Nicole Wooten  
Subject: RE: expert testimony

Can I call you Wednesday morning between 9:30 - 10:30?

Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Monday, September 28, 2015, 10:40 AM  
To: Hennie van Bulck <hennie@ftc.i.net>  
Subject: RE: expert testimony

Unfortunately, I'm going to be away from my desk most of the day today. I had something come up this morning. What is a good time to talk to you tomorrow or Wednesday?

Thank you again for working with us. We've just had a crazy couple of weeks with this latest case!

Nikki

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc.i.net]  
Sent: Sunday, September 27, 2015, 4:52 PM  
To: Nicole Wooten  
Subject: RE: expert testimony

Hi Nikki,

I should be available most of the time on Monday morning. I'll be traveling Tuesday, so that is a little bit more "iffy." You can call me on my cell phone 803-983-3773 and I'll answer or call you back.

Hennie,

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Friday, September 25, 2015, 3:07 PM  
To: hennie@ftc.i.net  
Subject: expert testimony

Good afternoon,

I apologize for not returning your call yesterday afternoon. I've been in court all week for one case, and it just concluded this afternoon. Are you available to speak with me Monday or Tuesday of next week? In the meantime, I will be.

Counsel for Litigation  
803-898-1826  
Nicolé.Wooten@dor.sc.gov

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Post Office Box 12265  
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From: Hennie van Bulck, CPA <hennie@ftc-llnet>  
Sent: Tuesday, September 29, 2015 1:06 PM  
To: Nicole Wooten  
Subject: Re: requested documents

Thank you!!!

Sent from my iPhone

> On Sep 29, 2015, at 12:01 PM, Nicole Wooten <Nicole.Wooten@dor.sc.gov> wrote:

>

> Hennie,

>

> Attached are the depositions that you requested. Also, I don't have the actual pages from the tax return, but I can confirm that the taxpayer lists 444110 as its business activity code. That code is for Retail Sales/Services.

>

> Please let me know if I've left anything out.

>

> Thanks,

> Nikki

>

> Nicole (Nikki) M. Wooten

> Counsel for Litigation

> 803-898-1826

> Nicole.Wooten@dor.sc.gov

>

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> Office of General Counsel

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>

>

> <30(b)(6).Craig Price.pdf>

> <John McCormack.pdf>

> <Paulette Crawford.pdf>

From: Hennie van Bülck, CPA <hennie@ftc.kinet>  
Sent: Monday, October 05, 2015 7:21 AM  
To: Nicole Wooten  
Subject: Re: Deposition on Wednesday

Nikki,

I am at Litchfield Beach. The roads out of here are closed. It also appears that all roads into Sumter are either closed or washed out.

At this time, I do not know when I will be able to go home. Can you reschedule the deposition?

I hope you are safe in Columbia. From what I hear and see, Sumter is a disaster.

Be safe!

Hennie

Sent from my iPhone

> On Oct 2, 2015, at 1:18 PM, Nicole Wooten <Nicole.Wooten@dor.sc.gov> wrote:

> Good afternoon Hennie,

> Opposing counsel from Lowe's has requested that we start the deposition at 9 am or 9:30 am (instead of 11am). Are you available to be here at that time?

>

> Thanks,

> Nikki

>

> Nicole (Nikki) M. Wooten

> Counsel for Litigation

> 803-898-1826

> Nicole.Wooten@dor.sc.gov

>

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> Office of General Counsel

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>

>

>

From: Nikki Wooten <nikkiwooten@gmail.com>  
Sent: Wednesday, October 07, 2015 9:19 AM  
To: Nicole Wooten  
Subject: Fwd: Deposition

----- Forwarded message -----

From: Ken Smith <eksmith@jonesday.com>  
Date: Wed, Oct 7, 2015 at 9:06 AM  
Subject: Deposition  
To: Nikki Wooten <nikkiwooten@gmail.com>

Nikki:

Are you out of harm's way? Please let me know if everything is OK.

Also, please let me know what day next week will work for the rescheduled deposition, so that I can make appropriate arrangements. As of today, next Tuesday (the 13th) will work best for me, if that works for you and Dr. Van Bulck.

Thanks.

E. Kendrick Smith(bio) <<http://www.jonesday.com/eksmith/>>  
Partner  
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Office: 404.581.8343  
Cell: 404.376.4501  
Email: [eksmith@jonesday.com](mailto:eksmith@jonesday.com)

0994

From: Ken Smith/JonesDay  
To: Nikki Wooten <nikkiwooten@gmail.com>  
Cc: Becky B Cox/JonesDay@JonesDay  
Date: 10/05/2015 04:30 PM  
Subject: Re: Fwd: Deposition

E. Kendrick Smith(bio) <<http://www.jonesday.com/eksmith/>>  
Partner  
JONES DAY<sup>®</sup> - One Firm Worldwide<sup>SM</sup> <<http://www.jonesday.com/>>  
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Suite 800  
Atlanta, Georgia 30309-3053  
Office: 404.581.8343  
Cell: 404.376.4501  
Email: [eksmith@jonesday.com](mailto:eksmith@jonesday.com)

From: Nikki Wooten <[nikkiwooten@gmail.com](mailto:nikkiwooten@gmail.com)>  
To: "eksmith@jonesday.com" <[eksmith@jonesday.com](mailto:eksmith@jonesday.com)>;  
Date: 10/05/2015 04:26 PM  
Subject: Fwd: Deposition

---

Ken,

I just received a response from Hennie, please see below. I think it's best for us to reschedule for sometime next week. Once I'm back in the office, I will coordinate a date and time to suit everyone.

Thank you for accommodating us.

Nikki

----- Forwarded message -----

From: Hennie van Bulck, CPA <[hennie@ftc-i.net](mailto:hennie@ftc-i.net)>  
Date: Mon, Oct 5, 2015 at 4:18 PM  
Subject: Re: Deposition  
To: Nikki Wooten <[nikkiwooten@gmail.com](mailto:nikkiwooten@gmail.com)> <<mailto:nikkiwooten@gmail.com>>>

Hi Nikki,

I don't know if you got my email from yesterday

what my schedule looks like for the rest of the week:

I hope you were dry and safe,  
Hennie

Sent from my iPhone

> On Oct 5, 2015, at 3:11 PM, Nikki Wooten <nikkiwooten@gmail.com> <mailto:nikkiwooten@gmail.com> wrote:  
>  
> Hi Hennie,  
>  
> I hope you are ok and surviving this awful weather.  
>  
> Because of the weather and office closings, Opposing counsel has graciously agreed to postpone the deposition.  
>  
> Are you available this Thursday? If not, what availability do you have next week?  
>  
> Please reply to this email as I do not have access to my work email account while I am out of the office.  
>  
> Thanks,  
> Nikki Wooten  
>  
> Sent from my iPhone  
>

=====

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=====

From: Hennie van Bulck <hennie@ftc-i.net>  
Sent: Wednesday, October 07, 2015 11:08 AM  
To: Nicole Wooten  
Subject: RE: deposition

Good morning, Nikki,

Yes, that will work for me. Should we still talk?

Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Wednesday, October 7, 2015 9:35 AM  
To: hennie@ftc-i.net  
Subject: deposition

Good morning, Hennie,

I'm glad that you were able to make it back to Sumter last night.

Lowé's counsel would like to hold the deposition on Tuesday, October 13 at 10:30 a.m. Please let me know if this time is suitable for you. I've attached Lowé's expert's report for your review and consideration.

Also, when you get in and get settled, please give me a call today.

Thanks,  
Nikki

Nicole (Nikki) M. Wooten  
Counsel for Litigation  
303-898-1826  
Nicole.Wooten@dor.sc.gov

South Carolina Department of Revenue  
Office of General Counsel  
300A Outlet Pointe Blvd. (29210)  
Post Office Box 12265  
Columbia, SC 29211-9979  
www.dor.sc.gov

From: Hennie van Bulck <hennie@ftc-i.net>  
Sent: Friday, October 09, 2015 1:18 PM  
To: Nicole Wooten  
Subject: RE: Decisions  
Attachments: 10;.pdf; 8;.pdf; 7;.pdf

Nikki,

Attached are the additional documents you asked for.  
I'll bring my entire file Monday. If you are missing anything, we can make copies at that time.  
Have a great weekend!  
Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Thursday, October 8, 2015 1:33 PM  
To: Hennie van Bulck <hennie@ftc-i.net>  
Subject: RE: Decisions

Hennie,

Yes, I received the document and was able to access it. Thank you, I will forward to Lowe's counsel for review.

Thanks again,  
Nikki

-----Original Message-----

From: Hennie van Bulck [mailto:hennie@ftc-i.net]  
Sent: Thursday, October 08, 2015 12:46 PM  
To: Nicole Wooten  
Subject: RE: Decisions

Nikki,

Attached is the report and information you asked for yesterday. The file is PW protected.  
The PW is the docket number including the hyphens.  
Please acknowledge receipt and your ability to open the file with a quick email reply.  
Thanks!  
Hennie

-----Original Message-----

From: Nicole Wooten [mailto:Nicole.Wooten@dor.sc.gov]  
Sent: Wednesday, October 7, 2015 2:52 PM  
To: hennie@ftc-i.net  
Subject: Decisions

Mikki

Nicole (Mikki) M. Wooten  
Counsel for Litigation  
803-898-1826  
Nicole.Wooten@dor.sc.gov

South Carolina Department of Revenue  
Office of General Counsel  
300A Outlet Pointe Blvd. (29210)  
Post Office Box 12265  
Columbia, SC 29211-9979  
www.dor.sc.gov



## Documents Consulted

1. Correspondence and emails with SCDR
2. Engagement documents.
  - a. Notice of Deposition dated September 2, 2015.
  - b. Engagement Letter dated August 24, 2015.
  - c. Confidentiality Agreement dated August 21, 2015
3. Case background and parties involved
  - a. Email from Ken Smith RE Mr. Crider - Court Cases Log dated August 17, 2015.
  - b. Agency Information Sheet and Notice of Appearance dated December 12, 2014.
  - c. Request for Contested Case Hearing Form dated November 21, 2014
  - d. Department Determination Letter dated October 24, 2014.
  - e. Supplement to Protest Of Proposed Assessment dated August 2, 2013.
  - f. Protest Of Proposed Assessment dated December 21, 2012
  - g. Crider, Bouye, Elliott & Goodwin LLC website
  - h. Jones Day website
4. SC Sales Tax Law and Regulations.
  - a. Regulation 117-309-17
  - b. South Carolina Sales Tax Manual Chapter 16
  - c. SC Code Regs. 117-314 Construction
  - d. SC Code Regs. 117-324 Dual Business
  - e. SC Code SECTION 12-36-90 "Gross proceeds of sales"
  - f. SC Code SECTION 12-36-110 Sale at retail; retail sale.
  - g. SC Code SECTION 12-36-910.
  - h. Board Of Tax Appeals State of Kansas Docket No. 2014-34-DT dated June 29, 2015.
  - i. 253 SC 14 Supreme Court of South Carolina Colonial Stores, Incorporated vs. South Carolina Tax Commission dated 30, 1969
5. Depositions.
  - a. Charles Crider dated October 1, 2015
  - b. John P. McCormack dated June 30, 2015
  - c. Craig Price dated July 21, 2015
  - d. Paulette Crawford dated June 30, 2015
6. Subject company information.
  - a. Lowe's Companies, Inc. 2014 Annual Report
  - b. Lowe's Companies, Inc. US SEC Form 10-K for the fiscal year ended January 30, 2015
  - c. Summary financial information (source: finance.yahoo.com)
7. Industry information
  - a. NAISC Codes
  - b. US Census Industry Snapshot (SC)
  - c. US Census 2013 County Business Patterns (NAICS)
  - d. Pulte Homes (web-site pages)
8. Valuation standards
  - a. Uniform Standards of Professional Appraisal Practice (2014-2015 Edition)
  - b. AICPA Statement on Standards for Valuation Services No 1
  - c. IRS Revenue Ruling 59-60

- o Equipment Appraisals: What's so Fair about Their Market Value (Norcal Valuation)
- o Standard Measures of Value: Tangible Personal Property Appraisal Guidelines (Florida Department of revenue)
- o 19 CFR 351.412-7: Levels of Trade; Adjustments for the Difference in Level of Trade; Constructed Export Price Offset.
- o Summary of statement number 157: Fair Value Measurements (FASB)
- o Property Tax Rule 10: Trade Level for Tangible Personal Property - Issue Paper Number 99-050 State of California Board of Equalization

234 Haynsworth Street (residence),	Place of Birth: Beek en Donk, The Netherlands
P. O. Box 1327 (mail)	Date of Birth: December 13, 1950
Sumter, South Carolina 29151-1327	Citizenship: United States - August 28, 1987
Telephone: Home (803) 778-1315	(born with dual-status Dutch/Belgian citizenship)
Office (803) 938-3895	
Fax (803) 773-9339	
E-mail: hennie@vanbulckCPAs.com	

---

## ACADEMIC DEGREES

- 1979 Doctor of Philosophy in Business Administration, Major field: International Business and Marketing (University of Georgia.) Dissertation: *Global Orientation: As a Determinant in International Marketing Decision Making.*
- 1974 Master's Degree in Business Administration (University of Georgia.)
- 1972 Undergraduate degree from the Netherlands Institute for International Business (Cum Laude, N.O.I.B. - Nijenrode, Breukeleën, The Netherlands.)

## PROFESSIONAL CERTIFICATIONS

- 2012 Chartered Global Management Accountant (American Institute of Certified Public Accountants.)
- 2011 SC Producer License for Life, Variable Contracts and Accident/Health (License No. 402743.)
- 2010 South Carolina Producer's Life and Health Insurance Examination (South Carolina Department of Insurance.)
- 2010 Series 63: Uniform Securities Agent State Law Examination (Financial Industry Regulatory Authority.)
- 2010 Series 6: Investment Company Products/Variable Contracts Representative Exam (Financial Industry Regulatory Authority.)
- 2000 Accredited in Business Valuation (American Institute of Certified Public Accountants.)
- 2000 Certificate of Educational Achievement in Advanced Business Valuation (American Institute of Certified Public Accountants.)
- 1999 Certificate of Educational Achievement in Business Valuation (American Institute of Certified Public Accountants.)

Associate Professor of Business Administration, University of South Carolina, Sumter, South Carolina (2012 - present).

Financial Advisor, H.D. Vest Financial Services, 2010 - Present.

Assistant Professor of Business Administration, University of South Carolina, Sumter, South Carolina, 2006 - present.

Member, Van Bulck & Company, CPAs, LLC, Sumter, South Carolina, 1989 - Present.

Partner, West & Van Bulck, CPAs, Sumter, South Carolina, 1985 - 1988.

Staff Accountant, L. Allen West, CPA, Sumter, South Carolina, 1983 - 1985.

Associate Professor of Business Administration and Chairman of the Department of Business Administration and Economics, St. Andrews Presbyterian College, Laurinburg, North Carolina, 1980 - 1983.

Assistant Professor of Marketing, Clemson University, Clemson, South Carolina, 1977 - 1980.

Full-time Faculty Member of Business Administration and Economics, University of South Carolina, Sumter, South Carolina, 1975 - 1977.

Graduate Teaching Assistant in Management, University of Georgia, Athens, Georgia, 1975.

Graduate Research Assistant in Marketing Research, University of Georgia, Athens, Georgia, 1973 - 1974.

Internship, van Doorne's Automobiel Fabrieken (DAF) - Dutch Automobile Manufacturer, Eindhoven, The Netherlands, 1971, 1970.

Assistant - Miscellaneous activities, Van Bulck's Cellulose-Producten, Beek en Donk, The Netherlands, (1968 - 1970).

## PROFESSIONAL ACTIVITIES

Admitted to the Court as Expert Witness (Business valuations, taxation, and matrimonial matters):

- Cynthia D. Eldridge vs. Ronald G. Eldridge, Jr., Court of Common Pleas, Third Judicial Circuit 2000-DR-43-1259 (March 12, 2002)
- Lawson H. Barr v. Jackie W. Barr, Family Court of the Fifth Judicial Circuit 2005-DR-2949 (June 6, 2006)
- Kenneth B. Faddy, Jr. vs. ...

- Sarah A. Law vs. Randy Law, Family Court of the Third Judicial Circuit, Case No. 08-419 (October 8, 2008).

**Court-Appointed Expert Witness** (Business valuations, taxation, and matrimonial matters):

- Patricia Coughlin (plaintiff) versus Johannes Mol (defendant). RE: Vermont Superior Court, Family Division, Docket No. 96-3-08 Wnfa

**Professional Memberships**

- Member, American Institute of Certified Public Accountants.
- Member, South Carolina Association of Certified Public Accountants.
- Member, Business Valuation & Forensic and Litigation Services Task Force; 2001-2006; 2007 - 2013
- Chair, Business Valuation & Forensic and Litigation Services Task Force, 2012-
- Member, Behavioral Standards Committee; 2010 - 2012.
- Member, Georgia Society of Certified Public Accountants.
- Member, Physician's Viewpoint Network; (1996 - current); Chairman, Statistical Section; (2003-2004.)
- Member, Medical Group Management Association; (1996 - current).
- Member, South Carolina Tax Council; 2006, - current
- Member, University of South Carolina - Sumter Associates.
- Member, Central Carolina Technical College - Accounting Advisory Committee.
- President, Sumter Estate Planning Council, 1985 - 1986; Vice-President, 1984 - 1985.
- Chairman, Mid Atlantic Marketing Association, 1979 - 1980.
- Chairman, Annual Conference of the Mid Atlantic Marketing Association, 1980.

**PUBLICATIONS, CONTRIBUTIONS, AND RESEARCH**

Editor of the *Journal of Marketing Perspectives*, Academy of Business Research. This new journal has been vetted and approved by Cabell. (2013.)

Published and presented 88 scholarly and professional manuscripts and presentations in the fields of finance and accounting, business management, and marketing, including:

- 8 Refereed Academic Journal Articles
- 23 Manuscripts in Refereed Proceedings
- 18 Professional Journal Articles
- 2 Academic Panel Discussion and Presentations
- 37 Professional Presentations and Other Publications

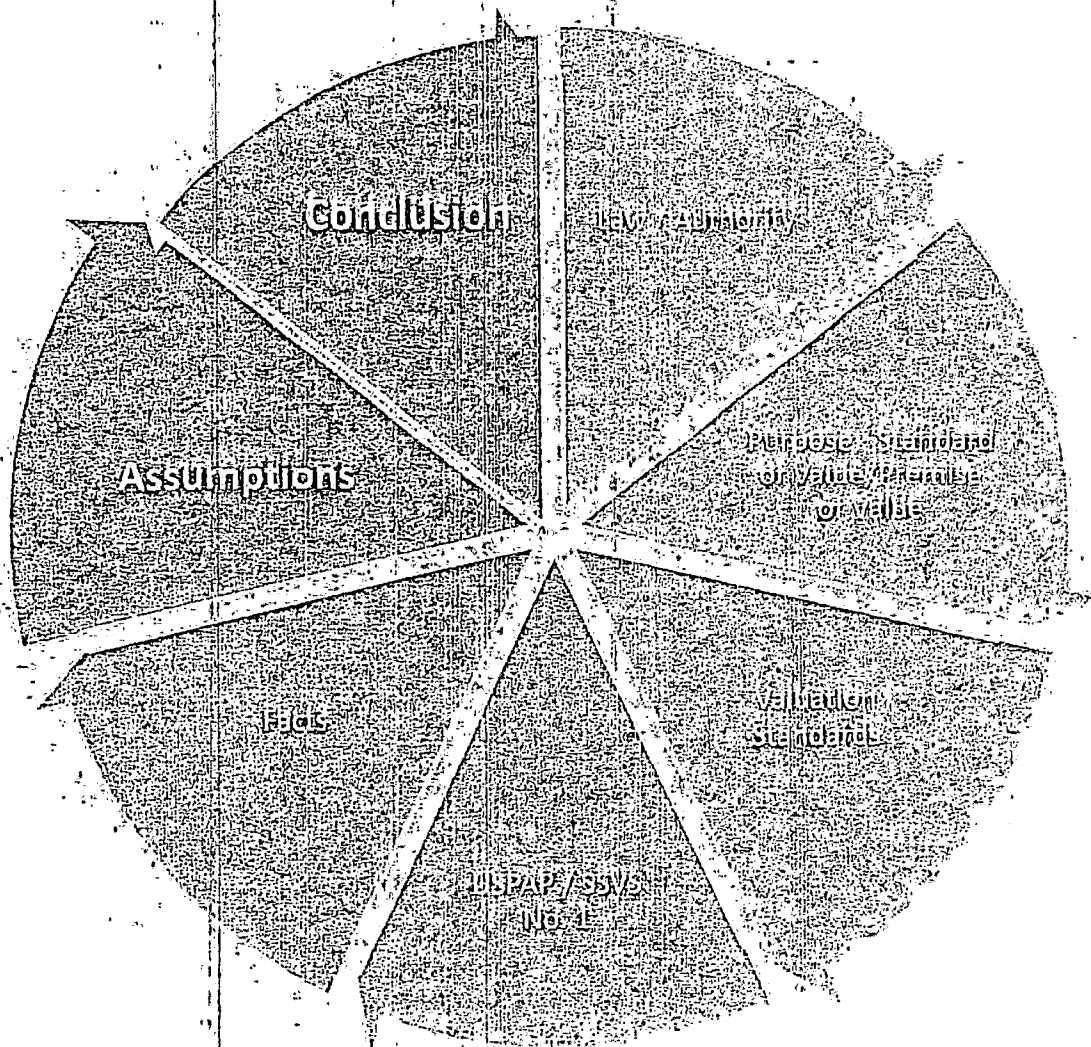
Validation Encumbrances

Year	Individual	Entity Type	Purpose	Document	Responsibility	Client	Court Admitted
	Real Estate Liquor	Partnership	Estate	Written report	Responsible	Pottery Liquor, Est. Doring Neal	
	Construction Co	C-corporation	Estate	Written report	Responsible	Neal Bros Builders, Est. Doring Neal	
	Prof. corporation	Corporation	Div. & Sep.	Financial Declaration	Responsible	Hodge Propan	
	Prof. corporation	S-Corporation	Div. & Sep.	Financial Declaration	Responsible	ApprAssoc	
1994	Real Est. Investm	S-Corporation	Div. & Sep.	Financial Declaration	Responsible	Hodge Inv.	
1995	Funeral home	S-Corporation	Gift & Estate	Written report	Responsible	Palmer Mem	
	Real estate holding	Corporation	Gift & Estate	Written report	Responsible	Palmer/Buena Vista	
	Medical practice	Corporation	Buy-out	Agreed-upon procedures	Responsible	CarAnesth/Henrich	
	Restaurant	Corporation	Sale	Agreed-upon procedures	Responsible	Colas Rest.	
96	Medical practice	Corporation	Buy-in	Agreed-upon procedures	Responsible	CarAnesth/Levy	
97	Construction	Corporation	Gift & Estate	Written report	Responsible	Neal Bros	
98	FLP/Innov/RE	FLP	Gift & Estate	Written report	Responsible	Creach Fam LP	
99	Retail-liquor store	Partnership	Gift & Estate	Written report	Responsible	Rocata	
	Banking	Corporation	Gift & Estate	Written report	Co-responsibility	Est G. Stokes/Bk Clarison	
	R.E. Timmer	S-Corporation	Gift & Estate	Written report	Responsible	Est G. Stokes/Franjo	
	Retail - hardware	Corporation	Gift & Estate	Written report	Co-responsibility	Simp Plaza Hdw	
	Retail - hardware	Corporation	Gift & Estate	Written report	Co-responsibility	Simp Manning Hdw	
00	Prof. corporation	S-Corporation	Buy-out	Written report	Responsible	Realty World	
	Motel, rest, lounge	S-Corporation	Sale	Agreed-upon procedures	Responsible	Eico	
	Medical practice	Corporation	Div. & Sep.	Agreed-upon procedures	Responsible	CarAnesth-Davis	
	Retail-automotive	Corporation	Gift & Estate	Written report	Responsible	OJ Hallman	
	Automotive repair	Corporation	Gift & Estate	Written report	Responsible	OJ Hallman	
	Concrete products	Corporation	Purchase	Agreed-upon procedures	Responsible	Unicon Concrete	
	Retail-gift shop	S-Corporation	Purchase	Agreed-upon procedures	Responsible	Burns Guit	
	Prof. corporation	Corporation	Div. & Sep.	Financial Declaration	Responsible	Hodge Propan	
	Prof. corporation	S-Corporation	Div. & Sep.	Financial Declaration	Responsible	ApprAssoc	
	Real Est. Investm	S-Corporation	Div. & Sep.	Financial Declaration	Responsible	Hodge Inv.	
01	Lounge	Sole Prop.	Div. & Sep.	Consultant	Tecumary	Cynthia D. Eldridge vs Ronald G. Eldridge	
02	Franchise (Cafe)	N/A	Investment	Consultant	Responsible	# 99 Greg Cox	
03	Investment Club	Partnership	Estate	Summary Letter	Responsible	By-Lp Investment Club	
04	Cosmetics	Corporation	Sale	Summary Letter	Responsible	A Cut Above, Inc.	
05	Investments	L Partnership	Gift & Estate	Written report	Responsible	# 012 McDonald Investments, LP	
	Medical practice	Corporation	Partial Buy-out	Agreed-upon procedures	Responsible	CarAnesth-Anderson	
	DME - retail	S-Corporation	Partial Buy-out	Agreed-upon procedures	Responsible	Moore, Small, Wilson, DWE, Inc.	
	Electrical Contractor	Corporation	Partial Buy-out	Written report	Responsible	Mills Electric Company, Inc	
	Retail-Liquor	S-Corporation	Div. & Sep.	Summary Letter	Responsible	Palmetto Party Shop, Inc.	
06	Manufacturers Rep	S-Corporation	Div. & Sep.	Summary Letter	Responsible	Lawson H. Barr v Jackie W. Barr, Family Co	
	Investments	L Partnership	Gift & Estate	Written report	Responsible	Fifth Judicial Circuit 2005-DR-2949	
						Lawson H. Barr v Jackie W. Barr, Family Co	
						Fifth Judicial Circuit 2005-DR-2949	
						C. M. Allen Company, Inc.	
						# 496 McDonald Investments, LP	

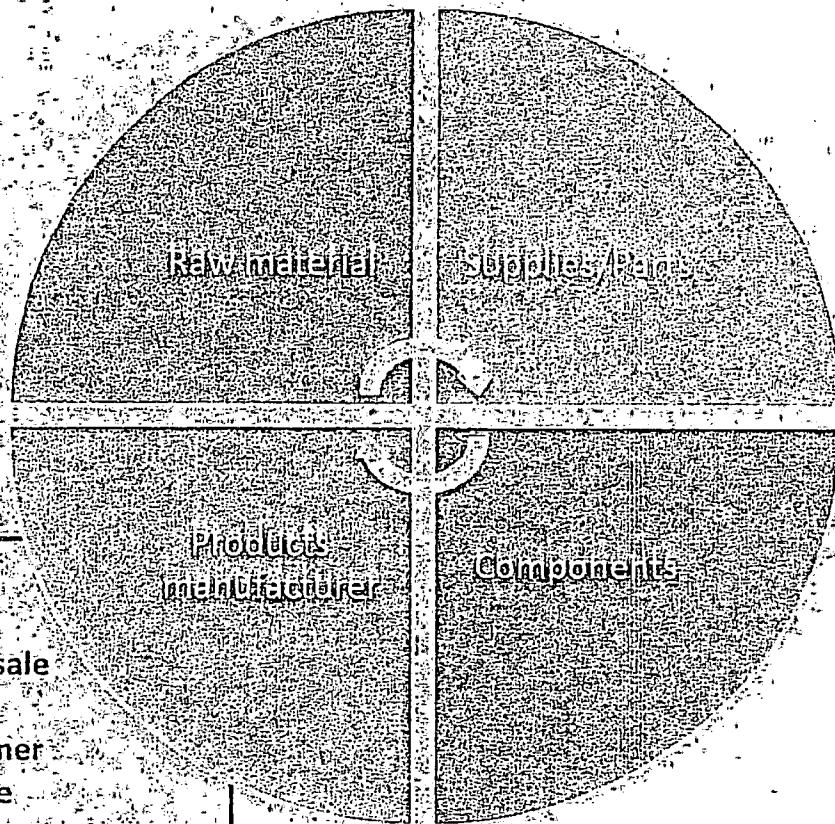
Valuation Engagements

	<u>Industry</u>	<u>Entity Type</u>	<u>Purpose</u>	<u>Document</u>	<u>Responsibility</u>	<u>Client</u>	<u>Court Admitted</u>
2007	Real Estate	S-Corporation	Sale of business	Written report	Responsible	# 189 - A-1 Storage, Inc.	
07	Non-Profit RE	FLP	Gift to Estate	Written report	Responsible	Marion Moore FLP	
	Medical practice	Corporation	Partial buy-out	Calculation	Responsible	Carl Anesth-Ankerson buyout	
	Medical practice	Corporation	Partial buy-out	Calculation	Responsible	Carl Anesth-Davis buyout	
09	Real Est. Investm.	Partnership	Estate	Written report	Responsible	Kel-Sam Farms	
08	Real Est. Investm.	Partnership	Estate	Written report	Responsible	Holland Properties	
08	Real Est. Investm.	Partnership	Estate	Written report	Responsible	Rutland FLP	
2009	Electrical Contrac.	Corporation	Div. & Sep.	Calculation	Responsible	Mils Electric Company, Inc	Rennett B. Eddy, Jr. vs Laydine M. Eod County Family Court 2004-OR-31-07 Family Court of the Third Judicial Circuit 419
09	Individual	Corporation	Div. & Sep.	Tax Calculation	Responsible	Susan A. Law vs Randy, Esq.	
003	Real Est. Investm.	Partnership	Estate	Written report	Responsible	Holland Properties	
1	Retail & Housing Co	Corporation	Div. & Sep.	Written report	Responsible	Paradisé Regainado BV	
10	Pension plan	Individual	Div. & Sep.	Memoirandum	Responsible	Patricia Coughlin (plaintiff)	Patricia Coughlin (plaintiff) versus Johann (defendant) RE: Vermont Superior Court, Division, Docket No: 99-3-08 Wife
	Pension plan	Individual	Div. & Sep.	Memoirandum	Responsible	Patricia Coughlin (plaintiff)	Patricia Coughlin (plaintiff) versus Johann (defendant) RE: Vermont Superior Court, Division, Docket No: 99-3-08 Wife
	Real Estate Interest retirement	Estate	Estate	Written estimate	Responsible	Susan A. Fletcher and John L. Schreyer, Plaintiffs	Susan A. Fletcher and John L. Schreyer, Cheryl Schreyer, individually, and Cheryl Personal Representative of the Estate of Schreyer, Defendant, Case Number: 201*
01	Water & Sewer	Water District	Estate	Written estimate	Responsible	Caringo Mobile Home Park	Probate Court, Estate of Eloise H. Sc. Mobile Home Park Case Number: 20 Creditor High Hills Rural Water Company Deposition
012	Retail	Corporation	Div. & Sep.	Calculation	Responsible	McLaughlin vs. McLaughlin	
014	Agriculture	Corporation	Gift and Estate	Calculation	Responsible	Glen M. Benson Farms	
2013	Retail	LLC	Buy/Sell	Calculation	Responsible	B-J's Health Food Store, LLC	

# Valuation Process



# Levels of Trade



- Products – Wholesale
- Products – Retail
- Products – Consumer
- Products – Salvage



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE

300A Outlet Pointe Blvd., Columbia, South Carolina 29210  
P.O. Box 12265, Columbia, South Carolina 29211-9979

August 24, 2015

Hendrikus E.J.M.L. van Bulck  
Van Bulck and Company, CPAs, LLC  
P.O. Box 1327  
Sumter, SC 29150

Re: Lowe's Home Centers, LLC v. South Carolina Department of Revenue  
Docket No. 14-ALJ-17-0552-CC

Dear Mr. van Bulck:

Please consider this correspondence as a letter of engagement for your services as a potential expert witness. The terms of such engagement are as follows:

1. At the request of the Department, you will gather facts, documents, and other evidence related to the retail and/or installed sales transactions of Lowe's Home Centers, LLC (Taxpayer) and related matters.
2. At this time, the Department does not anticipate requesting you to prepare reports concerning the facts, documents, and other evidence you have gathered with regard to the matters referenced in No. 1.
3. At the request of the Department, you will provide trial testimony concerning any facts, documents, or other evidence you have gathered with regard to the transactions of the Taxpayer and related matters.
4. The Department agrees to compensate you for your services at the rate of \$160.00 per hour for all services provided herein except as noted below, payable within thirty days from each billing cycle after the execution of this Agreement. In addition, you shall be paid an hourly fee of \$200.00 per hour for testimony in any deposition or tribunal. Further, the Department will pay for all expenses related to the services of the Expert Witness, provided, however, any such Expert Witness must notify the Department in advance of incurring any expenses other than for travel, copies, telephone, fax or courier or mailing expenses - all such ordinary expenses will be either paid for in advance or reimbursement will be timely made to the Expert Witness.
5. Unless later determined by the Department, the billing cycle consists of two installments. The first billing cycle includes all services leading up to and including any depositions given in this matter. The second billing cycle

Mr. van Bulck  
August 24, 2015  
Page Two

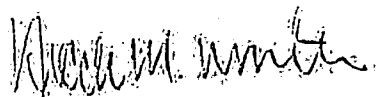
includes all services leading up to and including testimony in the scheduled trial of this matter before the Administrative Law Court. All bills submitted by you to the Department will be itemized.

- 6. You agree not to bill the Department for any time expended discussing the terms of this Agreement or expended preparing your itemized bill.

Please contact me should you have any questions. Otherwise, kindly acknowledge your consent by signing below and returning this letter to me, along with a signed copy of the enclosed Confidentiality Agreement.

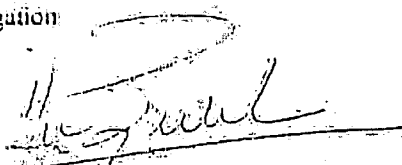
Best,

OFFICE OF GENERAL COUNSEL FOR LITIGATION



Nicole M. Wooten  
Counsel for Litigation

Enclosure



I Consent

Echdikus E.J.M.L. van Bulck

INTRODUCTION

The undersigned has been retained by the South Carolina Department of Revenue (hereinafter referred to as the Department) as an expert to assist in a matter concerning the tax liability of Lowe's Home Centers, LLC. As a result, the undersigned may review or come into contact with confidential or sensitive information maintained in the Department's files.

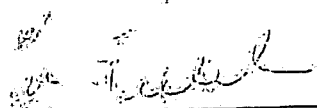
In recognition of the confidential nature of this information, the undersigned agrees to be bound by the following terms unless such terms are otherwise waived in writing by the Department at a later date:

TERMS OF AGREEMENT

1. Subject to all subsequent paragraphs of this Agreement and the secrecy provisions of the South Carolina Code of Laws, the undersigned agrees to hold confidential all information received by him concerning Lowe's Home Centers, LLC, which is not independently or publicly available. He further agrees to restrict access to all confidential information, subject to the paragraphs below, to persons who are required by their duties on behalf of the undersigned to be privy to such knowledge.
2. All information shall be used by the undersigned solely for the purpose of rendering professional services to the Department in regard to the tax liability of Lowe's Home Centers, LLC.
3. Except with the prior written consent of Lowe's Home Centers, LLC, no confidential information may be disclosed by the undersigned to any person other than:
  - a. Counsel for Lowe's Home Centers, LLC and the Department;

- b. Secretaries, legal assistants, and other employees of the undersigned, or of the Department who are actively engaged in assisting counsel in this matter;
- c. Other consultants and experts engaged in this matter who have a bona fide need for the confidential information in order to perform their duties and who have also executed a similar confidentiality agreement;
- d. The courts (including the Administrative Law Court) and all necessary court personnel;
- e. Persons subpoenaed or noticed for depositions or formally designated as "hearing trial" witnesses in this action and their counsel to the extent necessary for the witnesses' preparation for testimony.

f. South Carolina Law governs the provisions of this Agreement.


---

 Nicholas B. Van Bulck  
 Van Bulck and Company, CPAs, LLC

Subscribed to and sworn before  
 me this 24 day of April, 2015.  


---

 Notary Public for \_\_\_\_\_  
 My Commission Expires \_\_\_\_\_

Sent: E. Kendrick Smith <eksmith@jonesday.com>  
Monday, August 17, 2015 6:43 PM  
To: Nicole Wooten  
Cc: Elaine Rogers Walsh; John M Allan; Mace E Gunter  
Subject: Re: Lowe's v. SCBOR; Docket No. 14-0552  
Attachments: Court Cases Log.pdf; Chuck-CV2015\_REVISED\_.pdf

Nikki:

Mr Crider is a professional appraiser and recognized expert in the Uniform Standards of Professional Appraisal Procedures (USPAP). He plans to provide expert testimony as to the generally understood meaning of the term "fair market value" as applied to inventory held by a retailer for resale or for use by the retailer:

Among other things, Mr. Crider is expected to testify that, under generally accepted appraisal principles, the term "fair market value" as applied to warehoused inventory possessed by a retailer for resale means the value the personal property would bring at an arm's length, bona fide sale conducted at the same level of trade as the retailer (between retailers at the wholesale level). Moreover, valuing such retail merchandise at the retail level of trade, the prices at which the individual items within the inventory might eventually sell on a piecemeal basis to numerous customers over an extended period of time, would be inconsistent with generally accepted appraisal principles and would grossly overstate the fair market value of the inventory in the possession of the retailer.

Mr. Crider's resume and list of court cases is attached.

E. Kendrick Smith (bio) <<http://www.jonesday.com/eksmith/>>  
Partner  
JONES DAY® - One Firm Worldwide™ <<http://www.jonesday.com/>>  
1420 Peachtree Street, N.E.  
Suite 800  
Atlanta, Georgia 30309-3053  
Office: 404.581.8343  
Cell: 404.376.4501  
Email: [eksmith@jonesday.com](mailto:eksmith@jonesday.com)

From: Nicole Wooten <Nicole.Wooten@dor.sc.gov>  
To: "eksmith@jonesday.com" <eksmith@jonesday.com>  
Cc: John M Allan <jmallan@JonesDay.com>; Elaine Rogers Walsh <erogerswalsh@JonesDay.com>  
Date: 08/17/2015 03:14 PM

Mr. Smith,

Please see attached letter regarding the above case. A hard copy of the letter has also been mailed to you. If you have any questions or concerns, it can be available today or tomorrow to discuss.

Thanks,  
Nikki

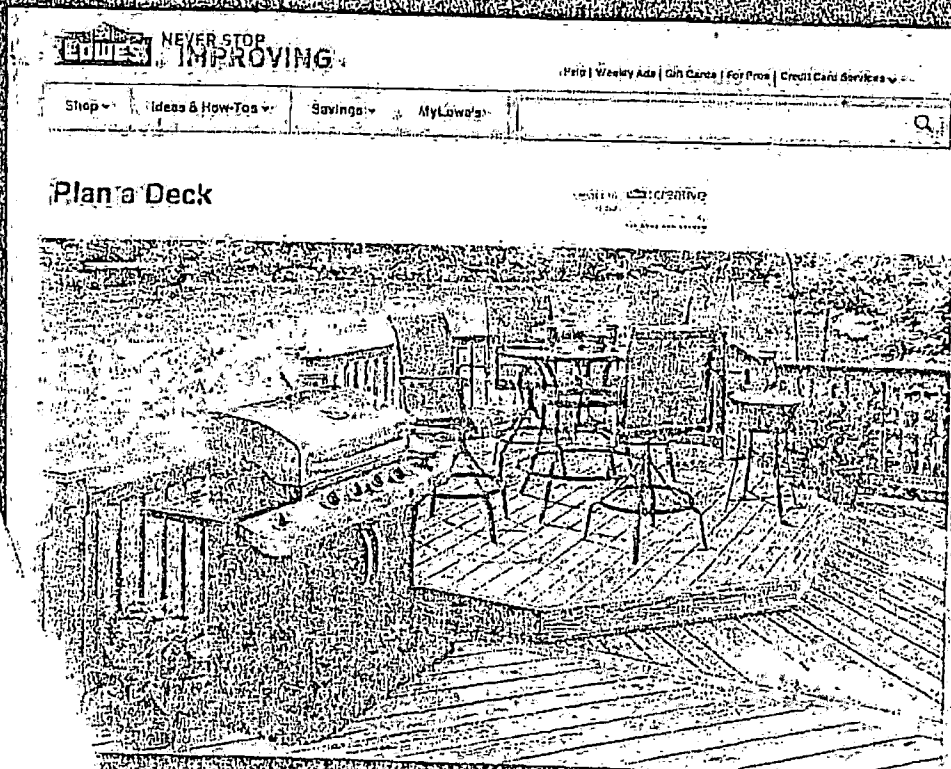
Nicole (Nikki) M. Wooten  
Counsel for Litigation  
203-398-1826  
nicole.Wooten@dor.sc.gov

South Carolina Department of Revenue  
Office of General Counsel  
300A Outlet Pointe Blvd. (29210)  
Post Office Box 12265  
Columbia, SC 29211-9979  
www.dor.sc.gov

[attachment "3.17.15 Letter.pdf" deleted by Ken Smith/JonesDay]

=====  
This e-mail (including any attachments) may contain information that is private, confidential, or protected by attorney-client or other privilege. If you received this e-mail in error, please delete it from your system without copying it and notify sender by reply e-mail, so that our records can be corrected.  
=====

**LOWES** NEVER STOP IMPROVING  
2007 ANNUAL REPORT



LOWE'S COMPANIES, INC. (NYSE: LOW) HAS A FORTUNE 500 HOME IMPROVEMENT COMPANY SERVING APPROXIMATELY 30 MILLION CUSTOMERS A WEEK IN THE UNITED STATES, CANADA, AND MEXICO THROUGH ITS STORES AND ONLINE AT LOWES.COM, LOWES.CO.UK AND LOWES.COM.MX WITH FISCAL YEAR 2017 SALES OF \$56.2 BILLION. LOWE'S HAS 1,840 HOME IMPROVEMENT AND HARDWARE STORES AND MORE THAN 28,000 EMPLOYEES. FOUNDED IN 1976 AND BASED IN MOOREVILLE, NC, LOWE'S IS THE SECOND LARGEST HOME IMPROVEMENT RETAILER IN THE WORLD.





At Lowe's, we know that home improvement fulfills an emotional need for customers and their families. Our focus is much deeper than just selling products; customers can get products anywhere. We help people love where they live. In fact, we've been doing that since this company was founded in 1946.

We provide not only the products, but also the services, information and advice to help people improve their homes. With a focus on customer service and high expectations, we are distinguished from a simple home improvement store. We provide a wide range of services and products to help our customers improve their homes. We provide a wide range of services and products to help our customers improve their homes.

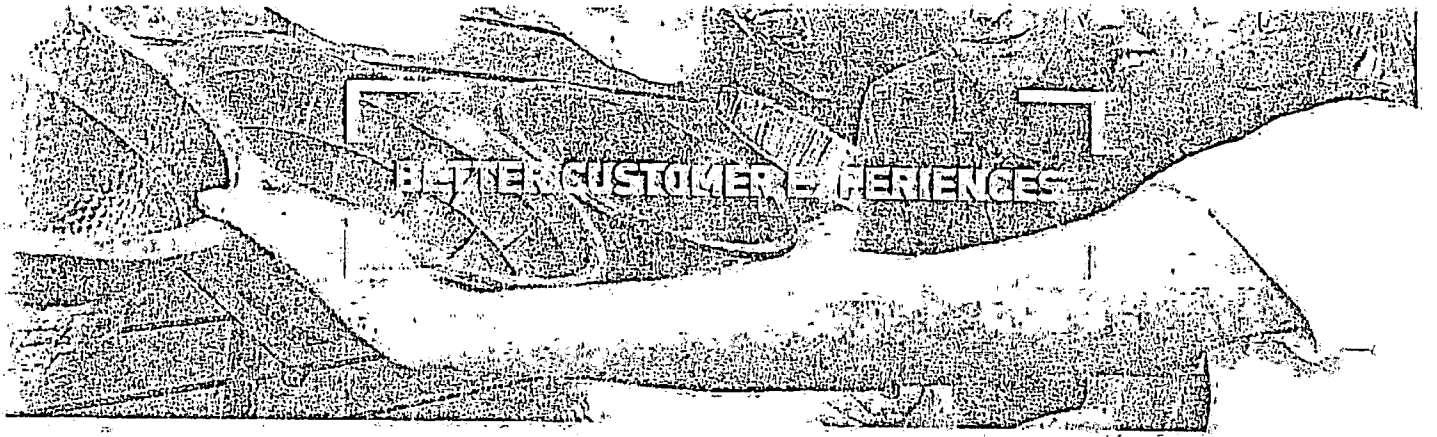
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Our goal is to improve our design capabilities to better serve our customers, such as the redesign of our website. We are also investing in our technology to improve our customer experience and to better serve our customers. We are also investing in our technology to improve our customer experience and to better serve our customers.

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In addition, the housing market and broader economic recovery is strengthening our business transformation and financial performance. As a result, we continue to generate solid cash flow and have excellent opportunities for long-term growth.

Our solid financial performance and strong operating performance over the last several years. We are also investing in our technology to improve our customer experience and to better serve our customers. We are also investing in our technology to improve our customer experience and to better serve our customers.

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Robert A. D'Elia

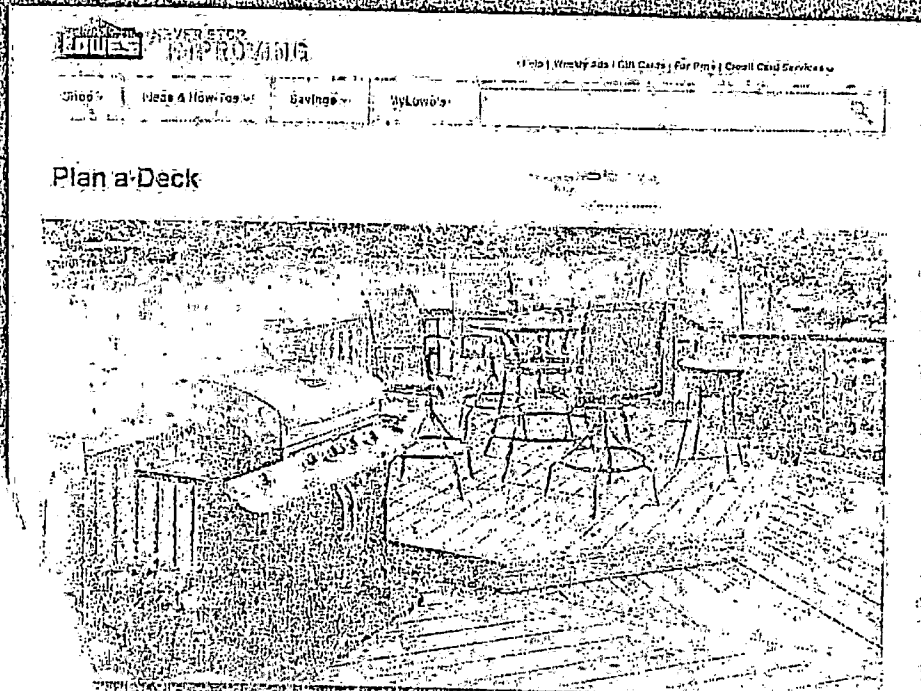
# FINANCIAL HIGHLIGHTS

	2014	2013	2012
Financial Summary in Azerbaijani Manat (AZN)			
Net Sales	385,233	335,417	305,740
Operating Profit	1,200	2,200	1,500
Profit before tax	1,200	2,200	1,500
Profit after tax (Net Profit)	800	1,500	1,000
Basic earnings per share	0.08	0.15	0.10
Dividend per share	0.05	0.10	0.07
Operating Profit	1,200	2,200	1,500
Profit before tax	1,200	2,200	1,500
Profit after tax	800	1,500	1,000
Basic earnings per share	0.08	0.15	0.10
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Basic earnings per share	0.08	0.15	0.10
Dividend per share	0.05	0.10	0.07

These financial highlights are derived from the consolidated financial statements of the Company for the periods indicated. The figures are in Azerbaijani Manat (AZN) unless otherwise specified. The Company's financial performance is subject to various risks and uncertainties, including changes in market conditions, regulatory requirements, and operational challenges. Management believes that the financial highlights provide a clear and concise overview of the Company's financial performance over the periods shown.

# LOWE'S NEVER STOP IMPROVING

2014 FORM 104K



(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7898



LOWE'S COMPANIES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA  
(State or other jurisdiction of incorporation or organization)  
1000 Lowe's Blvd., Mooresville, NC  
(Address of principal executive offices)  
56-0578072  
(U.S. Employer Identification No.)  
28117  
(Zip Code)  
704-758-1000  
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	New York Stock Exchange (NYSE)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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-K (§229.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.) (Check one):

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

As of August 1, 2014, the last business day of the Company's most recent second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$47.1 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AS OF March 27, 2015
Common Stock, \$0.50 Par value	651,700,640

DOCUMENTS INCORPORATED BY REFERENCE

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## General Information

Lowe's Companies, Inc. and subsidiaries (the Company or Lowe's) is a Fortune® 100 company and the world's second largest home improvement retailer. As of January 30, 2015, Lowe's operated 1,840 home improvement and hardware stores, representing approximately 201 million square feet of retail selling space. Lowe's is comprised of 1,793 stores located across 50 U.S. states, including 74 Orchard Supply Hardware (Orchard) stores in California and Oregon, as well as 37 stores in Canada and 10 stores in Mexico.

Lowe's was incorporated in North Carolina in 1952 and has been publicly held since 1961. The Company's common stock is listed on the New York Stock Exchange - ticker symbol "LOW".

See Item 6, "Selected Financial Data", of this Annual Report on Form 10-K, for historical revenues, profits and identifiable assets. For additional information about the Company's performance and financial condition, see also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

## Customers, Market and Competition

### Our Customers

We serve homeowners, renters, and professional customers (Pro customers). Retail customers, comprised of individual homeowners and renters, complete a wide array of projects and vary along the spectrum of do-it-yourself (DIY) and do-it-for-me (DIFM). The Pro customer consists of two broad categories: construction trades and maintenance, repair & operations.

### Our Market

We are among the many businesses, including home centers, paint stores, hardware stores, lumber yards and garden centers, whose revenues are included in the Building Material and Garden Equipment and Supplies Dealers Subsector (444) of the Retail Trade Sector of the North American Industry Classification System (NAICS), the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. The total annual revenue reported for businesses included in NAICS 444 in 2014 was \$328 billion, which represented an increase of 5.1% over the amount reported for the same category in 2013. The total annual revenue reported for businesses included in NAICS 444 in 2013 was \$312 billion, which represented an increase of 6.0% over the amount reported for the same category in 2012.

NAICS 444 represents less than half of what we consider the total market for our products and services. The broader market in which Lowe's operates includes home-related sales through a variety of companies beyond those in NAICS 444. These consist of other companies in the retail sector, including mass retailers, home furnishings stores, and online retailers, as well as wholesalers that provide home-related products and services to homeowners, businesses, and the government. Based on our analysis of the most recent comprehensive data available, we estimate the size of the U.S. home improvement market at \$690 billion in 2014, comprised of \$520 billion of product sales and \$170 billion of installed labor sales, that compares with \$640 billion total market sales in 2013, comprised of \$480 billion of product sales and \$160 billion of installed labor sales.

Indicators we monitor include real disposable personal income, employment, and we monitor demographic and societal trends that shape home improvement industry growth.

- Real disposable personal income is projected to grow at a stronger pace in 2015 than in 2014. Real disposable personal income is forecasted to increase 3.5% in calendar 2015, up from the 2.5% gain recorded in 2014, based on the March 2015 Blue Chip Economic Indicators.<sup>3</sup>
- The average unemployment rate for 2015 is forecasted to decline to 5.4%, according to the March 2015 Blue Chip Economic Indicators, which would be an improvement from the 6.2% average in 2014. The unemployment rate should continue to trend lower as the job market continues to expand at a moderate pace.
- Recent evidence suggests that home prices will continue to increase. In 2014, home price appreciation improved to an estimated 5.7%, according to the Federal Housing Finance Agency index. Economists generally expect the rate of home price growth to moderate in 2015 but to remain positive.
- Housing turnover decreased 2.8% in 2014 after a 9.0% increase in 2013, according to The National Association of Realtors and U.S. Census Bureau. Growth in 2014 was restrained by an increase in mortgage rates and harsh winter weather. Turnover is generally expected to increase in 2015, supported by a strengthening jobs market, rising incomes, and historically low mortgage rates.

These indicators are important to our business because they signal a customer's willingness to engage in home maintenance, repair, and upgrade projects and favorably impact income available to purchase our products and services. Currently, these indicators suggest moderately improving consumer demand for the home improvement products and services we sell.

#### Our Competition

The home improvement retailing business includes a broad competitive landscape. We compete with other home improvement warehouse chains and lumberyards in most of our trade areas. We also compete with traditional hardware, plumbing, electrical and home supply retailers. In addition, we compete with general merchandise retailers, warehouse clubs, and online and other specialty retailers. Location of stores continues to be a key competitive factor in our industry; however, the increasing use of technology and the simplicity of online shopping also underscore the importance of omni-channel capabilities as a competitive factor. We differentiate ourselves from our competitors by providing better customer experiences that make us the project authority while delivering value to our customers. See further discussion of competition in Item 1A, "Risk Factors", of this Annual Report on Form 10-K.

#### Products and Services

##### Our Products

##### Product Selection

To meet customers' varying home improvement needs, we offer a complete line of products for maintenance, repair, remodeling, and decorating. We offer home improvement products in the following categories: Kitchens & Appliances; Lumber & Building Materials; Tools & Hardware; Fashion Fixtures; Rough Plumbing & Electrical; Lawn & Garden; Seasonal Living; Paint; Home Fashions; Storage & Cleaning; Flooring; Millwork; and Outdoor Power Equipment. A typical Lowe's home improvement store stocks approximately 36,000 items, with hundreds of thousands of additional items available through our Special Order Sales system, [Lowe's.com](http://Lowe's.com), [Lowe's.ca](http://Lowe's.ca), and [MGStores.com](http://MGStores.com). See Note 16 of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K for historical revenues by product category for each of the last three fiscal years.

brands. In addition, we are dedicated to ensuring the products we sell are sourced in a socially responsible, efficient, and cost-effective manner.

#### *National Brand-Name Merchandise*

In many product categories, customers look for a familiar and trusted national brand to instill confidence in their purchase. Each Lowe's home improvement store carries a wide selection of national brand-name merchandise such as Whirlpool<sup>®</sup> appliances and water heaters, GE<sup>®</sup>, LG<sup>®</sup>, and Samsung<sup>®</sup> appliances, Stainmaster<sup>®</sup> carpets, Valspar<sup>®</sup> paints and stains, Pella<sup>®</sup> windows and doors, Sylvania<sup>®</sup> light bulbs, Dewalt<sup>®</sup> power tools, Owens-Corning<sup>®</sup> roofing, Johns-Manville<sup>®</sup> insulation, James Hardie<sup>®</sup> fiber cement siding, Husqvarna<sup>®</sup> outdoor power equipment, Werner<sup>®</sup> ladders, and many more. In 2014, we added brand-name merchandise such as Henry<sup>®</sup> coatings, Hubbell<sup>®</sup> wiring devices, GRK Fasteners<sup>™</sup>, and Progress<sup>®</sup> Lighting to our portfolio. Our merchandise selection provides the retail and Pro customer a one-stop shop for a wide variety of national brand-name merchandise needed to complete home improvement, repair, maintenance, or construction projects.

#### *Private Brands*

Private brands are an important element of our overall portfolio, helping to provide significant value and coordinated style across core categories. We sell private brands in several product categories including Tools & Hardware, Seasonal Living, Home Fashions, Storage & Cleaning, Paint, Fashion Fixtures, Flooring, Millwork, Rough Plumbing, & Electrical, and Lumber & Building Materials. Some of Lowe's most important private brands include Kobalt<sup>®</sup> tools, allen+roth<sup>®</sup> home décor products, Blue Hawk<sup>®</sup> home improvement products, Project Source<sup>®</sup> basic value products, Portfolio<sup>®</sup> lighting products, Garden Treasures<sup>®</sup> lawn and patio products, Utilitech<sup>®</sup> electrical and utility products, Reliabl<sup>®</sup> doors and windows, Aquasource<sup>®</sup> faucets, sinks and toilets, Harbor Breeze<sup>®</sup> ceiling fans, Top Choice<sup>®</sup> lumber products, and Iris<sup>®</sup> home automation and management products.

#### *Supply Chain*

We source our products from over 7,000 vendors worldwide, with no single vendor accounting for more than 6% of total purchases. We believe that alternative and competitive suppliers are available for virtually all of our products. Whenever possible, we purchase directly from manufacturers to provide savings for customers and improve our gross margin.

To efficiently move product from our vendors to our stores and maintain in-stock levels, we own and operate 15 highly automated Regional Distribution Centers (RDC) in the United States. Through our RDCs, products are received from vendors, stored and picked, or cross-docked, and then shipped to our retail locations or directly to customers. On average, each domestic RDC serves approximately 115 stores. We also lease and operate a distribution facility to serve our Canadian stores. Additionally, we have a service agreement with a third party logistics provider to manage a distribution facility to serve our stores in Mexico.

In addition to the RDCs, we also operate coastal holding facilities, transload facilities, and flatbed distribution centers. The flatbed distribution centers distribute merchandise that requires special handling due to size or type of packaging such as lumber, boards, panel products, pipe, siding, ladders, and building materials. Collectively, our facilities enable our import and e-commerce, as well as parcel post eligible products, to get to their destination as efficiently as possible. Most parcel post items can be ordered by a customer and delivered within two business days at standard shipping rates.

On average, in fiscal 2014, approximately 80% of the total dollar amount of stock merchandise we purchased was shipped through our distribution network, while the remaining portion was shipped directly to our stores from vendors.

#### *Our Services*

#### *Installed Sales*

details related to installing the products are efficiently executed. Insured services accounted for approximately 3% of total sales in fiscal 2014.

#### *Extended Protection Plans and Repair Services*

We offer extended protection plans in Kitchens & Appliances, Tools & Hardware, Outdoor Power Equipment, Seasonal Living, and Rough Plumbing. Lowe's Protection Plans provide customers with product protection that enhances or extends coverage previously offered by the manufacturer's warranty. We provide in-warranty and out-of-warranty repair services for major appliances, outdoor power equipment, tools, grills, fireplaces, and water heaters through our stores or in the home through our Lowe's Authorized Service Repair Network. We offer replacement plans in products in these categories priced below \$200. Our contact center takes customers' calls, assesses the problems, and facilitates a resolution, making after-sales service easier for our customers because we manage the entire process.

#### *Selling Channels*

We are continuing our progress towards becoming an omni-channel retail company, which allows our customers to move from channel to channel with simple and seamless transitions even within the same transaction. For example, for many projects, more than half of our customers conduct research online before making an in-store purchase. For purchases made on Lowe's.com, approximately 60% are picked up in-store, 10% are delivered from a store, and 30% are parcel shipped. Regardless of the channels through which customers choose to engage with us, we strive to provide them with a seamless experience across channels and an endless aisle of products, enabled by our flexible fulfillment capabilities. Our ability to sell products in-store, online, on-site, or through our contact centers speaks to our ability to leverage our existing infrastructure with the omni-channel capabilities we are introducing.

#### *In-Store*

Our 1,766 home improvement stores are generally open seven days per week and average approximately 112,000 square feet of retail selling space, plus approximately 32,000 square feet of outdoor garden center selling space. In addition, we operate 74 Orchard stores located throughout California and Oregon that also serve home improvement customers. Our home improvement stores offer similar products and services, with certain variations based on local market factors; however, Orchard stores are primarily focused on paint, repair, and backyard products. We continue to develop and implement tools to make our sales associates more efficient and to integrate our order management and fulfillment processes. Our home improvement stores have Wi-Fi capabilities that provide customers with internet access, making information available quickly to further simplify the shopping experience.

#### *Online*

Through Lowe's.com, Lowe's.ca, AFGstores.com and mobile applications, we seek to empower consumers by providing a 24/7 shopping experience, online product information, customer ratings and reviews, online buying guides and how-to videos and other information. These tools help consumers make more informed purchasing decisions and give them increased confidence to undertake home improvement projects. In 2014, sales through our online selling channels, which include Lowe's.com, Lowe's.ca and AFGstores.com, accounted for approximately 2.5% of our total sales. We enable customers to choose from a variety of fulfillment options, including buying online and picking up in-store as well as delivery or parcel shipment to their homes.

#### *On-Site*

We have on-site specialists available to retail and Pro customers to assist them in selecting products and services for their projects. Our Account Executives Pro Services meet with Pro customers at their place of business or on a job site and leverage stores within the area to ensure we meet customer needs for products and resources. Our Project Specialist Exteriors (PSE) program is available in all Lowe's stores to discuss exterior projects such as roofing, siding, fencing, and windows, whose

### Contact Centers

Loys's operates two contact centers which are located in Wilkesboro, NC and Albuquerque, NM. In addition, we are opening an additional facility in Indianapolis, IN. These contact centers help enable an omni-channel experience by providing the ability to tender sales, coordinate deliveries, manage after-sale installations, facilitate repair services for Appliances and Outdoor Power Equipment, and answer general customer questions via phone, e-mail, letters, or social media.

### Employees

As of January 30, 2015, we employed approximately 175,000 full-time and 91,000 part-time employees. Our employees in Mexico are subject to collective bargaining agreements. No other employees are subject to collective bargaining agreements. Management considers its relations with employees to be good.

### Seasonality and Working Capital

The retail business in general is subject to seasonal influences, and our business is, to some extent, seasonal. Historically, we have realized the highest volume of sales during our second fiscal quarter (May, June and July) and the lowest volume of sales during our fourth fiscal quarter (November, December and January). Accordingly, our working capital requirements have historically been greater during our fourth fiscal quarter as we build inventory in anticipation of the spring selling season and as we experience lower fourth fiscal quarter sales volumes. We fund our working capital requirements primarily through cash flows generated from operations, but also with short-term borrowings, as needed. For more detailed information, see the Financial Condition, Liquidity and Capital Resources section in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

### Intellectual Property

The name "Loys's" is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has various additional trademarks, trade names and service marks, many of which are used in our private brand program. The subsidiary also maintains various internet domain names that are important to our business, and we also own registered and unregistered copyrights. In addition, we maintain patent portfolios related to some of our products and services and seek to patent or otherwise protect certain innovations that we incorporate into our products, services, or business operations.

### Environmental Stewardship

Loys's recognizes how efficient operations can help protect the environment and our bottom line. We examine our operations regularly to deliver energy efficiency, reduce fuel consumption, and minimize waste generation through increased recycling. We also install technology that will help us operate our facilities more efficiently and environmentally responsibly. For example, our RDC in Rome, GA was designed to use high efficiency light-emitting diode (LED) fixtures and our Houston RDC was retrofitted with interior and exterior LED fixtures, significantly reducing this facility's total energy use.

We strive to deliver products to our stores in a fuel-efficient and an environmentally responsible manner through participation in the SmartWay® Transport Partnership, an innovative program launched by the U.S. Environmental Protection Agency (EPA) in 2004 that promotes cleaner, more fuel-efficient transportation options. Loys's received a 2014 SmartWay Excellence Award from the EPA, our sixth consecutive SmartWay honor, for our commitment to environmental excellence in freight management operations and reduction of carbon dioxide emissions and other harmful pollutants. We have also increased shipping of products by rail and increased the efficiency of truckload shipments to our stores.

efforts, we are able to reduce our disposal costs at other facilities. We also offer convenient recycling for our customers at many of our stores for items such as rechargeable batteries, plastic bags and compact fluorescent light bulbs.

We annually track our carbon footprint and participate in the Carbon Disclosure Project, an independent nonprofit organization hosting the largest database of primary corporate climate change information in the world. To further reduce our carbon footprint, we incorporate energy-efficient technologies and architectural systems into new stores and retrofits of existing stores, such as energy-efficient lighting, white membrane cool roofs, and HVAC units that meet or exceed ENERGY STAR qualifications. We also participate in demand response programs by voluntarily reducing our lighting and HVAC loads during peak demand periods to support electric grid reliability.

Additionally, we continue to focus on helping consumers reduce their energy and water use and their environmental footprint while saving money when they purchase our products and services. We offer a wide selection of environmentally responsible and energy-efficient products for the home, including ENERGY STAR<sup>®</sup> appliances, WaterSense<sup>®</sup> labeled toilets, paint with no volatile organic compounds (VOC), and indoor and outdoor LED lighting. Through our in-home sales specialists, we offer customers installation of insulation and energy-efficient windows.

For more information on Lowe's environmental efforts, please visit [Loves.com/SocialResponsibility](http://Loves.com/SocialResponsibility).

#### Compliance with Environmental Matters

Our operations are subject to numerous federal, state and local laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations may increase our costs of doing business in a variety of ways, including indirectly through increased energy costs, as utilities, refineries, and other major emitters of greenhouse gases are subjected to additional regulation or legislation that seeks to better control greenhouse gas emissions. We do not anticipate any material capital expenditures during fiscal 2015 for environmental control facilities or other costs of compliance with such laws or regulations.

#### Reaching Out / Our Community

Lowe's has a long and proud history of supporting local communities through public education and community improvement projects, beginning with the creation of the Lowe's Charitable and Educational Foundation in 1957. In 2014, Lowe's and the Lowe's Charitable and Educational Foundation contributed \$28 million to schools and community organizations in the United States, Canada, and Mexico.

Our commitment to improving educational opportunities is best exemplified by our signature education grant program, Lowe's *Toolbox for Education*<sup>®</sup>. The program has benefited more than five million school children since 2006, funding improvements at 1,103 schools across the United States in 2014.

For more than a decade, we've been working with national nonprofit partners to strengthen and stabilize neighborhoods in the communities we serve. In 2014, Lowe's contributed more than \$6 million and teamed with Habitat for Humanity and Rebuilding Together to bring housing solutions and hope to families across the country. We also continued to build on our longstanding partnerships with SkillsUSA, the Boys & Girls Clubs of America, and Keep America Beautiful to improve communities and build tomorrow's leaders.

hundreds of Lowe's Heroes employee volunteers to help families recover from disasters in 12 states from the Pacific Northwest to New York, while helping others prepare for the threat of hurricanes in Alabama, Florida, Louisiana, New Jersey, and Texas.

For more information on Lowe's partnerships and latest community improvement projects, visit [Loves.com/SocialResponsibility](http://Loves.com/SocialResponsibility) and [LovesInTheCommunity.tumblr.com](http://LovesInTheCommunity.tumblr.com).

#### Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 13(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge through our internet website at [www.Loves.com/investor](http://www.Loves.com/investor), as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The public may also read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

#### Item 1A - Risk Factors

We have developed a risk management process using periodic surveys, external research, planning processes, risk mapping, analytics and other tools to identify and evaluate the operational, financial, environmental, reputational, strategic and other risks that could adversely affect our business. For more information about our risk management process, which is administered by our Chief Risk Officer and includes developing risk mitigation controls and procedures for the material risks we identify, see the description included in the proxy statement for our annual meeting of shareholders (as defined in Item 10 of Part III) of this Annual Report on Form 10-K) under "Board's Role in the Risk Management Process".

We describe below certain risks that could adversely affect our results of operations, financial condition, business reputation or business prospects. These risk factors may change from time to time and may be amended, supplemented or superseded by updates to the risk factors contained in our future periodic reports on Form 10-K, Form 10-Q and reports on other forms we file with the Securities and Exchange Commission. All forward-looking statements about our future results of operations or other matters made by us in this Annual Report on Form 10-K, in our Annual Report to Lowe's Shareholders and in our subsequently filed reports to the Securities and Exchange Commission, as well as in our press releases and other public communications, are qualified by the risks described below.

You should read these Risk Factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our Consolidated Financial Statements and related notes in Item 8. There also may be other factors that we cannot anticipate or that are not described in this report generally because we do not currently perceive them to be material. Those factors could cause results to differ materially from our expectations.

*We may be unable to adapt our business concept in a rapidly changing retailing environment to address the changing shopping habits and demands and demographics of our customers.*

The home improvement retailing environment, like the retailing environment generally, is rapidly evolving, and adapting our business concept to respond to our customers' changing shopping habits and demands and their changing demographics is critical to our future success. In addition to our traditional large-format brick and mortar retail stores, many of which are located in or near suburban communities, we are also increasing our urban market presence with smaller format stores and investing extensively in on-line sales, content marketing and information searching technology capabilities. Failure to adapt our business concept successfully could negatively affect our results of operations.

*we fail to deliver the capabilities required to execute on them.*

The success of our strategic initiatives to adapt our business concept to our customers' changing shopping habits and demands and changing demographics will require us to deliver large, complex programs requiring different skill sets and capabilities than were required by our management, employees and contractors in the past to achieve our objectives. They will also require more integrated planning, initiative prioritization and program sequencing. Our leadership development program for our managers at all levels is focused on aligning processes for corporate strategy, business unit strategy and integrated planning to drive alignment, execution and delivery of solutions, including timely delivery and functionality of new technology solutions. Our strategic initiatives will require new competencies in many positions, and our management, employees and contractors will have to adapt and learn new skills and capabilities. To the extent they are unable or unwilling to make these transformational changes, we may be unable to realize the full benefits of our strategic initiatives and expand our relevant market access. Our results of operations, financial condition, or business prospects could also be adversely affected if we are unable to attract and retain additional personnel at various levels of the Company who have the skills and capabilities we need to implement our strategic initiatives and drive the changes that are essential to successfully adapting our business concept in the rapidly changing retailing environment.

*As customer-facing technology systems become an increasingly important part of our omni-channel sales and marketing strategy, the failure of those systems to perform effectively and reliably could keep us from delivering positive customer experiences.*

Access to the internet from computers, tablets, smart phones and other mobile communication devices has empowered our customers and changed the way they shop and how we interact with them. Our website, Lowes.com, is a sales channel for our products and is also a method of making product, project and other relevant information available to them that impacts our in-store sales. In addition to Lowes.com, we have multiple affiliated websites and mobile apps through which we seek to inspire, inform, cross-sell, establish online communities among and otherwise interact with our customers. Performance issues with these customer-facing technology systems, including temporary outages caused by distributed denial of service or other cyberattacks or a complete failure of one or more of them without a disaster recovery plan that can be quickly implemented could quickly destroy the positive benefits they provide to our home improvement business and negatively affect our customers' perceptions of Lowes as a reliable online vendor and source of information about home improvement products and services.

*Our financial performance could suffer if we fail to properly maintain our critical information systems or if those systems are seriously disrupted.*

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the maintenance and ongoing improvements of our existing management information systems that support operations such as inventory replenishment, merchandise ordering, transportation, receipt processing and product delivery. Our financial performance could be adversely affected if our management information systems are seriously disrupted or we are unable to maintain, improve, upgrade, and expand our systems.

*Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee, vendor, or company information or to comply with evolving regulations relating to our obligation to protect our systems and assets and such information from the threat of cyberattacks.*

Cyberattacks designed to gain access to sensitive information by breaching mission critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of sensitive customer information have occurred in recent years with increasing frequency at a number of major U.S. companies, including several large retailers. Despite widespread recognition of the cyber-attack threat and improved data protection methods, despite our continued vigilance and investment in information security, we may be unable to adequately anticipate or prevent a breach in our systems that results in the unauthorized release of sensitive data. Should this occur, it may have a material adverse effect on our reputation, drive customers away and lead to financial losses from remedial actions, or potential liability, including possible punitive damages. A security breach resulting in the unauthorized release of sensitive data from our information systems could

*We are subject to payments-related risks that could increase our operating costs, expose us to fraud, subject us to potential liability, and potentially disrupt our business.*

We accept payments using a variety of methods, including credit card, debit card, credit accounts, gift cards, direct debit from a customer's bank account, consumer invoicing, and physical bank check. These payment options subject us to many compliance requirements, including, but not limited to, compliance with the Payment Card Industry Data Security Standards, which represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information. They also subject us to potential fraud by criminal elements seeking to discover and take advantage of security vulnerabilities that may exist in some of these payment systems. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, electronic checks, gift cards, and promotional financing, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected. We also offer co-branded credit card programs, which could adversely affect our operating results if terminated.

*Our sales are dependent upon the health and stability of the general economy.*

Many U.S. and global economic factors may adversely affect our financial performance. These include, but are not limited to, periods of slow economic growth or recession, volatility and/or lack of liquidity from time to time in U.S. and world financial markets, and the consequent reduced availability and/or higher cost of borrowing to Lowe's and its customers. Slower rates of growth in real disposable personal income that could affect the rate of growth in consumer spending, high rates of unemployment, consumer debt levels, fluctuations in fuel and energy costs, inflation or deflation of commodity prices, natural disasters, and acts of both domestic and international terrorism.

*Adverse changes in economic factors specific to the home improvement industry may negatively impact the rate of growth of our total sales and comparable sales.*

Sales of many of our product categories and services are driven by the activity level of home improvement projects. Although the housing market has been strengthened by favorable interest rates and increasing home prices, the large number of households that continue to have little available equity, mortgage delinquency and foreclosure rates that remain high, tight restrictions on the availability of mortgage financing, slow household formation growth rates, and decreases in housing turnover through existing home sales, have limited, and may continue to limit, consumers' discretionary spending, particularly on larger home improvement projects that are important to the growth of our business. Another risk to the continued recovery of the home improvement industry is that consumer interest rates will rise when the Federal Reserve System begins withdrawing the extraordinary economic stimulus it has provided in recent years.

*If we fail to hire, train, manage and retain qualified sales associates and specialists with expanded skill sets who can work effectively and collaboratively in an increasingly culturally diverse environment, we could lose sales to our competitors.*

Our customers, whether they are homeowners or commercial businesses, expect our sales associates and specialists to be well trained and knowledgeable about the products we sell and the home improvement services we provide. Increasingly, our sales associates and specialists must have expanded skill sets, including, in some instances, the ability to do in-home or telephone sales. In addition, in many of our stores, our employees must be able to serve customers whose primary language and cultural traditions are different from their own. A critical challenge we face is attracting and retaining a sufficiently diverse workforce that can deliver a relevant, culturally appropriate and differentiated customer experience.

work collaboratively with employees whose primary interests are

*We have many competitors who could take sales and market share from us if we fail to execute our merchandising, marketing, and distribution strategies effectively, or if they develop a substantially more effective or lower cost means of meeting customer needs.*

We operate in a highly competitive market for home improvement products and services, and have numerous large and small, direct and indirect competitors. The principal competitive factors in our industry include convenience, customer service, quality and price of merchandise and services, in-stock levels, and merchandise assortment and presentation. Our failure to respond effectively to competitive pressures and changes in the markets for home improvement products and services could affect our financial performance. Moreover, changes in the promotional pricing and other practices of our competitors, including the effects of competitor liquidation activities, may impact our results.

*Our inability to effectively manage our relationships with selected suppliers of high name products could negatively impact our business plan and financial results.*

We form strategic relationships with selected suppliers to market and develop products under a variety of recognized and respected national brand names. The inability to effectively and efficiently manage and maintain the relationships with these suppliers could negatively impact our business plan and financial results.

*Failure of a key vendor or service provider that we cannot quickly replace could disrupt our operations and negatively impact our business.*

No single vendor of the products we sell accounts for more than 6% of our total purchases, but we rely upon a number of vendors as the sole or primary source of some of the products we sell. We also rely upon many independent service providers for technology solutions and other services that are important to many aspects of our business. If these vendors or service providers fail or are unable to perform as expected and we are unable to replace them quickly, our business could be adversely affected, at least temporarily, until we are able to do so and potentially, in some cases, permanently.

*If the domestic or international supply chain for our products is disrupted for any reason, our sales and gross margin would be adversely impacted.*

We source, stock, and sell products from over 7,000 domestic and international vendors and their ability to reliably and efficiently fulfill our orders is critical to our business success. We source a large number of those products from foreign manufacturers with China continuing to be the dominant import source. Financial instability among key vendors, political instability and labor unrest in source countries, or elsewhere in our supply chain, port labor disputes, retaliatory trade restrictions imposed by either the United States or a major source country, tariffs, currency exchange rates and transport availability, capacity, and costs are beyond our control and could negatively impact our business if they seriously disrupted the movement of products through our supply chain or increased their costs.

*Failure to effectively manage our third party installers could result in increased operational and legal risks.*

We use third party installers to provide installation services to our customers, and as the general contractor, are subject to regulatory requirements and risks applicable to general contractors, including the management of the permitting, licensing and quality of our third party installers. Our failure to effectively manage such requirements and risks could result in losses, fines and lawsuits, as well as damage to our reputation, which could negatively affect our business.

*Failure to achieve and maintain a high level of product and service quality could damage our image with customers and negatively impact our sales, profitability, cash flows and financial condition.*

Product and service quality issues could result in a negative impact on customer confidence in Lowe's and the Company's brand image. As a result, Lowe's reputation as a retailer of high quality products and services, including both national and Lowe's private brands, could suffer and impact customer loyalty. Additionally, a decline in product and service quality could result in increased product liability and warranty claims.

operating and marketing practices unique challenges that have requirements to adapt our store operations, merchandising, marketing and distribution functions to serve customers in Canada and Mexico and to work effectively with our joint venture partner in Australia.

A significant portion of our anticipated store growth over the next five years will be in Canada and Mexico. We are also in a joint venture with Australia's largest retailer, Woolworths Limited, to develop a network of home improvement stores for consumers in Australia. Expanding internationally presents unique challenges that may increase the anticipated costs and risks, and slow the anticipated rate of such expansion.

*We must comply with multiple laws and regulations that differ substantially in each country where we operate.*

If we fail to comply with these laws, rules and regulations, or the manner in which they are interpreted or applied, we may be subject to government enforcement action, litigation, damage to our reputation, civil and criminal liability, damages, fines and penalties, and increased cost of regulatory compliance, any of which could adversely affect our results of operations and financial performance. These laws, rules and regulations include import and export requirements, U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures to help ensure compliance with these laws, there can be no assurance that our employees and third parties with whom we do business will not take actions in violation of our policies or laws. We may also be subject to investigations or audits by governmental authorities and regulatory agencies, which can occur in the ordinary course of business or which can result from increased scrutiny from a particular agency towards an industry, country or practice.

*Changes in existing or new laws and regulations or regulatory enforcement priorities could adversely affect our business.*

Laws and regulations at the local, regional, state, federal and international levels change frequently, and the changes can impose significant costs and other burdens of compliance on our business and our vendors. Any changes in regulations, the imposition of additional regulations, or the enactment of any new legislation that affect employment/labor, trade, product safety, transportation/logistics, energy costs, health care, cyber-security, tax or environmental issues, could have an adverse impact, directly or indirectly, on our financial condition and results of operations. Changes in enforcement priorities by governmental agencies charged with enforcing existing laws and regulations can increase our cost of doing business. In addition, our contracts with U.S. as well as state and local government entities are subject to various procurement regulations and other requirements, including audits and investigations relating to their formation, administration, and performance, and we may be adversely affected by changes in the regulations or negative findings from audits or investigations.

*Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.*

We are, and in the future will become, involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings arising out of the ordinary course of our business. Some of these proceedings may raise difficult and complicated factual and legal issues and can be subject to uncertainties and complexities. The timing of the final resolutions to lawsuits, regulatory inquiries and governmental and other legal proceedings is typically uncertain. Additionally, the possible outcomes of, or resolutions to, these proceedings could include adverse judgments or settlements, either of which could require substantial payments. None of the legal proceedings in which we are currently involved, individually or collectively, is considered material.

None.

**Item 2 - Properties**

At January 30, 2015, our properties consisted of 1,840 stores in the U.S., Canada, and Mexico with a total of approximately 201 million square feet of selling space. Of the total stores operating at January 30, 2015, approximately 86% are owned, which includes stores on leased land, with the remainder being leased from third parties. We also operate regional distribution centers and other facilities to support distribution and fulfillment, as well as data centers and various support offices. Our executive offices are located in Mooresville, North Carolina.

**Item 3 - Legal Proceedings**

We are a defendant in legal proceedings considered to be in the normal course of business, none of which individually or collectively is considered material.

**Item 4 - Mine Safety Disclosures**

Not applicable.

Set forth below is a list of names and ages of the executive officers and certain significant employees of the registrant indicating all positions and offices with the registrant held by each such person and each person's principal occupations or employment during the past five years. Each executive officer of the registrant is elected by the board of directors at its first meeting after the annual meeting of shareholders and thereafter as appropriate. Each executive officer of the registrant holds office from the date of election until the first meeting of the directors held after the next annual meeting of shareholders or until a successor is elected.

Name	Age	Title
Robert A. Niblock	52	Chairman of the Board, President and Chief Executive Officer since 2011; Chairman of the Board and Chief Executive Officer, 2006 – 2011.
Maureen K. Ansurá	59	Chief Human Resources Officer since 2012; Executive Vice President, Human Resources, 2011 – 2012; Senior Vice President, Human Resources, 2005 – 2011.
Marshall A. Gibson	54	Chief Risk Officer since 2012; Senior Vice President and Chief Risk Officer, 2009 – 2012.
Rick D. Dameron	52	Chief Operating Officer since 2012; Executive Vice President, Store Operations, 2011 – 2012; Senior Vice President, Logistics, 2009 – 2011.
Matthew V. Hollifield	48	Senior Vice President and Chief Accounting Officer since 2005.
Robert F. Hall, Jr.	50	Chief Financial Officer since 2012; Executive Vice President and Chief Financial Officer since 2004.
Michael A. Jones	52	Chief Customer Officer since 2014; Chief Merchandising Officer 2013 – 2014; President, North and Latin America, The Husqvarna Group, 2009 – 2013.
Richard D. Maltzbarger	59	Chief Development Officer and President of International since 2015; Chief Development Officer, 2014 – 2015; Business Development Executive, 2012 – 2014; Senior Vice President, Strategy, 2011 – 2012; Vice President, Strategic Planning 2010 – 2011; Vice President, Research, 2006 – 2010.
Ross W. McCannless	57	General Counsel, Secretary and Chief Compliance Officer since 2015; Chief Legal Officer, Extended Stay America, Inc. and ESF Hospitality, Inc., 2013 – 2014; Chief Legal Officer, HVM, L.L.C.; Private Investor, 2006 – 2012.
N. Brian Pearce	49	Corporate Administration Executive since 2012; Senior Vice President, Corporate Affairs, 2006 – 2012.
Paul D. Ramsay	50	Chief Information Officer since 2014; Senior Vice President, Information Technology, 2011 – 2014; Vice President, Information Technology, Exploration and Production, Hess Corporation, 2010 – 2011.

Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Equity Securities

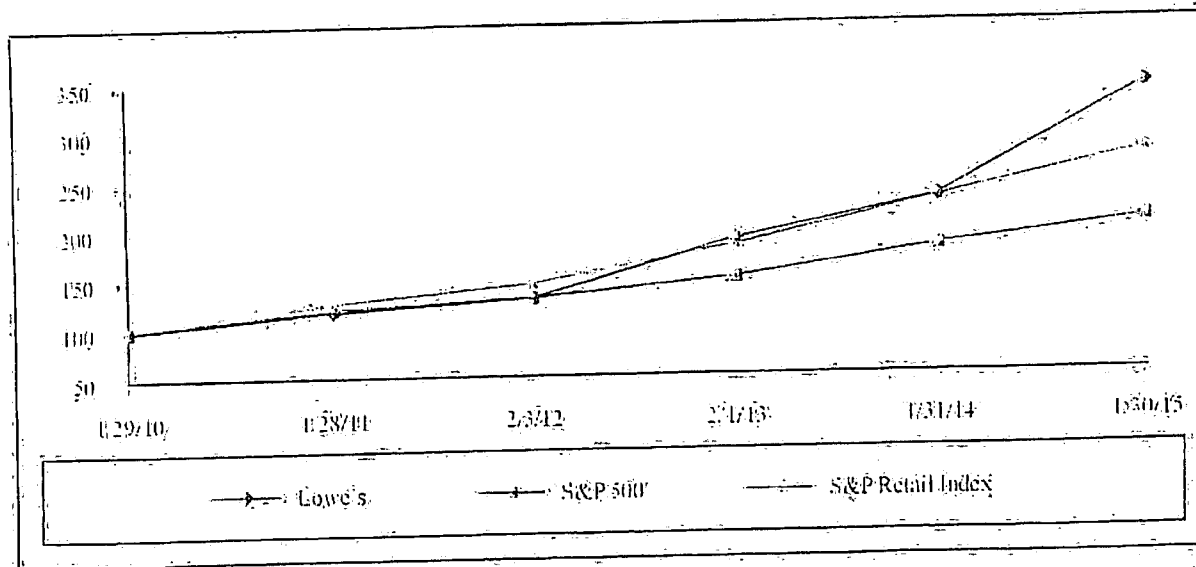
Lowe's common stock is traded on the New York Stock Exchange (NYSE). The ticker symbol for Lowe's is "LOW". As of March 27, 2015, there were 25,065 holders of record of Lowe's common stock. The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by the NYSE Composite Tape and the dividends per share declared on the common stock during such periods.

	Fiscal 2014			Fiscal 2013		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$ 51.28	\$ 44.45	\$ 0.18	\$ 39.98	\$ 35.86	\$ 0.16
2nd Quarter	48.54	44.13	0.23	45.30	38.87	0.18
3rd Quarter	57.41	47.52	0.23	50.74	43.52	0.18
4th Quarter	71.11	56.76	0.23	52.08	45.62	0.18

Total Return to Shareholders

The following information in Item 5 of this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

The following table and graph compare the total returns (assuming reinvestment of dividends) of the Company's common stock, the S&P 500 Index and the S&P Retailing Industry Group Index (S&P Retail Index). The graph assumes \$100 invested on January 29, 2010 in the Company's common stock and each of the indices.



	1/29/2010	1/28/2011	2/3/2012	1/1/2013	1/31/2014	1/30/2015
Lowe's	\$ 100.00	\$ 118.81	\$ 130.87	\$ 189.25	\$ 230.81	\$ 343.42
S&P 500	100.00	118.76	130.55	150.20	180.70	300.41
S&P Retail Index	100.00	118.76	130.55	150.20	180.70	230.41

The calculation of ROIC, together with information regarding the calculation of Return on Average Debt and Equity measure, is as follows:

(In millions; except percentage data)	2014	2013	2012
<b>Calculation of Return on Invested Capital</b>			
<b>Numerator</b>			
Net earnings	\$ 2,698	\$ 2,286	\$ 1,959
Plus:			
Interest expense - net	516	476	425
Provision for income taxes	1,578	1,587	1,178
Earnings before interest and taxes	4,792	4,149	3,560
Less:			
Income tax adjustment <sup>1</sup>	1,769	1,567	1,337
Net operating profit after tax	\$ 3,023	\$ 2,582	\$ 2,223
Effective tax rate	36.9%	37.8%	37.6%
<b>Denominator</b>			
Average debt and equity <sup>2</sup>	\$ 21,752	\$ 22,510	\$ 23,921
Return on invested capital	13.9%	11.5%	9.3%
<b>Calculation of Return on Average Debt and Equity</b>			
<b>Numerator</b>			
Net earnings	\$ 2,698	\$ 2,286	\$ 1,959
<b>Denominator</b>			
Average debt and equity <sup>2</sup>	\$ 21,752	\$ 22,510	\$ 23,921
Return on average debt and equity	12.4%	10.2%	8.2%

<sup>1</sup> Income tax adjustment is defined as earnings before interest and taxes multiplied by the effective tax rate.

<sup>2</sup> Average debt and equity is defined as average debt, including current maturities and short-term borrowings, plus total equity for the last five quarters.

#### Fiscal 2014 Compared to Fiscal 2013:

**Net sales** - Net sales increased 5.3% to \$56.2 billion in 2014. The increase in total sales was driven primarily by the comparable sales increase of 14.3%, the acquisition of Orchard, and new stores. The comparable sales increase of 4.3% in 2013 was driven by a 2.4% increase in comparable average ticket and a 1.9% increase in comparable customer transactions. Comparable sales increased during each quarter of the fiscal year as we reported 0.9% in the first quarter, 1.4% in the second quarter, 5.1% in the third quarter, and 7.3% in the fourth quarter.

All of our product categories experienced comparable sales increases for the year. During 2014, we experienced comparable sales above the company average in the following product categories: Millwork, Kitchens & Appliances, Tools & Hardware, and Fashion Fixtures. Targeted promotions coupled with the expansion of our Project Specialist programs drove comparable sales increases, especially within Millwork, Kitchens & Appliances, and Fashion Fixtures, as we continued to benefit from customers' increasing interest in refreshing both the interior and exterior of their homes. Within Tools & Hardware, our enhanced Sales & Operations Planning process helped us drive strong performance in power and pneumatic tools. In addition, Flooring and Outdoor Power Equipment performed at approximately the overall company average. Geographically, 13 of the 14 U.S. regions experienced increases in comparable store sales, as sales performance was well-balanced across the country.

**Gross margin** - Gross margin of 34.79% for 2014 represented a 20 basis point increase from 2013 and was primarily driven by cost reductions associated with our Value Improvement initiative, which consisted of improved line review and product reset processes to better position us to meet customers' product needs and drive better inventory productivity.

Other Metrics	2014	2013	2012
Comparable sales increase <sup>1</sup>	4.3%	4.8%	1.4%
Total customer transactions (in millions)	857	828	804
Average ticket <sup>2</sup>	\$ 65.61	\$ 64.52	\$ 62.82
At end of year:			
Number of stores	1,840	1,832	1,754
Sales floor square feet (in millions)	201	200	197
Average store size selling square feet (in thousands) <sup>3</sup>	109	109	111
Return on average assets <sup>4</sup>	8.1%	6.8%	5.7%
Return on average shareholders' equity <sup>5</sup>	24.4%	17.7%	13.1%
Return on invested capital <sup>7</sup>	13.9%	11.3%	9.3%

<sup>1</sup> EBIT margin, also referred to as operating margin, is defined as earnings before interest and taxes as a percentage of sales.

<sup>2</sup> A comparable location is defined as a location that has been open longer than 13 months. A location that is identified for relocation is no longer considered comparable one month prior to its relocation. The relocated location must then remain open longer than 13 months to be considered comparable. A location we have decided to close is no longer considered comparable as of the beginning of the month in which we announce its closing. Acquired locations are included in the comparable sales calculation beginning in the first full month following the first anniversary of the date of the acquisition. Comparable sales include online sales, which did not have a meaningful impact for the periods presented.

<sup>3</sup> Average ticket is defined as net sales divided by the total number of customer transactions.

<sup>4</sup> Average store size selling square feet is defined as sales floor square feet divided by the number of stores open at the end of the period. The average Lowe's home improvement store has approximately 112,000 square feet of retail selling space, while the average Orchard store has approximately 16,000 square feet of retail selling space.

<sup>5</sup> Return on average assets is defined as net earnings divided by average total assets for the last five quarters.

<sup>6</sup> Return on average shareholders' equity is defined as net earnings divided by average shareholders' equity for the last five quarters.

<sup>7</sup> Return on invested capital is a non-GAAP financial measure. See below for additional information and reconciliation to the most comparable GAAP measure.

#### Return on Invested Capital

Return on Invested Capital (ROIC) is considered a non-GAAP financial measure. We believe ROIC is a meaningful metric for investors because it measures how effectively the Company uses capital to generate profits.

We define ROIC as trailing four quarters net operating profit after tax divided by the average of ending debt and equity for the last five quarters. Although ROIC is a common financial metric, numerous methods exist for calculating ROIC. Accordingly, the method used by our management to calculate ROIC may differ from the methods other companies use to calculate their ROIC. We encourage you to understand the methods used by another company to calculate its ROIC before comparing its ROIC to ours.

We consider return on average debt and equity to be the financial measure computed in accordance with generally accepted accounting principles that is the most directly comparable GAAP financial measure to ROIC. The difference between these two measures is that ROIC adjusts net earnings to exclude tax-adjusted interest expense.

The following tables set forth the percentage relationship to net sales of each line item of the consolidated statements of earnings, as well as the percentage change in dollar amounts from the prior year. This table should be read in conjunction with the following discussion and analysis and the consolidated financial statements, including the related notes to the consolidated financial statements:

			Basis Point Increase / (Decrease)	Percentage Increase / (Decrease)
	2014	2013	in Percentage of Net Sales from Prior Year	in Dollar Amounts from Prior Year
			2014 vs. 2013	2014 vs. 2013
Net sales	100.00%	100.00%	N/A	5.3 %
Gross margin	34.79	34.59	20	5.9
Expenses:				
Selling, general and administrative	23.62	24.08	(46)	1.2
Depreciation	2.64	2.74	(10)	1.6
Interest - net	0.92	0.89	3	3.3
Total expenses	27.18	27.71	(53)	3.2
Pre-tax earnings	7.61	6.88	73	16.4
Income tax provision	2.31	2.60	29	13.8
Net earnings	4.80%	4.28%	52	18.0 %
EBIT margin <sup>1</sup>	8.53%	7.77%	76	15.5 %

			Basis Point Increase / (Decrease)	Percentage Increase / (Decrease)
	2013	2012	in Percentage of Net Sales from Prior Year	in Dollar Amounts from Prior Year
			2013 vs. 2012	2013 vs. 2012
Net sales	100.00%	100.00%	N/A	5.7 %
Gross margin	34.59	34.30	29	6.6
Expenses:				
Selling, general and administrative	24.08	24.24	(16)	5.8
Depreciation	2.74	3.01	(27)	(9.0)
Interest - net	0.89	0.84	5	12.7
Total expenses	27.71	28.09	(38)	4.3
Pre-tax earnings	6.88	6.21	67	17.1
Income tax provision	2.60	2.33	27	17.7
Net earnings	4.28%	3.88%	40	16.7 %
EBIT margin <sup>1</sup>	7.77%	7.05%	72	16.6 %

consecutive quarters. We have a strong foundation for doing business with Pro customers with our dedicated service in the stores, inventory depth, job lot quantities and a strong value proposition. We are enhancing our product and service offering with this important customer, including ensuring we have the types of products and brands the Pros demand. For example, during 2014, we added brands such as Henry® coatings, Hubbell® wiring devices, GRK Fasteners™, and Progress® Lighting, all of which help make Lowe's the destination for the Pro. In addition, we have been working to relaunch Lowesforpros.com, a dedicated platform which provides Pro customers with the ability to transact with us online and provides Pros the ability to develop requisition lists, access to purchase history, and customized product catalogs.

#### Looking Forward

Economic forecasts for 2015 suggest moderately stronger growth in the home improvement industry. Stronger job and income growth and improving household financial conditions are expected to build on the momentum gained in 2014. In addition, an increase in revolving credit usage should allow customers to be more willing and able to take on discretionary home improvement projects. Improvements in the housing market should also persist in 2015 with moderating home price growth and mortgage rates that remain historically low.

As we move into 2015, we will focus on capitalizing on market opportunities and driving profitability within an improving economy. We will continue to differentiate ourselves through better customer experiences and improving our product and service offering for the Pro customer. We have made progress over the past few years to meet customers on their terms whenever and wherever they choose to engage, and we will continue to invest in omni-channel capabilities to ensure that we are convenient and easy to do business with. We also remain committed to improving our productivity and profitability in areas including store payroll, marketing and efforts to leverage our scale to achieve cost savings on indirect spend.

The following discussion and analysis summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and capital resources during the three-year period ended January 30, 2015 (our fiscal years 2014, 2013 and 2012). Unless otherwise noted, all references herein for the years 2014, 2013 and 2012 represent the fiscal years ended January 30, 2015, January 31, 2014 and February 1, 2013, respectively. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. This discussion should be read in conjunction with our consolidated financial statements and notes to the consolidated financial statements included in this Annual Report on Form 10-K that have been prepared in accordance with accounting principles generally accepted in the United States of America. This discussion and analysis is presented in seven sections:

- Executive Overview
- Operations
- Lowe's Business Outlook
- Financial Condition, Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations and Commercial Commitments
- Critical Accounting Policies and Estimates

## EXECUTIVE OVERVIEW

Net earnings increased 18.0% to \$2.7 billion during fiscal year 2014, and diluted earnings per share increased 26.6% to \$2.71. Net sales for 2014 were \$56.2 billion, a 5.3% increase over fiscal year 2013. Comparable sales increased 4.3%, driven by a comparable average ticket increase of 2.4% and a comparable transaction increase of 1.8%.

For 2014, cash flows from operating activities were approximately \$4.9 billion, with \$880 million used for capital expenditures. Our strong financial position and positive cash flows allowed us to deliver on our commitment to return excess cash to shareholders. During 2014, the company repurchased 74.7 million shares of stock for \$3.9 billion and paid \$822 million in dividends.

Throughout 2014, we continued to build momentum as we further optimized our business model. We were focused on three priorities to drive further top-line growth including our enhanced Sales & Operations Planning process, building on our customer experience design capabilities, and improving our relevance with the Pro customer. In addition, in order to provide not just the products, but also the services, information, and advice to help our customers improve their homes, we are continuing to transform from a single-channel, home improvement retailer to an omni-channel home improvement company. This allows us to sell products from a store, online, on-site, or through one of our contact centers and fulfill orders in the most convenient manner for our customers.

Through our Sales & Operations Planning process, we have improved seasonal planning, including the cadence of product introductions, promotions and staffing. Our Sales & Operations process is anchored in the customer mindset for the season. The process ensures collaboration from all functions, including logistics, merchandising and marketing, to make certain we have relevant products available to customers at the right time and those products are effectively advertised and strategically promoted to drive customer traffic.

In addition, during 2014, we continued to build customer experience design capabilities. We now have a dedicated customer experience design team that coordinates the creation of customer experiences that encompass the entire project from inspiration, to purchase, to fulfillment. These experiences are rooted in research around customers' shopping preferences and mindset about specific home improvement projects. Any experience we design has to meet three critical criteria: it must be desirable to our target customer, feasible - fitting within the organization's competencies, and viable - or something we can deliver in a profitable and sustainable way. For example, during 2014, we rolled out an Outdoor Living Experience to two-thirds of our stores in advance of the spring selling season. To help customers envision and create their outdoor space, we displayed patio sets with coordinating rugs, umbrellas, and accessories, along with grills and other outdoor products just as they would have expected in their own backyard. This space was re-purposed for the Holiday Décor Experience in the second half of the year which inspired customers to decorate, raised awareness of the breadth of holiday décor and gift offerings, and provided project solutions relevant to the holiday micro-seasons. By providing an integrative and cohesive assortment of products, inspiring and intuitive presentation and display, and optimal service components across all selling channels, we are able to provide better customer experiences that differentiate us in the marketplace.

The following table sets forth information with respect to purchases of the Company's common stock made during the fourth quarter of 2014:

(In millions, except average price paid per share)	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>2</sup>	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>2</sup>
November 1, 2014 – November 28, 2014	1.4	\$ 63.20	1.4	\$ 1,300
November 29, 2014 – January 2, 2015	6.0	66.21	6.0	2,904
January 3, 2015 – January 30, 2015	7.5	68.33	7.5	2,388
As of January 30, 2015	14.9	\$ 67.00	14.9	\$ 2,388

<sup>1</sup> During the fourth quarter of fiscal 2014, the Company repurchased an aggregate of 14.9 million shares of its common stock. The total number of shares purchased also includes an insignificant number of shares withheld from employees to satisfy either the exercise price of stock options or the statutory withholding tax liability upon the vesting of restricted stock awards.

<sup>2</sup> On February 1, 2013, the Company's Board of Directors authorized a \$5.0 billion share repurchase program with no expiration. On January 31, 2014, the Company's Board of Directors authorized an additional \$5.0 billion under the repurchase program with no expiration, following which, the Company had an available share repurchase authorization of \$6.3 billion. As of January 30, 2015, the Company had \$2.4 billion remaining available under the program. On March 20, 2015, the Company's Board of Directors authorized an additional \$5.0 billion under the repurchase program with no expiration. In fiscal 2015, the Company expects to repurchase shares totaling \$3.8 billion through purchases made from time to time either in the open market or through private off-market transactions in accordance with SEC regulations.

#### Item 6 – Selected Financial Data

##### Selected Statement of Earnings Data

(In millions, except per share data)	2014	2013	2012	2011 <sup>1</sup>	2010
Net sales	\$ 56,223	\$ 53,417	\$ 50,521	\$ 50,208	\$ 48,815
Gross margin	19,558	18,476	17,327	17,350	17,152
Net earnings	2,698	2,286	1,959	1,339	2,010
Basic earnings per common share	2.71	2.14	1.69	1.43	1.42
Diluted earnings per common share	2.71	2.14	1.69	1.43	1.42
Dividends per share	\$ 0.87	\$ 0.70	\$ 0.62	\$ 0.53	\$ 0.42

##### Selected Balance Sheet Data

	2014	2013	2012	2011	2010
Total assets	\$ 31,827	\$ 32,732	\$ 32,666	\$ 33,559	\$ 33,699
Long-term debt, excluding current maturities	\$ 10,815	\$ 10,086	\$ 9,030	\$ 7,035	\$ 6,537

<sup>1</sup> Fiscal 2011 contained 53 weeks, while all other years contained 52 weeks.

Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

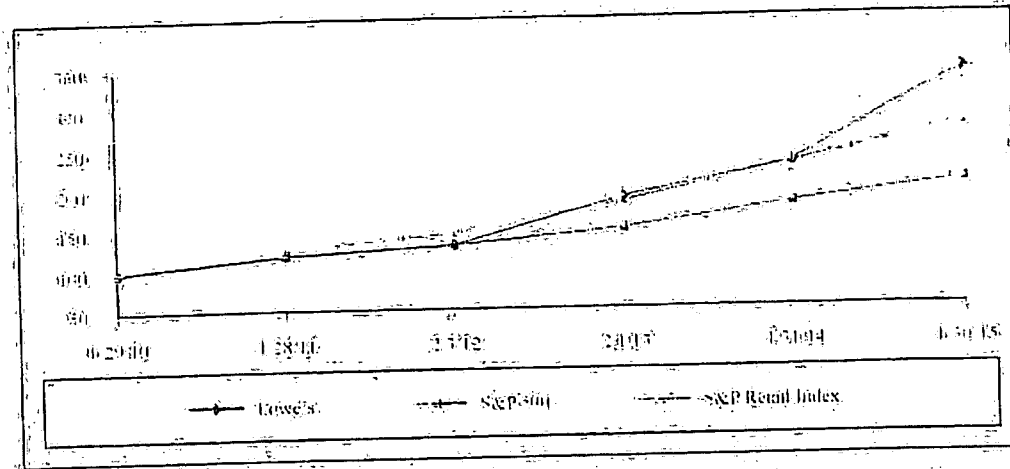
Lowe's common stock is traded on the New York Stock Exchange (NYSE). The ticker symbol for Lowe's is "LOW". As of March 27, 2015, there were 25,065 holders of record of Lowe's common stock. The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by the NYSE Composite Tape and the dividends per share declared on the common stock during such periods.

	Fiscal 2014			Fiscal 2013		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$ 51.28	\$ 44.45	\$ 0.18	\$ 39.98	\$ 35.86	\$ 0.18
2nd Quarter	48.54	44.13	0.23	45.30	38.87	0.18
3rd Quarter	57.41	47.52	0.23	50.74	43.52	0.18
4th Quarter	71.11	56.76	0.23	52.08	45.62	0.18

Total Return to Shareholders

The following information in Item 5 of this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

The following table and graph compare the total returns (assuming reinvestment of dividends) of the Company's common stock, the S&P 500 Index and the S&P Retailing Industry Group Index (S&P Retail Index). The graph assumes \$100 invested on January 29, 2010 in the Company's common stock and each of the indices.



	1/29/2010	1/28/2011	2/3/2012	2/1/2013	1/31/2014	1/30/2015
Lowe's	\$ 100.00	\$ 113.81	\$ 130.87	\$ 189.25	\$ 230.81	\$ 543.42
S&P 500	100.00	121.26	130.55	150.20	180.70	296.41
S&P Retail Index	100.00	127.17	145.61	183.34	229.70	275.85

Set forth below is a list of names and ages of the executive officers and certain significant employees of the registrant indicating all positions and offices with the registrant held by each such person and each person's principal occupations of employment during the past five years. Each executive officer of the registrant is elected by the board of directors at its first meeting after the annual meeting of shareholders and thereafter as appropriate. Each executive officer of the registrant holds office from the date of election until the first meeting of the directors held after the next annual meeting of shareholders or until a successor is elected.

Name	Age	Title
Robert A. Niblock	52	Chairman of the Board, President and Chief Executive Officer since 2011; Chairman of the Board and Chief Executive Officer, 2006 – 2011.
Maurcen K. Austra	59	Chief Human Resources Officer since 2012; Executive Vice President, Human Resources, 2011 – 2012; Senior Vice President, Human Resources, 2003 – 2011.
Marshall A. Croom	54	Chief Risk Officer since 2012; Senior Vice President and Chief Risk Officer, 2009 – 2012.
Rick D. Damon	52	Chief Operating Officer since 2012; Executive Vice President, Store Operations, 2011 – 2012; Senior Vice President, Logistics, 2009 – 2011.
Matthew V. Hollifield	48	Senior Vice President and Chief Accounting Officer since 2005.
Robert F. Hull, Jr.	50	Chief Financial Officer since 2012; Executive Vice President and Chief Financial Officer since 2004.
Michael A. Jones	52	Chief Customer Officer since 2014; Chief Merchandising Officer, 2013 – 2014; President, North and Latin America, The Hurqyama Group, 2009 – 2013.
Richard D. Malsbarger	39	Chief Development Officer and President of International since 2015; Chief Development Officer, 2014 – 2015; Business Development Executive, 2012 – 2014; Senior Vice President, Strategy, 2011 – 2012; Vice President, Strategic Planning 2010 – 2011; Vice President, Research, 2006 – 2010.
Ross W. McCaless	57	General Counsel, Secretary and Chief Compliance Officer since 2015; Chief Legal Officer, Extended Stay America, Inc. and ESH Hospitality, Inc., 2013 – 2014; Chief Legal Officer, HVM, L.L.C., Private Investor, 2006 – 2012.
N. Brian Peace	49	Corporate Administration Executive since 2012; Senior Vice President, Corporate Affairs, 2006 – 2012.
Paul D. Ramsay	50	Chief Information Officer since 2014; Senior Vice President, Information Technology, 2011 – 2014; Vice President, Information Technology, Exploration and Production, Hess Corporation, 2010 – 2011.

Future litigation or governmental proceedings could result in material, adverse consequences, including payment or settlements. We are, and in the future will become, involved in lawsuits, regulatory inquiries, and governmental and other legal proceedings arising out of the ordinary course of our business. Some of these proceedings may raise difficult and complicated factual and legal issues and can be subject to uncertainties and complexities. The timing of the final resolutions to lawsuits, regulatory inquiries, and governmental and other legal proceedings is typically uncertain. Additionally, the possible outcomes of, or resolutions to, these proceedings could include adverse judgments or settlements, either of which could require substantial payments. None of the legal proceedings in which we are currently involved, individually or collectively, is considered material.

**Item 1B - Unresolved Staff Comments**

None.

**Item 2 - Properties**

At January 30, 2015, our properties consisted of 1,840 stores in the U.S., Canada, and Mexico with a total of approximately 201 million square feet of selling space. Of the total stores operating at January 30, 2015, approximately 36% are owned, which includes stores on leased land, with the remainder being leased from third parties. We also operate regional distribution centers and other facilities to support distribution and fulfillment as well as data centers and various support offices. Our executive offices are located in Mooresville, North Carolina.

**Item 3 - Legal Proceedings**

We are a defendant in legal proceedings considered to be in the normal course of business, none of which, individually or collectively, is considered material.

**Item 4 - Mine Safety Disclosures**

Not applicable.

until we are able to do so, and potentially, in some cases, permanently;

*If the domestic or international supply chain for our products is disrupted for any reason, our sales and gross margin would be adversely impacted.*  
We source, stock, and sell products from over 7,000 domestic and international vendors and their ability to reliably and efficiently fulfill our orders is critical to our business success. We source a large number of those products from foreign manufacturers with China continuing to be the dominant import source. Financial instability among key vendors, political instability and labor unrest in source countries or elsewhere in our supply chain, port labor disputes, retaliatory trade restrictions imposed by either the United States or a major source country, tariffs, currency exchange rates and transport availability, capacity and costs are beyond our control and could negatively impact our business if they seriously disrupted the movement of products through our supply chain or increased their costs.

*Failure to effectively manage our third party installers could result in increased operational and legal risks.*  
We use third party installers to provide installation services to our customers, and as the general contractor, are subject to regulatory requirements and risks applicable to general contractors, including the management of the permitting, licensing and quality of our third party installers. Our failure to effectively manage such requirements and risks could result in lost sales, fines and lawsuits, as well as damage to our reputation, which could negatively affect our business.

*Failure to achieve and maintain a high level of product and service quality could damage our image with customers and negatively impact our sales, profitability, cash flows and financial condition.*  
Product and service quality issues could result in a negative impact on customer confidence in Lowe's and the Company's brand image. As a result, Lowe's reputation as a retailer of high quality products and services, including both national and Lowe's private brands, could suffer and impact customer loyalty. Additionally, a decline in product and service quality could result in product recalls, product liability and warranty claims.

*Operating internationally presents unique challenges that have required us to adapt our store operations, merchandising, marketing and distribution functions to serve customers in Canada and Mexico and to work effectively with our joint venture partner in Australia.*  
A significant portion of our anticipated store growth over the next five years will be in Canada and Mexico. We are also in a joint venture with Australia's largest retailer, Woolworths Limited, to develop a network of home improvement stores for consumers in Australia. Expanding internationally presents unique challenges that may increase the anticipated costs and risks, and slow the anticipated rate of such expansion.

*We must comply with multiple laws and regulations that differ substantially in each country where we operate.*  
If we fail to comply with these laws, rules and regulations, or the manner in which they are interpreted or applied, we may be subject to government enforcement action, litigation, damage to our reputation, civil and criminal liability, damages, fines and penalties, and increased cost of regulatory compliance, any of which could adversely affect our results of operations and financial performance. These laws, rules and regulations include import and export requirements; U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures to help ensure compliance with these laws, there can be no assurance that our employees and third parties with whom we do business will not take actions in violation of our policies or laws. We may also be subject to investigations or audits by governmental authorities and regulatory agencies, which can occur in the ordinary course of business or which can result from increased scrutiny from a particular agency towards an industry, country or practice.

*Changes in existing or new laws and regulations or regulatory enforcement priorities could adversely affect our business.*  
Laws and regulations at the local, regional, state, federal and international levels change frequently, and the changes can impose significant costs and other burdens of compliance on our business and our vendors. Any changes in regulations, the imposition of additional regulations, or the enactment of any new legislation that affect employment/labor, trade, product safety, transportation/logistics, energy costs, health care, cyber-security, tax or environmental issues, could have an adverse impact, directly or indirectly, on our financial condition and results of operations. Changes in enforcement priorities by governmental agencies charged with enforcing existing laws and regulations can increase our cost of doing business. In addition, our contracts with U.S., as well as state and local government entities, are subject to various procurement regulations and other requirements, including audits and investigations, relating to their formation, administration, and performance, and we may be adversely affected by changes in the regulations or negative findings from audits or investigations.

requirements, and if we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected. We also offer co-branded credit card programs, which could adversely affect our operating results if terminated.

*Our sales are dependent upon the health and stability of the general economy.*  
Many U.S. and global economic factors may adversely affect our financial performance. These include, but are not limited to, periods of slow economic growth or recession, volatility and/or lack of liquidity from time to time in U.S. and world financial markets and the consequent reduced availability and/or higher cost of borrowing to Lowe's and its customers, slower rates of growth in real disposable personal income that could affect the rate of growth in consumer spending, high rates of unemployment, consumer debt levels, fluctuations in fuel and energy costs, inflation or deflation of commodity prices, natural disasters, and acts of both domestic and international terrorism.

*Adverse changes in economic factors specific to the home improvement industry may negatively impact the rate of growth of our total sales and comparable sales.*  
Sales of many of our product categories and services are driven by the activity level of home improvement projects. Although the housing market has been strengthened by favorable interest rates and increasing home prices, the large number of households that continue to have little available equity, mortgage delinquency and foreclosure rates that remain high, tight restrictions on the availability of mortgage financing, slow household formation growth rates, and decreases in housing turnover through existing home sales, have limited, and may continue to limit, consumers' discretionary spending, particularly on larger home improvement projects that are important to the growth of our business. Another risk to the continued recovery of the home improvement industry is that consumer interest rates will rise when the Federal Reserve System begins withdrawing the extraordinary economic stimulus it has provided in recent years.

*If we fail to hire, train, manage and retain qualified sales associates and specialists with expanded skill sets who can work effectively and collaboratively in an increasingly culturally diverse environment, we could lose sales to our competitors.*  
Our customers, whether they are homeowners or commercial businesses, expect our sales associates and specialists to be well trained and knowledgeable about the products we sell and the home improvement services we provide. Increasingly, our sales associates and specialists must have expanded skill sets, including, in some instances, the ability to do in-home or telephone sales. In addition, in many of our stores our employees must be able to serve customers whose primary language and cultural traditions are different from their own. A critical challenge we face is attracting and retaining a sufficiently diverse workforce that can deliver a relevant, culturally competent and differentiated experience for a wide variety of culturally diverse customers. Also, as our employees become increasingly culturally diverse, our managers and sales associates must be able to manage and work collaboratively with employees whose primary language and cultural traditions are different from their own.

*We have many competitors who could take sales and market share from us if we fail to execute our merchandising, marketing and distribution strategies effectively, or if they develop a substantially more effective or lower cost means of meeting customer needs.*  
We operate in a highly competitive market for home improvement products and services and have numerous large and small, direct and indirect competitors. The principal competitive factors in our industry include convenience, customer service, quality and price of merchandise and services, in-stock levels, and merchandise assortment and presentation. Our failure to respond effectively to competitive pressures and changes in the markets for home improvement products and services could affect our financial performance. Moreover, changes in the promotional pricing and other practices of our competitors, including the effects of competitor liquidation activities, may impact our results.

*Our inability to effectively manage our relationships with selected suppliers of brand name products could negatively impact our business plan and financial results.*  
We form strategic relationships with selected suppliers to market and develop products under a variety of recognized and respected national brand names. The inability to effectively and efficiently manage and maintain the relationships with these suppliers could negatively impact our business plan and financial results.

*Failure of a key vendor or service provider that we cannot quickly replace could disrupt our operations and negatively impact our business.*  
No single vendor of the products we sell accounts for more than 6% of our total purchases, but we rely upon a number of vendors as the sole or primary source of some of the products we sell. We also rely upon many independent service providers for technology solutions and other services that are important to many aspects of our business. If these vendors or service

aligning processes for corporate strategy, business unit strategy and integrated planning to drive alignment, execution and delivery of solutions, including timely delivery and functionality of new technology solutions. Our strategic initiatives will require new competencies in many positions, and our management, employees and contractors will have to adapt and learn new skills and capabilities. To the extent they are unable or unwilling to make these transformational changes, we may be unable to realize the full benefits of our strategic initiatives and expand our relevant market access. Our results of operations, financial condition, or business prospects could also be adversely affected if we are unable to attract and retain additional personnel at various levels of the Company who have the skills and capabilities we need to implement our strategic initiatives and drive the changes that are essential to successfully adapting our business concept in the rapidly changing retailing environment.

*As customer-facing technology systems become an increasingly important part of our omni-channel sales and marketing strategy, the failure of those systems to perform effectively and reliably could keep us from delivering positive customer experiences.*

Access to the internet from computers, tablets, smart phones and other mobile communication devices has empowered our customers and changed the way they shop and how we interact with them. Our website, Lowes.com, is a sales channel for our products, and is also a method of making product, project and other relevant information available to them that impacts our in-store sales. In addition to Lowes.com, we have multiple affiliated websites and mobile apps through which we seek to inspire, inform, cross-sell, establish online communities among and otherwise interact with our customers. Performance issues with these customer-facing technology systems, including temporary outages caused by distributed denial of service or other cyber-attacks, or a complete failure of one or more of them without a disaster recovery plan that can be quickly implemented could quickly destroy the positive benefits they provide to our home improvement business and negatively affect our customers' perceptions of Lowe's as a reliable online vendor and source of information about home improvement products and services.

*Our financial performance could suffer if we fail to properly maintain our critical information systems or if those systems are seriously disrupted.*

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the maintenance and ongoing improvements of our existing management information systems that support operations such as inventory replenishment, merchandise ordering, transportation, receipt processing, and product delivery. Our financial performance could be adversely affected if our management information systems are seriously disrupted or we are unable to maintain, improve, upgrade, and expand our systems.

*Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee, vendor or Company information or to comply with evolving regulations relating to our obligation to protect our systems and assets and such information from the threat of cyber-attacks.*

Cyber-attacks designed to gain access to sensitive information by breaching mission critical systems of large organizations are constantly evolving, and high profile electronic security breaches, leading to unauthorized release of sensitive customer information have occurred in recent years with increasing frequency at a number of major U.S. companies, including several large retailers, despite widespread recognition of the cyber-attack threat and improved data protection methods. Despite our continued vigilance and investment in information security, we may be unable to adequately anticipate or prevent a breach in our systems that results in the unauthorized release of sensitive data. Should this occur, it may have a material adverse effect on our reputation, drive customers away and lead to financial losses from remedial actions, or potential liability, including possible punitive damages. A security breach resulting in the unauthorized release of sensitive data from our information systems could also materially increase the costs we already incur to protect against such risks. In addition, as the regulatory environment relating to retailers and other companies' obligation to protect such sensitive data becomes stricter, a material failure on our part to comply with applicable regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits.

*We are subject to payments-related risks that could increase our operating costs, expose us to fraud, subject us to potential liability and potentially disrupt our business.*

We accept payments using a variety of methods, including credit card, debit card, credit accounts, gift cards, direct debit from a customer's bank account, consumer invoicing, and physical bank check. These payment options subject us to many compliance requirements, including, but not limited to, compliance with the Payment Card Industry Data Security Standards, which represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information. They also subject us to potential fraud by criminal elements seeking to discover and take advantage of security vulnerabilities that may exist in some of these payment systems. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, electronic checks, gift cards, and promotional financing, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification

longstanding partnerships with other organizations, we have a strong track record of community leadership.

Lowe's is also committed to helping residents of the communities we serve by being there when we're needed most, when a natural disaster threatens and in the recovery that follows. In 2014, Lowe's committed more than \$2 million and mobilized hundreds of Lowe's Heroes employee volunteers to help families recover from disasters in 12 states from the Pacific Northwest to New York, while helping others prepare for the threat of hurricanes in Alabama, Florida, Louisiana, New Jersey, and Texas.

For more information on Lowe's partnerships and latest community improvement projects, visit [Lowe.com/SocialResponsibility](http://Lowe.com/SocialResponsibility) and [Lowe.com/Community](http://Lowe.com/Community).

#### Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge through our internet website at [www.Lowe.com/investor](http://www.Lowe.com/investor), as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The public may also read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

#### Item 1A - Risk Factors

We have developed a risk management process using periodic surveys, external research, planning processes, risk mapping, analytics and other tools to identify and evaluate the operational, financial, environmental, reputational, strategic and other risks that could adversely affect our business. For more information about our risk management process, which is administered by our Chief Risk Officer and includes developing risk mitigation controls and procedures for the material risks we identify, see the description included in the proxy statement for our annual meeting of shareholders (as defined in Item 10 of Part III of this Annual Report on Form 10-K) under "Board's Role in the Risk Management Process".

We describe below certain risks that could adversely affect our results of operations, financial condition, business reputation or business prospects. These risk factors may change from time to time and may be amended, supplemented or superseded by updates to the risk factors contained in our future periodic reports on Form 10-K, Form 10-Q and reports on other forms we file with the Securities and Exchange Commission. All forward-looking statements about our future results of operations or other matters made by us in this Annual Report on Form 10-K, in our Annual Report to Lowe's Shareholders and in our subsequently filed reports to the Securities and Exchange Commission, as well as in our press releases and other public communications, are qualified by the risks described below.

You should read these Risk Factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our Consolidated Financial Statements and related notes in Item 8. There also may be other factors that we cannot anticipate or that are not described in this report generally because we do not currently perceive them to be material. Those factors could cause results to differ materially from our expectations.

*We may be unable to adapt our business concept in a rapidly changing retailing environment to address the changing shopping habits and demands and demographics of our customers.*

The home improvement retailing environment, like the retailing environment generally, is rapidly evolving, and adapting our business concept to respond to our customers' changing shopping habits and demands and their changing demographics is critical to our future success. In addition to our traditional large-format brick and mortar retail stores, many of which are located in or near suburban communities, we are also increasing our urban market presence with smaller-format stores and investing extensively in on-line sales, content marketing and information searching technology capabilities. Failure to adapt our business concept successfully could negatively affect our relationship with our customers, the demand for the home improvement products and services we sell, the rate of growth of our business and our market share.

*We may not be able to realize the benefits of our strategic initiatives focused on omni-channel sales and marketing presence if we fail to deliver the capabilities required to execute on them.*

The success of our strategic initiatives to adapt our business concept to our customers' changing shopping habits and demands and changing demographics will require us to deliver large, complex programs requiring different skill sets and capabilities than were required by our management, employees and contractors in the past to achieve our objectives. They will also require

## Environmental Stewardship

Lowe's recognizes how efficient operations can help protect the environment and our bottom line. We examine our operations regularly to deliver energy efficiency, reduce fuel consumption, and minimize waste generation through increased recycling. We also install technology that will help us operate our facilities more efficiently and environmentally responsibly. For example, our RDC in Rome, GA was designed to use high-efficiency, light-emitting diode (LED) fixtures, and our Pitkin RDC was retrofitted with interior and exterior LED fixtures, significantly reducing this facility's total energy use.

We strive to deliver products to our stores in a fuel-efficient and environmentally responsible manner through participation in the SmartWay® Transport Partnership, an innovative program launched by the U.S. Environmental Protection Agency (EPA) in 2004 that promotes cleaner, more fuel-efficient transportation options. Lowe's received a 2014 SmartWay Excellence Award from the EPA, our sixth consecutive SmartWay honor, for our commitment to environmental excellence in freight management operations and reduction of carbon dioxide emissions and other harmful pollutants. We have also increased shipping of products by rail and increased the efficiency of truckload shipments to and from our RDCs.

We continue to take steps to improve our recycling programs and reduce the amount of waste we generate. Through these efforts, we are able to reduce our disposal costs and minimize the impact on the environment of the operation of our stores and other facilities. We also offer convenient recycling for our customers at many of our stores for items such as rechargeable batteries, plastic bags and compact fluorescent light bulbs.

We annually track our carbon footprint and participate in the Carbon Disclosure Project, an independent nonprofit organization hosting the largest database of primary corporate climate change information in the world. To further reduce our carbon footprint, we incorporate energy-efficient technologies and architectural systems into new stores and retrofits of existing stores, such as energy-efficient lighting, white membrane cool roofs, and HVAC units that meet or exceed ENERGY STAR qualifications. We also participate in demand response programs by voluntarily reducing our lighting and HVAC loads during peak demand periods to support electric grid reliability.

Additionally, we continue to focus on helping consumers reduce their energy and water use and their environmental footprint while saving money when they purchase our products and services. We offer a wide selection of environmentally responsible and energy-efficient products for the home, including ENERGY STAR® appliances, WaterSense® labeled toilets, paint with no volatile organic compounds (VOC), and indoor and outdoor LED lighting. Through our in-home sales specialists, we offer customers installation of insulation and energy-efficient windows.

For more information on Lowe's environmental efforts, please visit [Lowe's.com/SocialResponsibility](http://Lowe's.com/SocialResponsibility).

## Compliance with Environmental Matters

Our operations are subject to numerous federal, state and local laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment. These laws and regulations may increase our costs of doing business in a variety of ways, including indirectly through increased energy costs, as utilities, refineries, and other major emitters of greenhouse gases are subjected to additional regulation or legislation that seeks to better control greenhouse gas emissions. We do not anticipate any material capital expenditures during fiscal 2015 for environmental control facilities or other costs of compliance with such laws or regulations.

## Reaching Out / Our Community

Lowe's has a long and proud history of supporting local communities through public education and community improvement projects, beginning with the creation of the Lowe's Charitable and Educational Foundation in 1957. In 2014, Lowe's and the Lowe's Charitable and Educational Foundation contributed \$28 million to schools and community organizations in the United States, Canada, and Mexico.

Our commitment to improving educational opportunities is best exemplified by our signature education grant program, Lowe's Toolbox for Education®. The program has benefited more than five million school children since 2006, funding improvements at 1,103 schools across the United States in 2014.

For more than a decade, we've been working with national nonprofit partners to strengthen and stabilize neighborhoods in the communities we serve. In 2014, Lowe's contributed more than \$6 million and teamed with Habitat for Humanity and Rebuilding Together to bring housing solutions and hope to families across the country. We also continued to build on our

Our 1,766 home improvement stores are generally open seven days per week and average approximately 112,000 square feet of retail selling space, plus approximately 32,000 square feet of outdoor garden center selling space. In addition, we operate 74 Orchard stores located throughout California and Oregon that also serve home improvement customers. Our home improvement stores offer similar products and services, with certain variations based on local market factors; however, Orchard stores are primarily focused on paint, repair, and backyard products. We continue to develop and implement tools to make our sales associates more efficient and to integrate our order management and fulfillment processes. Our home improvement stores have Wi-Fi capabilities that provide customers with internet access, making information available quickly to further simplify the shopping experience.

#### *Online*

Through Lowe's.com, Lowe's.ca, ATCStores.com and mobile applications, we seek to empower consumers by providing a 24/7 shopping experience, online product information, customer ratings and reviews, online buying guides and how-to videos and other information. These tools help consumers make more informed purchasing decisions and give them increased confidence to undertake home improvement projects. In 2014, sales through our online selling channels, which include Lowe's.com, Lowe's.ca and ATCStores.com, accounted for approximately 2.5% of our total sales. We enable customers to choose from a variety of fulfillment options, including buying online and picking up in-store as well as delivery or parcel shipment to their homes.

#### *On-Site*

We have on-site specialists available to retail and Pro customers to assist them in selecting products and services for their projects. Our Account Executives Pro Services meet with Pro customers at their place of business or on a job site and leverage stores within the area to ensure we meet customer needs for products and resources. Our Project Specialist Exterior (PSE) program is available in all Lowe's stores to discuss exterior projects such as roofing, siding, fencing, and windows, whose characteristics lend themselves to an in-home consultative sales approach. In addition, our Project Specialist Interiors (PSI) program is available in seven of our 14 regions to provide similar consultative services on interior projects such as kitchens and bathrooms.

#### *Contact Centers*

Lowe's operates two contact centers which are located in Wilkesboro, NC and Albuquerque, NM. In addition, we are opening an additional facility in Indianapolis, IN. These contact centers help enable an omni-channel experience by providing the ability to tender sales, coordinate deliveries, manage after-site installations, facilitate repair services for Appliances and Outdoor Power Equipment, and answer general customer questions via phone, e-mail, letters, or social media.

#### *Employees*

As of January 10, 2015, we employed approximately 175,000 full-time and 91,000 part-time employees. Our employees in Mexico are subject to collective bargaining agreements. No other employees are subject to collective bargaining agreements. Management considers its relations with employees to be good.

#### *Seasonality and Working Capital*

The retail business in general is subject to seasonal influences, and our business is, to some extent, seasonal. Historically, we have realized the highest volume of sales during our second fiscal quarter (May, June and July) and the lowest volume of sales during our fourth fiscal quarter (November, December and January). Accordingly, our working capital requirements have historically been greater during our fourth fiscal quarter as we build inventory in anticipation of the spring selling season and as we experience lower fourth fiscal quarter sales volumes. We fund our working capital requirements primarily through cash flows generated from operations, but also with short-term borrowings, as needed. For more detailed information, see the Financial Condition, Liquidity and Capital Resources section in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Annual Report on Form 10-K.

#### *Intellectual Property*

The name "Lowe's" is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has various additional trademarks, trade names and service marks, many of which are used in our private brand program. The subsidiary also maintains various internet domain names that are important to our business, and we also own registered and unregistered copyrights. In addition, we maintain patent portfolios related to some of our products and services and seek to patent or otherwise protect certain innovations that we incorporate into our products, services, or business operations.

Lowe's most important private brands include Kobalt® tools, allen+roth® home décor products, iLuv, Hawk® home improvement products, Project Source® basic value products, Portfolio® lighting products, Garden Treasures® lawn and patio products, Utilitech® electrical and utility products, Reliabl® doors and windows, Aquasource® faucets, sinks and toilets, Haibor Breeze® ceiling fans, Top Choice® lumber products and Iris® home automation and management products.

#### *Supply Chain*

We source our products from over 7,000 vendors worldwide with no single vendor accounting for more than 6% of total purchases. We believe that alternative and competitive suppliers are available for virtually all of our products. Whenever possible, we purchase directly from manufacturers to provide savings for customers and improve our gross margin.

To efficiently move product from our vendors to our stores and maintain in-stock levels, we own and operate 15 highly-automated Regional Distribution Centers (RDC) in the United States. Through our RDCs, products are received from vendors, stored and picked, or cross-docked, and then shipped to our retail locations or directly to customers. On average, each domestic RDC serves approximately 115 stores. We also lease and operate a distribution facility to serve our Canadian stores. Additionally, we have a service agreement with a third-party logistics provider to manage a distribution facility to serve our stores in Mexico.

In addition to the RDCs, we also operate coastal holding facilities, transload facilities, and flatbed distribution centers. The flatbed distribution centers distribute merchandise that requires special handling due to size or type of packaging, such as lumber, boards, panel products, pipe, siding, ladders, and building materials. Collectively, our facilities enable our import and e-commerce, as well as parcel post eligible products, to get to their destination as efficiently as possible. Most parcel post items can be ordered by a customer and delivered within two business days at standard shipping rates.

On average, in fiscal 2014, approximately 80% of the total dollar amount of stock merchandise we purchased was shipped through our distribution network, while the remaining portion was shipped directly to our stores from vendors.

#### *Our Services*

##### *Installed Sales*

We offer installation services through independent contractors in many of our product categories, with Flooring, Millwork and Kitchens & Appliances accounting for the majority of installed sales. Our Installed Sales model, which separates selling and project administration tasks, allows our sales associates to focus on project selling, while project managers ensure that the details related to installing the products are efficiently executed. Installed Sales, which includes both product and labor, accounted for approximately 8% of total sales in fiscal 2014.

##### *Extended Protection Plans and Repair Services*

We offer extended protection plans in Kitchens & Appliances, Tools & Hardware, Outdoor Power Equipment, Seasonal Living, and Rough Plumbing. Lowe's Protection Plans provide customers with product protection that enhances or extends coverage previously offered by the manufacturer's warranty. We provide in-warranty and out-of-warranty repair services for major appliances, outdoor power equipment, tools, grills, fireplaces, and water heaters through our stores or in the home through our Lowe's Authorized Service Repair Network. We offer replacement plans in products in these categories priced below \$200. Our contact center takes customers' calls, assesses the problems, and facilitates resolution, making after-sales service easier for our customers because we manage the entire process.

#### *Selling Channels*

We are continuing our progress towards becoming an omni-channel retail company, which allows our customers to move from channel to channel with simple and seamless transitions even within the same transaction. For example, for many projects, more than half of our customers conduct research online, before making an in-store purchase. For purchases made on Lowe's.com, approximately 60% are picked up in-store, 10% are delivered from a store, and 30% are parcel shipped. Regardless of the channels through which customers choose to engage with us, we strive to provide them with a seamless experience across channels and an endless aisle of products, enabled by our flexible fulfillment capabilities. Our ability to sell products in-store, online, on-site, or through our contact centers speaks to our ability to leverage our existing infrastructure with the omni-channel capabilities we are introducing.

be an improvement from the 6.2% average in 2014. The unemployment rate should continue to trend lower as the job market continues to expand at a moderate pace.

- Recent evidence suggests that home prices will continue to increase. In 2014, home price appreciation improved to an estimated 5.7%, according to the Federal Housing Finance Agency index. Economists generally expect the rate of home price growth to moderate in 2015 but to remain positive.
- Housing turnover decreased 2.3% in 2014 after a 9.0% increase in 2013, according to The National Association of Realtors and U.S. Census Bureau. Growth in 2014 was restrained by an increase in mortgage rates and harsh winter weather. Turnover is generally expected to increase in 2015, supported by a strengthening job market, rising incomes and historically low mortgage rates.

These indicators are important to our business because they signal a customer's willingness to engage in home maintenance, repair, and upgrade projects and favorably impact income available to purchase our products and services. Currently, these indicators suggest moderately improving consumer demand for the home improvement products and services we sell.

#### Our Competition

The home improvement retailing business includes a broad competitive landscape. We compete with other home improvement warehouse chains and lumberyards in most of our trade areas. We also compete with traditional hardware, plumbing, electrical and home supply retailers. In addition, we compete with general merchandise retailers, warehouse clubs, and online and other specialty retailers. Location of stores continues to be a key competitive factor in our industry; however, the increasing use of technology and the simplicity of online shopping also underscore the importance of omnichannel capabilities as a competitive factor. We differentiate ourselves from our competitors by providing better customer experiences that make us the project authority while delivering value to our customers. See further discussion of competition in Item 1A, "Risk Factors," of this Annual Report on Form 10-K.

#### Products and Services

##### Our Products

###### Product Selection

To meet customers' varying home improvement needs, we offer a complete line of products for maintenance, repair, remodeling, and decorating. We offer home improvement products in the following categories: Kitchens & Appliances; Lumber & Building Materials; Tools & Hardware; Fashion Fixtures; Rough Plumbing & Electrical; Lawn & Garden; Seasonal Living; Paint; Home Fashions; Storage & Cleaning; Flooring; Millwork; and Outdoor Power Equipment. A typical Lowe's home improvement store stocks approximately 36,000 items, with hundreds of thousands of additional items available through our Special Order Sales system, [Lowe.com](http://Lowe.com), [Lowe.ca](http://Lowe.ca), and [ATCStores.com](http://ATCStores.com). See Note 16 of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K for historical revenues by product category for each of the last three fiscal years.

We are committed to offering a wide selection of national brand-name merchandise complemented by our selection of private brands. In addition, we are dedicated to ensuring the products we sell are sourced in a socially responsible, efficient, and cost effective manner.

###### National Brand-Name Merchandise

In many product categories, customers look for a familiar and trusted national brand to instill confidence in their purchase. Each Lowe's home improvement store carries a wide selection of national brand-name merchandise such as Whirlpool® appliances and water heaters, GE®, LG®, and Samsung® appliances, Stainmaster® carpets, Valpar® paints and stains, Pella® windows and doors, Sylvania® light bulbs, Dewalt® power tools, Owens Corning® roofing, Johns Manville® insulation, James Hardie® fiber cement siding, Husqvarna® outdoor power equipment, Werner® ladders, and many more. In 2014, we added brand-name merchandise such as Henry® coatings, Hubbell® wiring devices, GRK Fasteners™, and Progress® Lighting to our portfolio. Our merchandise selection provides the retail and Pro customer a one-stop shop for a wide variety of national brand-name merchandise needed in complete home improvement, repair, maintenance, or construction projects.

###### Private Brands

Private brands are an important element of our overall portfolio, helping to provide significant value and coordinated style across core categories. We sell private brands in several product categories including Tools & Hardware, Seasonal Living,

Item 1 - Business

General Information

Lowe's Companies, Inc. and subsidiaries (the Company or Lowe's) is a Fortune® 100 company and the world's second largest home improvement retailer. As of January 30, 2015, Lowe's operated 1,840 home improvement and hardware stores, representing approximately 201 million square feet of retail selling space. Lowe's is comprised of 1,793 stores located across 30 U.S. states, including 74 Orchard Supply Hardware (Orchard) stores in California and Oregon, as well as 37 stores in Canada, and 10 stores in Mexico.

Lowe's was incorporated in North Carolina in 1953 and has been publicly held since 1961. The Company's common stock is listed on the New York Stock Exchange - ticker symbol "LOW".

See Item 6, "Selected Financial Data", of this Annual Report on Form 10-K, for historical revenues, profits and identifiable assets. For additional information about the Company's performance and financial condition, see also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

Customers, Market and Competition

Our Customers

We serve homeowners, renters, and professional customers (Pro customers). Retail customers comprised of individual homeowners and renters, complete a wide array of projects and vary along the spectrum of do-it-yourself (DIY) and do-it-for-me (DIFM). The Pro customer consists of two broad categories: construction trades, and maintenance, repair & operations.

Our Market

We are among the many businesses, including home centers, paint stores, hardware stores, lumber yards and garden centers, whose revenues are included in the Building Material and Garden Equipment and Supplies Dealer's Subsector (444) of the Retail Trade Sector of the North American Industry Classification System (NAICS), the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. The total annual revenue reported for businesses included in NAICS 444 in 2014 was \$328 billion, which represented an increase of 5.1% over the amount reported for the same category in 2013. The total annual revenue reported for businesses included in NAICS 444 in 2013, was \$312 billion, which represented an increase of 6.0% over the amount reported for the same category in 2012.

NAICS 444 represents less than half of what we consider the total market for our products and services. The broader market in which Lowe's operates includes home-related sales through a variety of companies beyond those in NAICS 444. These consist of other companies in the retail sector, including mass retailers, home furnishings stores, and online retailers, as well as wholesalers that provide home-related products and services to homeowners, businesses, and the government. Based on our analysis of the most recent comprehensive data available, we estimate the size of the U.S. home improvement market at \$690 billion in 2014, comprised of \$520 billion of product sales and \$170 billion of installed labor sales. That compares with \$640 billion total market sales in 2013, comprised of \$480 billion of product sales and \$160 billion of installed labor sales.

There are many variables that affect consumer demand for the home improvement products and services Lowe's offers. Key indicators we monitor include real disposable personal income, employment, home prices, and housing turnover. We also monitor demographic and societal trends that shape home improvement industry growth.

- "Real disposable personal income is projected to grow at a stronger pace in 2015 than in 2014. Real disposable personal income is forecasted to increase 3.3% in calendar 2015, up from the 2.5% gain recorded in 2014, based on the March 2015 Blue Chip Economic Indicators.\*

\*Blue Chip Economic Indicators® (ISSN: 0193-4609) is published monthly by Aspen Publishers, 56 Ninth Avenue, New York, NY 10011, a division of Wolters Kluwer Law and Business. Printed in the U.S.A.

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FORM 10-K

(Mark One)

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

For the fiscal year ended January 30, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-7898



LOWE'S COMPANIES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

(State of other jurisdiction of incorporation or organization)

56-0578072

(IRS Employer Identification No.)

1000 Lowe's Blvd., Mooresville, NC

(Address of principal executive offices)

28117

(Zip Code)

Registrant's telephone number, including area code:

704-758-1000

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	New York Stock Exchange (NYSE)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 (17232-405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (17229-405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

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

As of August 1, 2014, the last business day of the Company's most recent second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$47.1 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

CLASS:	OUTSTANDING AT March 27, 2015
Common Stock, \$0.50 par value	951,703,640

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part Into Which Incorporated
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*we fail to deliver the capabilities required to execute on them.*

The success of our strategic initiatives to adapt our business concept to our customers' changing shopping habits and demands, and changing demographics will require us to deliver large, complex programs requiring different skill sets and capabilities than were required by our management, employees and contractors in the past to achieve our objectives. They will also require more integrated planning, initiative prioritization and program sequencing. Our leadership development program for our managers at all levels is focused on aligning processes for corporate strategy, business unit strategy and integrated planning to drive alignment, execution and delivery of solutions, including timely delivery and functionality of new technology solutions. Our strategic initiatives will require new competencies in many positions, and our management, employees and contractors will have to adapt and learn new skills and capabilities. To the extent they are unable or unwilling to make these transformational changes, we may be unable to realize the full benefits of our strategic initiatives and expand our relevant market access. Our results of operations, financial condition, or business prospects could also be adversely affected if we are unable to attract and retain additional personnel at various levels of the Company who have the skills and capabilities we need to implement our strategic initiatives and drive the changes that are essential to successfully adapting our business concept in the rapidly changing retailing environment.

*As customer-facing technology systems become an increasingly important part of our omni-channel sales and marketing strategy, the failure of those systems to perform effectively and reliably could keep us from delivering positive customer experiences.*

Access to the internet from computers, tablets, smart phones and other mobile communication devices has empowered our customers and changed the way they shop and how we interact with them. Our website, Lowes.com, is a sales channel for our products, and is also a method of making product, project and other relevant information available to them that impacts our in-store sales. In addition to Lowes.com, we have multiple affiliated websites and mobile apps through which we seek to inspire, inform, cross-sell, establish online communities among and otherwise interact with our customers. Performance issues with these customer-facing technology systems, including temporary outages caused by distributed denial of service or other cyberattacks, or a complete failure of one or more of them without a disaster recovery plan that can be quickly implemented, could quickly destroy the positive benefits they provide to our home improvement business and negatively affect our customers' perceptions of Lowe's as a reliable online vendor and source of information about home improvement products and services.

*Our financial performance could suffer if we fail to properly maintain our critical information systems or if those systems are seriously disrupted.*

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the maintenance and ongoing improvements of our existing management information systems that support operations such as inventory replenishment, merchandise ordering, transportation, receipt processing and product delivery. Our financial performance could be adversely affected if our management information systems are seriously disrupted or we are unable to maintain, improve, upgrade, and expand our systems.

*Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee, vendor, or Company information or to comply with evolving regulations relating to our obligation to protect our systems and assets and such information from the threat of cyberattacks.*

Cyberattacks designed to gain access to sensitive information by breaching mission-critical systems of large organizations are constantly evolving, and high profile electronic security breaches leading to unauthorized release of sensitive customer information have occurred in recent years with increasing frequency at a number of major U.S. companies, including several large retailers. Despite widespread recognition of the cyber-attack threat and improved data protection methods, despite our continued vigilance and investment in information security, we may be unable to adequately anticipate or prevent a breach in our systems that results in the unauthorized release of sensitive data. Should this occur, it may have a material adverse effect on our reputation, drive customers away and lead to financial losses from remedial actions, or potential liability, including possible punitive damages. A security breach resulting in the unauthorized release of sensitive data from our information systems could

be a significant factor in the way our stakeholders react to and manage such risks. In addition, as the regulatory environment

hundreds of Lowe's Heroes employee-volunteers to help families recover from disasters in 12 states from the Pacific Northwest to New York, while helping others prepare for the threat of hurricanes in Alabama, Florida, Louisiana, New Jersey, and Texas.

For more information on Lowe's partnerships and latest community improvement projects, visit [Loves.com/SocialResponsibility](http://Loves.com/SocialResponsibility) and [LovesInTheCommunity.tumblr.com](http://LovesInTheCommunity.tumblr.com).

#### Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge through our internet website at [www.loves.com/investor](http://www.loves.com/investor), as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The public may also read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

#### Item 1A - Risk Factors

We have developed a risk management process using periodic surveys, external research, planning processes, risk mapping, analytics and other tools to identify and evaluate the operational, financial, environmental, reputational, strategic and other risks that could adversely affect our business. For more information about our risk management process, which is administered by our Chief Risk Officer and includes developing risk mitigation controls and procedures for the material risks we identify, see the description included in the proxy statement for our annual meeting of shareholders (as defined in Item 10 of Part III of this Annual Report on Form 10-K) under "Board's Role in the Risk Management Process".

We describe below certain risks that could adversely affect our results of operations, financial condition, business reputation or business prospects. These risk factors may change from time to time and may be amended, supplemented or superseded by updates to the risk factors contained in our future periodic reports on Form 10-K, Form 10-Q and reports on other forms we file with the Securities and Exchange Commission. All forward-looking statements about our future results of operations or other matters made by us in this Annual Report on Form 10-K, in our Annual Report to Lowe's Shareholders and in our subsequently filed reports to the Securities and Exchange Commission, as well as in our press releases and other public communications, are qualified by the risks described below.

You should read these Risk Factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our Consolidated Financial Statements and related notes in Item 8. There also may be other factors that we cannot anticipate or that are not described in this report generally because we do not currently perceive them to be material. Those factors could cause results to differ materially from our expectations.

*We may be unable to adapt our business concept in a rapidly changing retailing environment to address the changing shopping habits and demands and demographics of our customers.*

The home improvement retailing environment, like the retailing environment generally, is rapidly evolving, and adapting our business concept to respond to our customers' changing shopping habits and demands and their changing demographics is critical to our future success. In addition to our traditional large-format brick-and-mortar retail stores, many of which are located in or near suburban communities, we are also increasing our urban market presence, with smaller-format stores and investing extensively in on-line sales, content marketing and information searching technology capabilities. Failure to adapt

efforts, we are able to reduce our disposal costs and minimize the impact on the environment of the operation of our stores and other facilities. We also offer convenient recycling for our customers at many of our stores for items such as rechargeable batteries, plastic bags and compact fluorescent light bulbs.

We annually track our carbon footprint and participate in the Carbon Disclosure Project, an independent nonprofit organization hosting the largest database of primary corporate climate change information in the world. To further reduce our carbon footprint, we incorporate energy-efficient technologies and architectural systems into new stores and retrofits of existing stores, such as energy-efficient lighting, white membrane cool roofs, and HVAC units that meet or exceed ENERGY STAR qualifications. We also participate in demand response programs by voluntarily reducing our lighting and HVAC loads during peak demand periods to support electric grid reliability.

Additionally, we continue to focus on helping consumers reduce their energy and water use and their environmental footprint while saving money when they purchase our products and services. We offer a wide selection of environmentally responsible and energy-efficient products for the home, including ENERGY STAR<sup>®</sup> appliances, WaterSense<sup>®</sup> labeled toilets, paint with no volatile organic compounds (VOC), and indoor and outdoor LED lighting. Through our in-home sales specialists, we offer customers installation of insulation and energy-efficient windows.

For more information on Lowe's environmental efforts, please visit [Lowe.com/SocialResponsibility](http://Lowe.com/SocialResponsibility).

#### Compliance with Environmental Matters

Our operations are subject to numerous federal, state and local laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment. These laws and regulations may increase our costs of doing business in a variety of ways, including indirectly through increased energy costs, as utilities, refineries, and other major emitters of greenhouse gases are subjected to additional regulation or legislation that seeks to better control greenhouse gas emissions. We do not anticipate any material capital expenditures during fiscal 2015 for environmental control facilities or other costs of compliance with such laws or regulations.

#### Reaching Out to Our Community

Lowe's has a long and proud history of supporting local communities through public education and community improvement projects, beginning with the creation of the Lowe's Charitable and Educational Foundation in 1957. In 2014, Lowe's and the Lowe's Charitable and Educational Foundation contributed \$28 million to schools and community organizations in the United States, Canada, and Mexico.

Our commitment to improving educational opportunities is best exemplified by our signature education grant program, Lowe's Toolbox for Education<sup>®</sup>. The program has benefited more than five million school children since 2006, funding improvements at 1,103 schools across the United States in 2014.

For more than a decade, we've been working with national nonprofit partners to strengthen and stabilize neighborhoods in the communities we serve. In 2014, Lowe's contributed more than \$6 million and teamed with Habitat for Humanity and Rebuilding Together to bring housing solutions and hope to families across the country. We also continued to build on our longstanding partnerships with SkillsUSA, the Boys & Girls Clubs of America, and Keep America Beautiful to improve communities and build tomorrow's leaders.

### Contact Centers

Lowe's operates two contact centers which are located in Wilkesboro, NC and Albuquerque, NM. In addition, we are opening an additional facility in Indianapolis, IN. These contact centers help enable an omni-channel experience by providing the ability to tender sales, coordinate deliveries, manage after-sale installations, facilitate repair services for Appliances and Outdoor Power Equipment, and answer general customer questions via phone, e-mail, letters, or social media.

### Employees

As of January 30, 2015, we employed approximately 175,000 full-time and 91,000 part-time employees. Our employees in Mexico are subject to collective bargaining agreements. No other employees are subject to collective bargaining agreements. Management considers its relations with employees to be good.

### Seasonality and Working Capital

The retail business in general is subject to seasonal influences, and our business is, to some extent, seasonal. Historically, we have realized the highest volume of sales during our second fiscal quarter (May, June and July) and the lowest volume of sales during our fourth fiscal quarter (November, December and January). Accordingly, our working capital requirements have historically been greater during our fourth fiscal quarter as we build inventory in anticipation of the spring selling season and as we experience lower fourth fiscal quarter sales volumes. We fund our working capital requirements primarily through cash flows generated from operations, but also with short-term borrowings, as needed. For more detailed information, see the Financial Condition, Liquidity and Capital Resources section in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

### Intellectual Property

The name "Lowe's" is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has various additional trademarks, trade names and service marks, many of which are used in our private brand program. The subsidiary also maintains various Internet domain names that are important to our business, and we also own registered and unregistered copyrights. In addition, we maintain patent portfolios related to some of our products and services and seek to patent or otherwise protect certain innovations that we incorporate into our products, services, or business operations.

### Environmental Stewardship

Lowe's recognizes how efficient operations can help protect the environment and our bottom line. We examine our operations regularly to deliver energy efficiency, reduce fuel consumption, and minimize waste generation through increased recycling. We also install technology that will help us operate our facilities more efficiently and environmentally responsibly. For example, our RDC in Rome, GA was designed to use high-efficiency, light-emitting diode (LED) fixtures, and our Pittston RDC was retrofitted with interior and exterior LED fixtures, significantly reducing this facility's total energy use.

We strive to deliver products to our stores in a fuel-efficient and environmentally responsible manner through participation in the SmartWay<sup>®</sup> Transport Partnership, an innovative program launched by the U.S. Environmental Protection Agency (EPA) in 2004 that promotes cleaner, more fuel-efficient transportation options. Lowe's received a 2014 SmartWay Excellence Award from the EPA, our sixth consecutive SmartWay honor, for our commitment to environmental excellence in freight management operations and reduction of carbon dioxide emissions and other harmful pollutants. We have also increased shipping of

details related to installing the products are efficiently executed. Installed sales, which includes both products and labor, accounted for approximately 8% of total sales in fiscal 2014.

#### *Extended Protection Plans and Repair Services*

We offer extended protection plans in Kitchens & Appliances, Tools & Hardware, Outdoor Power Equipment, Seasonal Living, and Rough Plumbing. Lowe's Protection Plans provide customers with product protection that enhances or extends coverage previously offered by the manufacturer's warranty. We provide in-warranty and out-of-warranty repair services for major appliances, outdoor power equipment, tools, grills, fireplaces, and water heaters (through our stores or in the home through our Lowe's Authorized Service Repair Network). We offer replacement plans in products in these categories priced below \$200. Our contact center takes customers' calls, assesses the problems, and facilitates a resolution, making after-sales service easier for our customers because we manage the entire process.

#### *Selling Channels*

We are continuing our progress towards becoming an omni-channel retail company, which allows our customers to move from channel to channel with simple and seamless transitions even within the same transaction. For example, for many projects, more than half of our customers conduct research online before making an in-store purchase. For purchases made on [Lowe's.com](http://Lowe's.com), approximately 60% are picked up in-store, 10% are delivered from a store, and 30% are parcel shipped. Regardless of the channels through which customers choose to engage with us, we strive to provide them with a seamless experience across channels and an endless aisle of products, enabled by our flexible fulfillment capabilities. Our ability to sell products in-store, online, on-site, or through our contact centers speaks to our ability to leverage our existing infrastructure with the omni-channel capabilities we are introducing.

#### *In-Store*

Our 1,766 home improvement stores are generally open seven days per week and average approximately 112,000 square feet of retail selling space, plus approximately 32,000 square feet of outdoor garden center selling space. In addition, we operate 74 Orchard stores located throughout California and Oregon that also serve home improvement customers. Our home improvement stores offer similar products and services, with certain variations based on local market factors; however, Orchard stores are primarily focused on paint, repair, and backyard products. We continue to develop and implement tools to make our sales associates more efficient and to integrate our order management and fulfillment processes. Our home improvement stores have Wi-Fi capabilities that provide customers with internet access, making information available quickly to further simplify the shopping experience.

#### *Online*

Through [Lowe's.com](http://Lowe's.com), [Lowe's.ca](http://Lowe's.ca), [ATCstores.com](http://ATCstores.com) and mobile applications, we seek to empower consumers by providing a 24/7 shopping experience, online product information, customer ratings and reviews, online buying guides and how-to videos and other information. These tools help consumers make more informed purchasing decisions and give them increased confidence to undertake home improvement projects. In 2014, sales through our online selling channels, which include [Lowe's.com](http://Lowe's.com), [Lowe's.ca](http://Lowe's.ca) and [ATCstores.com](http://ATCstores.com), accounted for approximately 2.5% of our total sales. We enable customers to choose from a variety of fulfillment options, including buying online and picking up in-store, as well as delivery or parcel shipment to their homes.

#### *On-Site*

We have on-site specialists available to retail and Pro customers to assist them in selecting products and services for their projects. Our Account Executives Pro Services meet with Pro customers at their place of business or on a job site and leverage stores within the area to ensure we meet customer needs for products and resources. Our Project Specialist Exteriors (PSE) program is available in all Lowe's stores to discuss exterior projects such as roofing, siding, fencing, and windows, whose associates have themselves trained in a home consultative sales approach. In addition, our Project Specialist Interiors (PSI)

brands. In addition, we are dedicated to ensuring the products we sell are sourced in a socially responsible, efficient, and cost-effective manner.

#### *National Brand-Name Merchandise*

In many product categories, customers look for a familiar and trusted national brand to instill confidence in their purchase. Each Lowe's home improvement store carries a wide selection of national brand-name merchandise such as: Whirlpool<sup>®</sup> appliances and water heaters; GE<sup>®</sup>, A.G.<sup>®</sup>, and Samsung<sup>®</sup> appliances; Stainmaster<sup>®</sup> carpets; Valspar<sup>®</sup> paints and stains; Pella<sup>®</sup> windows and doors; Sylvania<sup>®</sup> light bulbs; DeWalt<sup>®</sup> power tools; Owens Corning<sup>®</sup> roofing; Johns-Manville<sup>®</sup> insulation; James Hardie<sup>®</sup> fiber cement siding; Husqvarna<sup>®</sup> outdoor power equipment; Werner<sup>®</sup> ladders; and many more. In 2014, we added brand name merchandise such as: Henry<sup>®</sup> coatings; Hubbell<sup>®</sup> wiring devices; GRK Fasteners<sup>™</sup>; and Progress<sup>®</sup> Lighting to our portfolio. Our merchandise selection provides the retail and Pro customer a one-stop shop for a wide variety of national brand-name merchandise needed to complete home improvement, repair, maintenance, or construction projects.

#### *Private Brands*

Private brands are an important element of our overall portfolio, helping to provide significant value and coordinated style across core categories. We sell private brands in several product categories including Tools & Hardware, Seasonal Living, Home Fashions, Storage & Cleaning, Paint, Fashion Fixtures, Flooring, Millwork, Rough Plumbing & Electrical, and Lumber & Building Materials. Some of Lowe's most important private brands include Kobalt<sup>®</sup> tools; allen+roth<sup>®</sup> home décor products; Blue Hawk<sup>®</sup> home improvement products; Project Source<sup>®</sup> basic value products; Portfolio<sup>®</sup> lighting products; Garden Treasures<sup>®</sup> lawn and patio products; Utilitech<sup>®</sup> electrical and utility products; Reliabl<sup>®</sup> floors and windows; Aquasource<sup>®</sup> faucets, sinks and toilets; Harbor Breeze<sup>®</sup> ceiling fans; Top Choice<sup>®</sup> lumber products and Tris<sup>®</sup> home automation and management products.

#### *Supply Chain*

We source our products from over 7,000 vendors worldwide with no single vendor accounting for more than 6% of total purchases. We believe that alternative and competitive suppliers are available for virtually all of our products. Whenever possible, we purchase directly from manufacturers to provide savings for customers and improve our gross margin.

To efficiently move product from our vendors to our stores and maintain in-stock levels, we own and operate 15 highly-automated Regional Distribution Centers (RDC) in the United States. Through our RDCs, products are received from vendors, stored and picked, or cross-docked, and then shipped to our retail locations or directly to customers. On average, each domestic RDC serves approximately 115 stores. We also lease and operate a distribution facility to serve our Canadian stores. Additionally, we have a service agreement with a third-party logistics provider to manage a distribution facility to serve our stores in Mexico.

In addition to the RDCs, we also operate coastal holding facilities, transload facilities, and flatbed distribution centers. The flatbed distribution centers distribute merchandise that requires special handling due to size or type of packaging such as lumber, boards, panel products, pipe, siding, ladders, and building materials. Collectively, our facilities enable our import and e-commerce, as well as parcel post eligible products, to get to their destination as efficiently as possible. Most parcel post items can be ordered by a customer and delivered within two business days at standard shipping rates.

On average, in fiscal 2014, approximately 80% of the total dollar amount of stock merchandise we purchased was shipped through our distribution network, while the remaining portion was shipped directly to our stores from vendors.

#### *Our Services*

*Continued on next page*

Indicators we monitor include real disposable personal income, employment, home prices, and housing turnover. We also monitor demographic and societal trends that shape home improvement industry growth.

- Real disposable personal income is projected to grow at a stronger pace in 2015 than in 2014. Real disposable personal income is forecasted to increase 3.5% in calendar 2015, up from the 2.5% gain recorded in 2014, based on the March 2015 Blue Chip Economic Indicators.<sup>10</sup>
- The average unemployment rate for 2015 is forecasted to decline to 5.4%, according to the March 2015 Blue Chip Economic Indicators, which would be an improvement from the 6.2% average in 2014. The unemployment rate should continue to trend lower as the job market continues to expand at a moderate pace.
- Recent evidence suggests that home prices will continue to increase. In 2014, home price appreciation improved to an estimated 5.7%, according to the Federal Housing Finance Agency index. Economists generally expect the rate of home price growth to moderate in 2015 but to remain positive.
- Housing turnover decreased 2.8% in 2014 after a 9.0% increase in 2013, according to The National Association of Realtors and U.S. Census Bureau. Growth in 2014 was restrained by an increase in mortgage rates and harsh winter weather. Turnover is generally expected to increase in 2015, supported by a strengthening jobs market, rising incomes, and historically low mortgage rates.

These indicators are important to our business because they signal a customer's willingness to engage in home maintenance, repair, and upgrade projects and favorably impact income available to purchase our products and services. Currently, these indicators suggest moderately improving consumer demand for the home improvement products and services we sell.

### Our Competition

The home improvement retailing business includes a broad competitive landscape. We compete with other home improvement warehouse chains and lumberyards in most of our trade areas. We also compete with traditional hardware, plumbing, electrical, and home supply retailers. In addition, we compete with general merchandise retailers, warehouse clubs, and online and other specialty retailers. Location of stores continues to be a key competitive factor in our industry; however, the increasing use of technology and the simplicity of online shopping also underscore the importance of omni-channel capabilities as a competitive factor. We differentiate ourselves from our competitors by providing better customer experiences that make us the project authority while delivering value to our customers. See further discussion of competition in Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

### Products and Services

#### Our Products

##### Product Selection

To meet customers' varying home improvement needs, we offer a complete line of products for maintenance, repair, remodeling, and decorating. We offer home improvement products in the following categories: Kitchens & Appliances; Lumber & Building Materials; Tools & Hardware; Fashion Fixtures; Rough Plumbing & Electrical; Lawn & Garden; Seasonal Living; Paint; Home Fashions; Storage & Cleaning; Flooring; Millwork; and Outdoor Power Equipment. A typical Lowe's home improvement store stocks approximately 36,000 items, with hundreds of thousands of additional items available through our Special Order Sales system, [Lowe.com](http://Lowe.com), [Loves.ca](http://Loves.ca), and [AUGstores.com](http://AUGstores.com). See Note 16 of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K for historical revenues by product category for each of the last three fiscal years.

## General Information

Lowe's Companies, Inc. and subsidiaries (the Company or Lowe's) is a Fortune® 100 company and the world's second largest home improvement retailer. As of January 30, 2015, Lowe's operated 1,340 home improvement and hardware stores, representing approximately 201 million square feet of retail selling space. Lowe's is comprised of 1,793 stores located across 50 U.S. states, including 74 Orchard Supply Hardware (Orchard) stores in California and Oregon, as well as 37 stores in Canada, and 10 stores in Mexico.

Lowe's was incorporated in North Carolina in 1952 and has been publicly held since 1961. The Company's common stock is listed on the New York Stock Exchange - ticker symbol "LOW".

See Item 6, "Selected Financial Data", of this Annual Report on Form 10-K for historical revenues, profits and identifiable assets. For additional information about the Company's performance and financial condition, see also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

## Customers, Market and Competition

### Our Customers

We serve homeowners, renters, and professional customers (Pro customers). Retail customers, comprised of individual homeowners and renters, complete a wide array of projects and vary along the spectrum of do-it-yourself (DIY) and do-it-for-me (DIFM). The Pro customer consists of two broad categories: construction trades and maintenance, repair & operations.

### Our Market

We are among the many businesses, including home centers, paint stores, hardware stores, lumber yards and garden centers, whose revenues are included in the Building Material and Garden Equipment and Supplies Dealers Subsector (444) of the Retail Trade Sector of the North American Industry Classification System (NAICS), the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. The total annual revenue reported for businesses included in NAICS 444 in 2014 was \$328 billion, which represented an increase of 5.4% over the amount reported for the same category in 2013. The total annual revenue reported for businesses included in NAICS 444 in 2013 was \$312 billion, which represented an increase of 6.0% over the amount reported for the same category in 2012.

NAICS 444 represents less than half of what we consider the total market for our products and services. The broader market in which Lowe's operates includes home-related sales through a variety of companies beyond those in NAICS 444. These consist of other companies in the retail sector, including mass retailers, home furnishings stores, and online retailers, as well as wholesalers that provide home-related products and services to homeowners, businesses, and the government. Based on our analysis of the most recent comprehensive data available, we estimate the size of the U.S. home improvement market at \$690 billion in 2014, comprised of \$520 billion of product sales and \$170 billion of installed labor sales. That compares with \$640 billion (total market sales in 2013, comprised of \$480 billion of product sales and \$160 billion of installed labor sales).

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FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-7398



LOWE'S COMPANIES, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

56-0578072

(State or other jurisdiction of incorporation or organization)

(IRS) Employer Identification No.

1000 Lowe's Blvd., Mooresville, NC

28117

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

704-759-1000

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	New York Stock Exchange (NYSE)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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-F (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.) (Check one):

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

As of August 1, 2014, the last business day of the Company's most recent second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$47.1 billion, based on the closing sale price as reported on the New York Stock Exchange.

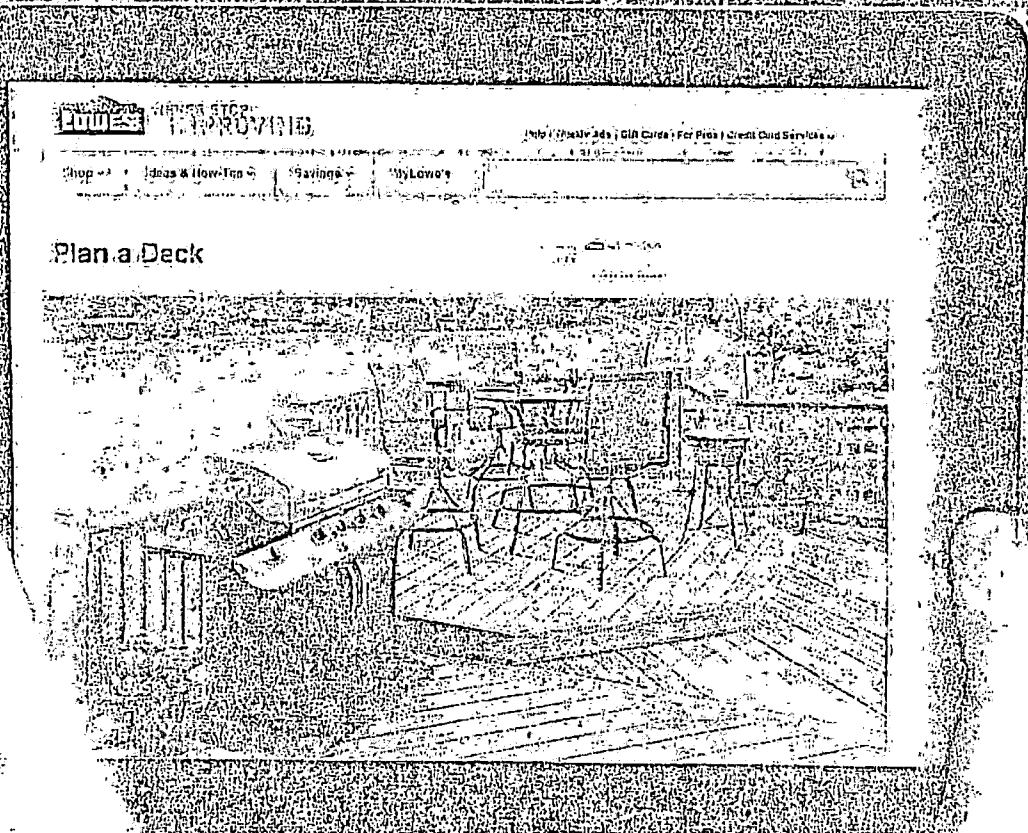
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

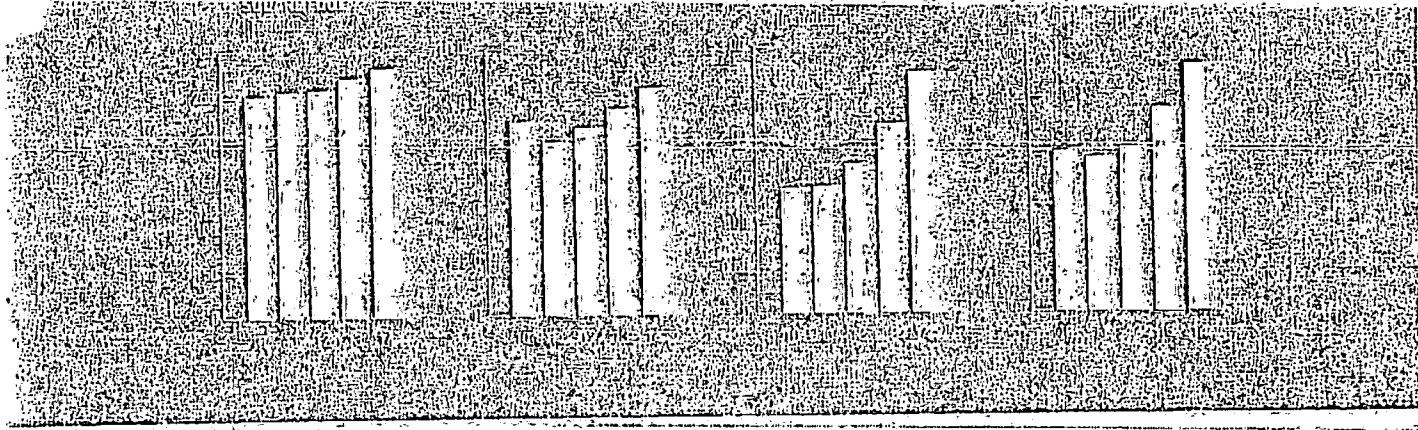
CLASS	OUTSTANDING AT March 27, 2015
Common Stock, \$0.50 par value:	251,702,640

DOCUMENTS INCORPORATED BY REFERENCE

# LOWE'S NEVER STOP IMPROVING

2017 FORM 1099-C





# FINANCIAL HIGHLIGHTS

	2014	2013	2012
Revenue	\$56,223	\$55,477	\$50,521
Cost of sales	(1,079)	(1,085)	(1,113)
Gross profit	\$55,144	\$54,392	\$49,408
Operating expenses	(1,000)	(1,000)	(1,000)
Operating income	\$54,144	\$53,392	\$48,408
Other income	1,271	1,171	1,171
Income before taxes	\$55,415	\$54,563	\$49,579
Taxes	(1,000)	(1,000)	(1,000)
Net income	\$54,415	\$53,563	\$48,579
Other income	1,271	1,171	1,171
Income before taxes	\$55,686	\$54,734	\$49,750
Taxes	(1,000)	(1,000)	(1,000)
Net income	\$54,686	\$53,734	\$48,750
Other income	1,271	1,171	1,171
Income before taxes	\$55,957	\$54,905	\$49,921
Taxes	(1,000)	(1,000)	(1,000)
Net income	\$54,957	\$53,905	\$48,921
Other income	1,271	1,171	1,171
Income before taxes	\$56,228	\$55,076	\$51,092
Taxes	(1,000)	(1,000)	(1,000)
Net income	\$55,228	\$54,076	\$50,092

# BLIENER CUSTOMER EXPERIENCES

We can't just apply our design resources to a specific product, such as the redesign of our Shop-Vac display, which is, as a result, developing well. We have a natural brand-based and product-specific experience designed for B2B.

Internationally, we are tailoring our approach so we can successfully build scale in markets where we currently do not. We also continue to evaluate other markets where there may be significant potential to broaden our geographic reach. However, we know we must take additional steps to gain an understanding and insight into the cultural, regulatory and independent market differences in all cases. We expect that our focus will bring a considerable return.

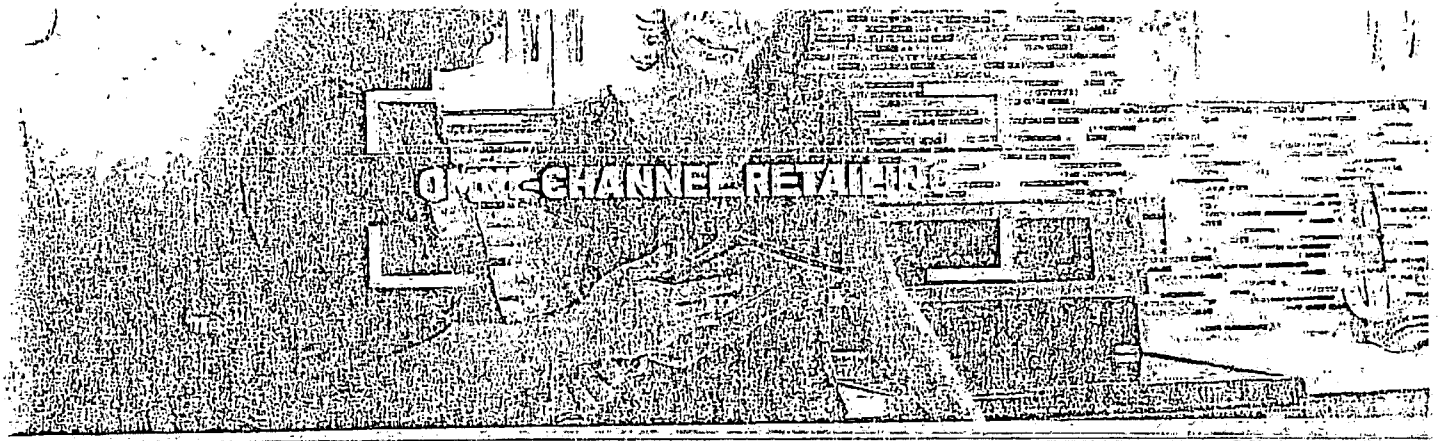
We can't just apply our design resources to a specific product, such as the redesign of our Shop-Vac display, which is, as a result, developing well. We have a natural brand-based and product-specific experience designed for B2B.

In addition, the housing market and broader economic recovery is strengthening just as our design innovations, gaining momentum. As a result, we continue to generate solid cash flow and have excellent opportunities for long-term, profitable growth.

Our capital allocation strategy is to invest in areas that have not changed over time but where we are seeing significant growth opportunities. We are also investing in our R&D efforts to drive innovation and growth. Our focus will bring a considerable return.

We have been very successful in our efforts, and we are confident that our focus will bring a considerable return. We are also investing in our R&D efforts to drive innovation and growth. Our focus will bring a considerable return.

Robert A. Niblock



When we are introducing our new products, we want to make sure they are available through all the channels our customers use. They want the transition between channels to be seamless and consistent. They want to know that the product they are buying is the same product, no matter where they buy it. They want to know that the product they are buying is the same product, no matter where they buy it. They want to know that the product they are buying is the same product, no matter where they buy it.

Today, we are introducing our new products through both our customer experiences that make us the most powerful. We have a dedicated team that uses consumer insights to create experiences that inspire customers and differentiate us from the competition. Investing in these experiences offers insulation from product-focused competitors, creates new opportunities, and delights customers, which all help drive loyalty.

A year ago, we launched our new product line, and we were able to capture the attention of our customers and create a new and exciting experience. This new experience has been a success story for our company, and we are proud to have created a new and exciting experience for our customers.



At Lowe's, we know that home improvement fulfills an emotional need for customers and their families. Our focus is much deeper than just selling products; customers can get products anywhere. We help people love where they live. In fact, we've been doing that since this company was founded in 1946.

We believe not only in products, but also the services, exceptional customer service, and the ability to help people improve their homes. And to meet customers' evolving expectations, we are growing from a single channel home improvement retailer to an omni-channel home improvement retailer by offering an omnichannel experience and ways to help customers connect with products, including online and in-store mobile devices and product presentation, new ways to shop and service, and delivery options.

It's how we've built our success over the years. And we're committed to continuing to invest in our people, products, and services to help our customers love where they live. We're committed to helping our customers improve their lives.

Our growth combined with our focus on improving service, productivity and profitability led to a 13.0 percent increase in sales per square foot, a 26.6 percent increase in operating margin, and a 17% increase in EBITDA.

While we are pleased with the progress we've made, we know there's more to do. In fact, we continue to invest in our people, products and services and our omni-channel experience to help our customers love where they live. We're committed to helping our customers improve their lives.

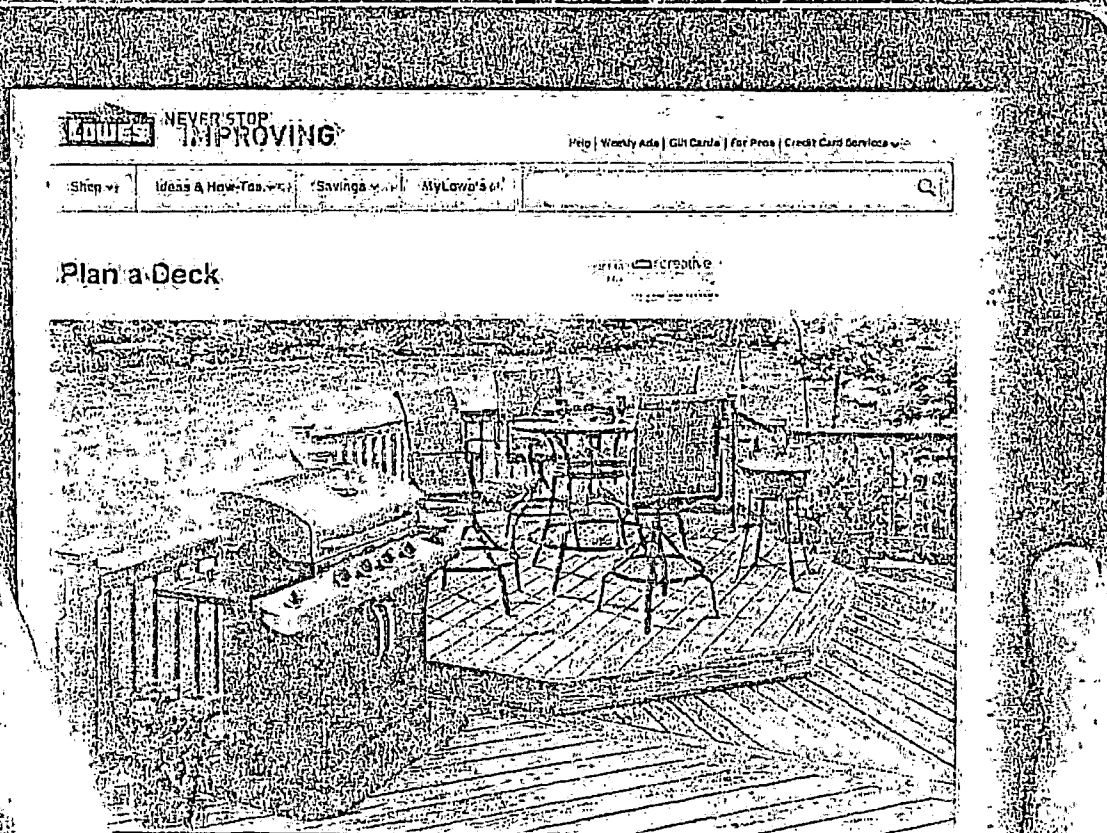
Our commitment to our customers is what has made us successful. We're committed to helping our customers improve their lives.

LOWE'S COMPANIES, INC. (NYSE: LOW) IS A TOP 100 HOME IMPROVEMENT COMPANY SERVING APPROXIMATELY 17 MILLION CUSTOMERS A WEEK IN THE UNITED STATES, CANADA, AND MEXICO THROUGH ITS STORES AND ONLINE AT LOWE.COM, LOWE.CA, AND LOWE.COM.MX WITH FISCAL YEAR 2017 SALES OF \$67.2 BILLION. LOWE'S HAS 1,870 HOME IMPROVEMENT AND HARDWARE STORES AND MORE THAN 245,000 EMPLOYEES, FOUNDED IN 1946 AND BASED IN MOORESVILLE, N.C. LOWE'S IS THE SECOND LARGEST HOME IMPROVEMENT RETAILER IN THE WORLD.



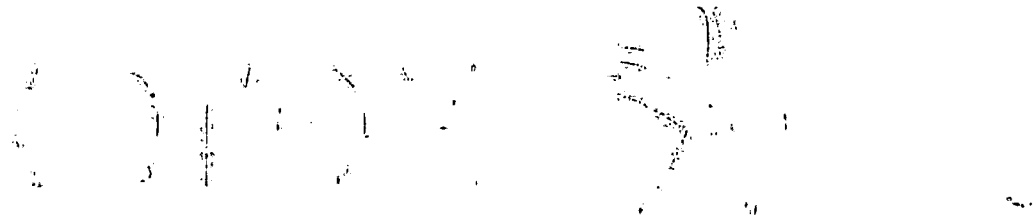
# LOWEST NEVER STOP IMPROVING

2004 ANNUAL REPORT



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The following discussion and analysis summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and capital resources during the three-year period ended January 30, 2015 (our fiscal years 2014, 2013 and 2012). Unless otherwise noted, all references herein for the years 2014, 2013 and 2012 represent the fiscal years ended January 30, 2015, January 31, 2014 and February 1, 2013, respectively. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. This discussion should be read in conjunction with our consolidated financial statements and notes to the consolidated financial statements included in this Annual Report on Form 10-K that have been prepared in accordance with accounting principles generally accepted in the United States of America. This discussion and analysis is presented in seven sections:

- Executive Overview
- Operations
- Home's Business Outlook
- Financial Condition, Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations and Commercial Commitments
- Critical Accounting Policies and Estimates

## EXECUTIVE OVERVIEW

Net earnings increased 18.0% to \$2.7 billion during fiscal year 2014, and diluted earnings per share increased 26.6% to \$2.71. Net sales for 2014 were \$56.2 billion, a 5.3% increase over fiscal year 2013. Comparable sales increased 4.3%, driven by a comparable average ticket increase of 2.4% and a comparable transaction increase of 1.8%.

For 2014, cash flows from operating activities were approximately \$4.9 billion, with \$380 million used for capital expenditures. Our strong financial position and positive cash flows allowed us to deliver on our commitment to return excess cash to shareholders. During 2014, the company repurchased 74.7 million shares of stock for \$3.9 billion and paid \$822 million in dividends.

Throughout 2014, we continued to build momentum as we further optimized our business model. We were focused on three priorities to drive further top-line growth including our enhanced Sales & Operations Planning process, building on our customer experience, design capabilities, and improving our relevance with the Pro customer. In addition, in order to provide not just the products, but also the services, information, and advice to help our customers improve their homes, we are continuing to transform from a single-channel, home improvement retailer to an omni-channel home improvement company. This allows us to sell products from a store, online, on-site, or through one of our contact centers and fulfill orders in the most convenient manner for our customers.

Through our Sales & Operations Planning process, we have improved seasonal planning, including the cadence of product introductions, promotions and staffing. Our Sales & Operations process is anchored in the customer mindset for the season. The process ensures collaboration from all functions, including logistics, merchandising and marketing, to make certain we have relevant products available to customers at the right time and those products are effectively advertised and strategically promoted to drive customer traffic.

In addition, during 2014, we continued to build customer experience, design capabilities. We now have a dedicated customer experience design team that coordinates the creation of customer experiences that encompass the entire project from inspiration, to purchase, to fulfillment. These experiences are rooted in research around customers' shopping preferences and

The following table sets forth information with respect to purchases of the Company's common stock made during the fourth quarter of 2014:

(In millions, except average price paid per share)	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>2</sup>	Dollar Value of Shares that May Yet Be Purchased Under the Plans
November 1, 2014 – November 28, 2014	1.4	\$ 63.20	1.4	\$ 3,300
November 29, 2014 – January 2, 2015	6.0	66.21	6.0	2,904
January 3, 2015 – January 30, 2015	7.5	68.33	7.5	2,388
As of January 30, 2015	14.9	\$ 67.00	14.9	\$ 2,388

<sup>1</sup> During the fourth quarter of fiscal 2014, the Company repurchased an aggregate of 14.9 million shares of its common stock. The total number of shares purchased also includes an insignificant number of shares withheld from employees to satisfy either the exercise price of stock options or the statutory withholding tax liability upon the vesting of restricted stock awards.

<sup>2</sup> On February 1, 2013, the Company's Board of Directors authorized a \$5.0 billion share repurchase program with no expiration. On January 31, 2014, the Company's Board of Directors authorized an additional \$5.0 billion under the repurchase program with no expiration, following which, the Company had an available share repurchase authorization of \$6.3 billion. As of January 30, 2015, the Company had \$2.4 billion remaining available under the program. On March 20, 2015, the Company's Board of Directors authorized an additional \$5.0 billion under the repurchase program with no expiration. In fiscal 2015, the Company expects to repurchase shares totaling \$3.8 billion through purchases made from time to time either in the open market or through private off market transactions in accordance with SEC regulations.

#### Item 6 - Selected Financial Data

Selected Statement of Earnings Data (In millions, except per share data)	2014	2013 <sup>1</sup>	2012	2011 <sup>1</sup>	2010
Net sales	\$ 56,223	\$ 53,417	\$ 50,521	\$ 50,208	\$ 48,815
Gross margin	19,558	18,476	17,327	17,350	17,152
Net earnings	2,698	2,286	1,959	1,839	2,010
Basic earnings per common share	2.71	2.14	1.69	1.43	1.42
Diluted earnings per common share	2.71	2.14	1.69	1.43	1.42
Dividends per share	\$ 0.87	\$ 0.70	\$ 0.62	\$ 0.53	\$ 0.42
Selected Balance Sheet Data					
Total assets	\$ 31,827	\$ 32,732	\$ 32,666	\$ 33,559	\$ 33,699
Long-term debt, excluding current maturities	\$ 10,815	\$ 10,086	\$ 9,030	\$ 7,035	\$ 6,537

<sup>1</sup> Fiscal 2011 contained 53 weeks, while all other years contained 52 weeks.

sell and price actions on specific categories, partially offset by our Value Improvement program and better seasonal sell-through.

**SG&A** – SG&A expense for 2014 leveraged 16 basis points as a percentage of sales compared to 2013. This was primarily driven by 21 basis points of leverage associated with operating salaries as we optimized payroll hours against customer traffic. We also experienced 16 basis points of leverage associated with incentive compensation due to lower attainment levels compared to the prior year and seven basis points of leverage in property taxes due to favorability in property valuations recognized in the current year. In addition, we experienced six basis points of leverage in advertising expense due to increased sales and five basis points of leverage in utilities due to decreased consumption due to favorable weather experienced in the current year. These were partially offset by 23 basis points of deleverage in employee insurance costs, due to increased claims as well as additional costs associated with the Affordable Care Act.

SG&A expense during the fourth quarter leveraged 88 basis points due primarily to long-lived asset impairments recorded in the prior year, as well as leverage in operating salaries, and property taxes.

**Depreciation** – Depreciation expense leveraged 10 basis points for 2014 compared to 2013 primarily due to the increase in sales. Property, less accumulated depreciation, decreased to \$20.0 billion at January 30, 2015 compared to \$20.8 billion at January 31, 2014. At January 30, 2015 and January 31, 2014, we owned 86% of our stores, which included stores on leased land.

**Interest - Net** – Net interest expense is comprised of the following:

(In millions)	2014	2013
Interest expense, net of amount capitalized	\$ 515	\$ 474
Amortization of original issue discount and loan costs	7	6
Interest income	(6)	(4)
Interest - net	\$ 516	\$ 476

Net interest expense increased primarily as a result of the issuance of \$1.25 billion and \$1.0 billion of unsecured notes in September 2014 and 2013, respectively.

**Income tax provision** – Our effective income tax rate was 36.9% in 2014 compared to 37.8% in 2013. The lower effective tax rate in 2014 was the result of the favorable settlement of certain federal tax matters during the year.

#### Fiscal 2013 Compared to Fiscal 2012

**Net sales** – Net sales increased 5.7% to \$53.4 billion in 2013. Comparable sales increased 4.8% in 2013, driven by a 3.2% increase in comparable average ticket and a 1.6% increase in comparable customer transactions. Performance for the year was strong across product categories as all of our product categories experienced comparable sales increases for the year. During 2013, we experienced comparable sales above the company average in the following product categories: Outdoor Power Equipment, Kitchens & Appliances, Flooring, and Fashion Fixtures. Sales to Pro customers also performed well during the year and experienced comparable sales above the company average.

Sales during the year benefited from growth in the home improvement industry where gains in housing turnover and job growth created increased demand. Through our Sales & Operations Planning process, we were able to better capitalize on market demand and drive sales in big ticket categories such as Outdoor Power Equipment, Kitchens & Appliances, and Flooring, which all performed above the company average. Furthermore, we were able to make improvements in our seasonal planning and the timing of product introductions and promotions, which also helped drive sales in these categories.

We continued to realize benefits from our strategic initiatives, with many product categories benefiting from improved line designs and deeper inventory in key items after having completed their Value Improvement resets. In addition, we also saw benefit from our proprietary credit value proposition, which offers customers the choice of 3% off every day or promotional financing.

**Gross margin** – Gross margin of 34.59% for 2013 represented a 29 basis point increase from 2012. Gross margin was positively impacted by 45 basis points resulting from our Value Improvement initiative. This was partially offset by a negative

impact of 13 basis points as a result of higher sales was approximately 25.3% of sales.

**SG&A.**—SG&A expense for 2013 leveraged 16 basis points as a percentage of sales compared to 2012. This was driven by 17 basis points of leverage associated with casualty insurance as we cycled a reduction in the discount rate applied in the prior year. We also experienced nine basis points of leverage due to greater long-lived asset impairments and discontinued project expenses in the prior year and eight basis points of leverage in advertising expense due to higher sales. In addition, we experienced eight basis points of leverage in contract labor expense as a result of lower spending on information technology projects in the current year. These were partially offset by 14 basis points of deleverage associated with incentive compensation due to higher attainment levels and eight basis points of deleverage as a result of reset and remerchandising activity associated with efforts to improve customer experiences. We also experienced eight basis points of deleverage due to higher store repair and maintenance expense.

**Depreciation.**—Depreciation expense leveraged 27 basis points for 2013 compared to 2012 primarily due to the increase in sales, as well as assets becoming fully depreciated. Property, less accumulated depreciation, decreased to \$20.8 billion at January 31, 2014 compared to \$21.5 billion at February 1, 2013. At January 31, 2014 and February 1, 2013 we owned 86% and 89% of our stores, respectively, which included stores on leased land.

**Interest - Net.**—Net interest expense is comprised of the following:

	2013	2012
(In millions)		
Interest expense, net of amount capitalized	\$ 474	\$ 427
Amortization of original issue discount and loan costs	(6)	(5)
Interest income	\$ (1)	\$ (1)
Interest - net	\$ 476	\$ 423

Net interest expense increased primarily as a result of a favorable tax settlement that resulted in a reduced interest accrual in 2012. In addition to increased expense as a result of the net increase in long-term debt.

## LOWE'S BUSINESS OUTLOOK

As of February 25, 2015, the date of our fourth quarter 2014 earnings release, we expected total sales in 2015 to increase 4.5% to 5% and comparable sales to increase 4% to 4.5%. We expected to open 15 to 20 home improvement and hardware stores during 2015. In addition, earnings before interest and taxes as a percentage of sales (operating margin) were expected to increase 80 to 100 basis points, and the effective tax rate was expected to be approximately 33.1%. Diluted earnings per share of approximately \$3.29 were expected for the fiscal year ending January 29, 2016. Our guidance assumed approximately \$3.8 billion in share repurchases during 2015.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

Cash flows from operating activities continued to provide the primary source of our liquidity. The increase in net cash provided by operating activities for 2014 versus 2013 was primarily driven by changes in working capital and an increase in net earnings. The decrease in net cash used in investing activities for 2014 versus 2013 was primarily driven by the acquisition of Orchard in the prior year and a reduction in capital expenditures, partially offset by an increase in net contributions to equity method investments in the current year. The increase in net cash used in financing activities for 2014 versus 2013 was driven primarily by repayments of short-term borrowings.

### Sources of Liquidity

In addition to our cash flows from operations, liquidity is provided by our short-term borrowing facilities. On August 29, 2014, we entered into a new five-year unsecured revolving credit agreement (the 2014 Credit Facility) to replace the 2011 Second Amended and Restated Credit Agreement dated October 2011. The 2014 Credit Facility provides for borrowings up to \$1.75 billion and expires in August 2019. Subject to obtaining commitments from the lenders and satisfying other conditions specified in the 2014 Credit Facility, we may increase the aggregate availability under the facility by an additional \$500 million. The 2014 Credit Facility supports our commercial paper program and has a \$500 million letter of credit sublimit. Letters of credit issued pursuant to the 2014 Credit Facility reduce the amount available for borrowing under its terms.

Credit Facility. Thirteen banking institutions are participating in the 2014 Credit Facility. The 2014 Credit Facility contains certain restrictive covenants, which include maintenance of an adjusted debt leverage ratio as defined by the credit agreement. We were in compliance with those covenants at January 30, 2015. In addition, there were no outstanding borrowings or letters of credit under the 2014 Credit Facility and no outstanding borrowings under the commercial paper program at January 30, 2015. For additional information about the 2014 Credit Facility, see the summary of certain terms thereof that is included in the Current Report on Form 3-K we filed on September 2, 2014, with the Securities and Exchange Commission.

We expect to continue to have access to the capital markets on both short-term and long-term bases when needed for liquidity purposes by issuing commercial paper or new long-term debt. The availability and the borrowing costs of these funds could be adversely affected, however, by a downgrade of our debt ratings or a deterioration of certain financial ratios. The table below reflects our debt ratings by Standard & Poor's (S&P) and Moody's as of March 31, 2015, which we are disclosing to enhance understanding of our sources of liquidity and the effect of our ratings on our cost of funds. Although we currently do not expect a downgrade in our debt ratings, our commercial paper and senior debt ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Debt Ratings	S&P	Moody's
Commercial Paper	A-2	P-2
Senior Debt	A-	A3
Outlook	Stable	Stable

We believe that net cash provided by operating and financing activities will be adequate not only for our operating requirements, but also for investments in information technology, investments in our existing stores, expansion plans and acquisitions, if any, and to return cash to shareholders through both dividends and share repurchases over the next 12 months. There are no provisions in any agreements that would require early cash settlement of existing debt or leases as a result of a downgrade in our debt rating or a decrease in our stock price. In addition, we do not have a significant amount of cash held in foreign affiliates that is unavailable to fund domestic operations.

#### Cash Requirements

##### Capital expenditures

Our fiscal 2015 capital forecast is approximately \$1.4 billion, inclusive of approximately \$200 million of lease commitments, resulting in a planned net cash outflow of \$1.2 billion. Investments in our existing stores are expected to account for approximately 40% of net cash outflow, including investments in store equipment, resets, and re-merchandising. Approximately 30% of the planned net cash outflow is for corporate programs, including investments to enhance the customer experience, as well as enhancements to the corporate infrastructure. In addition, approximately 30% of the planned net cash outflow is for store expansion. Our expansion plans for 2015 consist of 15 to 20 new home improvement and hardware stores, approximately half of which will be leased.

##### Debt and capital

In September 2014, the Company issued \$1.25 billion of unsecured notes in three tranches: \$450 million of floating rate notes maturing in September 2019; \$450 million of 3.125% notes maturing in September 2024, and \$350 million of 4.25% notes maturing in September 2044. The 2019, 2024, and 2044 Notes were issued at discounts of approximately \$2 million, \$6 million, and \$4 million, respectively. The 2019 Notes will bear interest at a floating rate, reset quarterly, equal to the three-month LIBOR plus 0.420% (0.638% as of January 30, 2015). Interest on the 2019 Notes is payable quarterly in arrears in March, June, September, and December of each year until maturity, beginning in December 2014. Interest on the 2024 and 2044 Notes is payable semiannually in arrears in March and September of each year until maturity, beginning in March 2015.

If the discounts associated with these issuances, which include the underwriting and issuance discounts, are recorded in long-term debt and are being amortized over the respective terms of the notes.

Dividends declared during fiscal 2014 totaled \$838 million. Our dividend payment dates are established such that dividends are paid in the quarter immediately following the quarter in which they are declared. The dividend declared in the fourth quarter of 2014 was paid in fiscal 2015 and totaled \$222 million.

We have an ongoing share repurchase program that is executed through purchases made from time to time, either in the open market or through private off-market transactions. Shares purchased under the repurchase program are retired and returned to

authorized and unissued shares on January 31, 2014, with no expiration date. On March 20, 2015, expiration. As of January 30, 2015, the Company had \$2.4 billion remaining available under this authorization with no expiration date. On March 20, 2015, the Company's Board of Directors authorized an additional \$5.0 billion share repurchase program with no expiration. In fiscal 2015, the Company expects to repurchase shares totaling \$3.8 billion through purchases made from time to time either in the open market or through private off market transactions in accordance with SEC regulations.

Ratio of debt to equity plus debt was 53.3% and 47.0% as of January 30, 2015, and January 31, 2014, respectively.

#### OFF-BALANCE SHEET ARRANGEMENTS

Other than in connection with executing operating leases, we do not have any off-balance sheet financing that has, or is reasonably likely to have, a material current or future effect on our financial condition, cash flows, results of operations, liquidity, capital expenditures or capital resources.

#### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes our significant contractual obligations at January 30, 2015:

Contractual Obligations (in millions):	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt (principal amounts, excluding discount)	\$ 10,949	\$ 508	\$ 1,779	\$ 451	\$ 8,211
Long-term debt (interest payments)	7,477	491	381	802	5,803
Capitalized lease obligations <sup>1</sup>	795	85	133	110	467
Operating leases <sup>1</sup>	5,179	464	911	450	3,254
Purchase obligations <sup>2</sup>	847	745	100	2	—
<b>Total contractual obligations</b>	<b>\$ 25,547</b>	<b>\$ 2,293</b>	<b>\$ 3,824</b>	<b>\$ 1,715</b>	<b>\$ 17,515</b>

Commercial Commitments (in millions)	Amount of Commitment Expiration by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Letters of Credit <sup>3</sup>	\$ 66	\$ 63	\$ —	\$ —	\$ —

<sup>1</sup> Amounts do not include taxes, common area maintenance, insurance or contingent rent because these amounts have historically been insignificant.

<sup>2</sup> Represents commitments related to certain marketing and information technology programs, and purchases of merchandise inventory.

<sup>3</sup> Letters of credit are issued primarily for insurance and construction contracts.

At January 30, 2015, our reserve for uncertain tax positions (including penalties and interest) was \$9 million, all of which was classified as a current liability. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements and notes to consolidated financial statements presented in this Form 10-K requires us to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Our significant accounting policies are described in Note 1 to the consolidated financial statements. We believe that the following accounting policies affect the most significant estimates and management judgments used in preparing the consolidated financial statements: