DOLLAR GENERAL CORP
Form 424B3
September 10, 2009

Filed Pursuant to Rule 424(b)(3)

Registration Nos. 333-158281 and 333-158281-01 to 333-158281-19

DOLLAR GENERAL CORPORATION

SUPPLEMENT NO. 3 TO

MARKET MAKING PROSPECTUS DATED

APRIL 16, 2009

THE DATE OF THIS SUPPLEMENT IS SEPTEMBER 10, 2009

On September 10, 2009, Dollar General Corporation filed the attached Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2009.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2009

Commission File Number: 001-11421

DOLLAR GENERAL CORPORATION

(Exact name of Registrant as specified in its charter)

TENNESSEE
(State or other jurisdiction of incorporation or organization)

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

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [ ] No [ ]

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

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [X]

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 [X]

The registrant had 556,433,343 shares of common stock outstanding on August 31, 2009.

PART I FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

July 31,
2009

January 30,
2009

ASSETS

(Unaudited)

(see Note 1)

Current assets:

Cash and cash equivalents	$ 515,375	$ 377,995
Merchandise inventories	1,552,586	1,414,955
Income taxes receivable	5,450	6,392
Deferred income taxes	-	

4,600

Prepaid expenses and other current assets

72,368

66,183

Total current assets

2,145,779

1,870,125

Net property and equipment

1,273,452

1,268,960

Goodwill

4,338,589

	4,338,589	
Intangible assets, net	1,303,196	1,325,558
Other assets, net	78,928	85,967
Total assets	$ 9,139,944	$ 8,889,199

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Current portion of long-term obligations	$ 26,797	$ 14,158
Accounts payable	800,308	

678,421

Accrued expenses and other

304,384

375,045

Income taxes payable

19,304

7,611

Deferred income taxes

15,032

-

Total current liabilities

1,165,825

	1,075,235
Long-term obligations	
	4,111,023
	4,122,956
Deferred income taxes	
	550,551
	556,101
Other liabilities	
	280,726
	289,288

Redeemable common stock

15,281

13,924

Shareholders equity:

Preferred stock

-

-

Common stock	
	278,217
	278,114
Additional paid-in capital	
	2,494,984
	2,489,647
Retained earnings	
	279,960
	103,364
Accumulated other comprehensive loss	
	(36,623)
	(39,430)

Total shareholders equity	3,016,538	2,831,695
Total liabilities and shareholders equity	$ 9,139,944	$ 8,889,199

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands)

	For the 13 weeks ended		For the 26 weeks ended	
	July 31, 2009	August 1, 2008	July 31, 2009	August 1, 2008
Net sales	$ 2,901,907	$		

2,609,384

$

5,681,844

$

5,012,882

Cost of goods sold

1,995,865

1,851,349

3,920,444

3,561,770

Gross profit

906,042

758,035

1,761,400

1,451,112

Selling, general and administrative expenses

672,825

614,980

1,303,314

1,197,186

Operating profit

233,217

143,055

458,086

253,926

Interest income

(15)

(1,217)

(109)

(2,174)

Interest expense

89,945

99,434

179,180

200,305

Other (income) expense

(2,395)

292

(728)

590

Income before income taxes

145,682

44,546

279,743

55,205

Income taxes

52,092

16,828

103,147

21,571

Net income

$

93,590

$

27,718

$ 176,596

$ 33,634

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the 26 weeks ended	
	July 31, 2009	August 1, 2008
Cash flows from operating activities:		
Net income	$ 176,596	$ 33,634

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

131,068

122,023

Deferred income taxes

12,568

(18,208)

Noncash share-based compensation

6,106

4,516

Noncash inventory adjustments and asset impairment

3,653

17,347

Tax benefit of stock options

(262)

(475)

Other noncash gains and losses

4,488

730

Change in operating assets and liabilities:		
Merchandise inventories	(136,262)	(218,749)
Prepaid expenses and other current assets	(4,109)	(6,060)
Accounts payable	113,978	

262,415

Accrued expenses and other

(75,314)

68,692

Income taxes

12,635

18,892

Other

(1,280)

11,767

Net cash provided by operating activities

243,865

296,524

Cash flows from investing activities:

Purchases of property and equipment

(107,305)

(80,100)

Purchases of short-term investments

-

(9,903)

Sales of short-term investments	-	58,950
Proceeds from sale of property and equipment	322	683
Net cash used in investing activities	(106,983)	(30,370)
Cash flows from financing activities:		

Issuance of common stock	2,018
	-
Issuance of long-term obligations	1,080
	-
Repayments of borrowings under revolving credit facility	-
	(102,500)

Repayments of long-term obligations

(1,535)

(2,195)

Repurchases of common stock and stock options

(1,327)

(513)

Tax benefit of stock options

262

475

Net cash provided by (used in) financing activities

498

(104,733)

Net increase in cash and cash equivalents

137,380

161,421

Cash and cash equivalents, beginning of period

377,995

100,209

Cash and cash equivalents, end of period

$

515,375

$

261,630

Supplemental cash flow information:

Cash paid for interest

$

168,681

$

193,236

Cash paid (received) for income taxes

$

103,692

$

(3,830)

Supplemental schedule of noncash investing and financing activities:

Purchases of property and equipment awaiting processing for payment, included in Accounts payable

$

15,383

$

25,240

Expiration of equity repurchase rights

$

-

$

2,548

See notes to condensed consolidated financial statements.

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DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP or those normally made in the Company s Annual Report on Form 10-K. Accordingly, the reader of this Quarterly Report on Form 10-Q should refer to the Company s Annual Report on Form 10-K for the year ended January 30, 2009 for additional information.

The Company s fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company s fiscal year. The Company s 2009 fiscal year will end on January 29, 2010 and its 2008 fiscal year ended on January 30, 2009.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company s customary accounting practices. In management s opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of July 31, 2009 and results of operations for the 13-week and 26-week accounting periods ended July 31, 2009 and August 1, 2008 have been made.

The unaudited condensed consolidated balance sheet as of January 30, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

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

The Company uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management s estimates of expected year-end inventory levels, sales for the

year and the expected rate of inflation/deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded LIFO charges of $0.5 million and $16.0 million in the 26-week periods ended July 31, 2009 and August 1, 2008, respectively. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation. Because the Company s

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business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

The Company recorded impairment charges included in SG&A expense of approximately $5.0 million in the second quarter of 2009 to reduce the carrying value of certain of its stores leasehold improvement and equipment assets. The Company s impairment analysis indicated that such amounts would not be recoverable primarily due to projected future cash flows at these locations which are less than the carrying values of the assets.

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

In June 2009 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (SFAS 168). The FASB Accounting Standards Codification (Codification) will become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants, including the Company. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of this statement to have a material effect on its financial position and results of operations.

In June 2009 the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 167 amends Interpretation 46(R) to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity, specifies updated criteria for determining the primary beneficiary, requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity, eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, amends certain guidance for determining whether an entity is a variable interest entity, requires enhanced disclosures about an enterprise s involvement in a variable interest entity, and includes other provisions. SFAS 167 will be effective as of the beginning of the Company s first interim and annual reporting periods that begin after November 15, 2009. Earlier application is prohibited. The Company currently does not expect the impact of this statement on its consolidated financial statements to be material.

During the second quarter of 2009 the Company adopted SFAS No. 165, *Subsequent Events* (SFAS 165). The objective of SFAS 165 is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial

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statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of this statement has not had a material effect on the Company s consolidated financial statements.

The Company adopted the provisions of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161) during the first quarter of 2009 as discussed in Note 6.

As discussed in Note 5, effective January 31, 2009 the Company changed its accounting for fair value of its nonfinancial assets and liabilities in connection with the adoption of SFAS No. 157, *Fair Value Measurements* (SFAS 157).

2.

Comprehensive income

Comprehensive income consists of the following:

	13 Weeks Ended	
(in thousands)	July 31, 2009	August 1, 2008
Net income	$	

93,590

$

27,718

Unrealized net gain on hedged transactions, net of income tax expense of $2,437 and $3,817 respectively (see Note 6)

3,802

6,308

Comprehensive income

$

97,392

$

34,026

	26 Weeks Ended	
(in thousands)	July 31, 2009	August 1, 2008
Net income	$ 176,596	$ 33,634
Unrealized net gain on hedged transactions, net of income tax expense of $1,514 and $14,777 respectively (see Note 6)	2,806	24,781

Comprehensive income
$ 179,402
$ 58,415

3.

Income taxes

The Company reports income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). Under SFAS 109, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company s consolidated financial statements or income tax returns.

Income tax reserves are determined using the methodology established by FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement 109* (FIN 48). FIN 48 requires companies to assess each income tax position taken using a two step approach. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

Subsequent to the February 3, 2007 adoption of FIN 48, the Company elected to record income tax related interest and penalties as a component of the provision for income tax expense.

The Internal Revenue Service (IRS) is in the initial stages of an examination of the Company s federal income tax returns for fiscal year 2005. The 2004 and earlier fiscal years are not open for examination. The 2006, 2007 and 2008 fiscal years, while not currently under examination, are subject to examination at the discretion of the IRS. The Company also has various state income tax examinations in progress. Generally, the Company s 2005 and later tax years remain open for examination by the various state taxing authorities. The results of these examinations could result in changes, which changes could be material, to the Company s income tax liability. The estimated liability related to income tax examinations is included in the Company s reserve for uncertain tax positions.

As of July 31, 2009, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were $32.6 million, $8.1 million and $1.4 million, respectively, for a total of $42.1 million. Of this amount, $0.9 million and $40.2 million are reflected in current liabilities as Accrued expenses and other and in noncurrent Other liabilities, respectively, in the condensed consolidated balance sheet with the remaining $1.0 million reducing deferred tax assets related to net operating loss carry forwards. The reserve for uncertain tax positions decreased during the 26-week period ended July 31, 2009 by $26.5 million due principally to the reclassification, from the uncertain tax benefits account to the income tax payable account, of a liability associated with an accounting method utilized by the Company for income tax return filing purposes. Further, the Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately $0.5 million in the coming twelve months principally as a result of the settlement of currently ongoing state income tax examinations. The reasonably possible change of $0.5 million is included in current liabilities in the condensed consolidated balance sheet as of July 31, 2009. Also, as of July 31, 2009, approximately $32.0 million of the reserve for uncertain tax positions would impact the Company s effective income tax rate if the Company were to recognize the tax benefit for these positions.

The effective income tax rates for the periods ended July 31, 2009 and August 1, 2008 were 35.8% and 37.8%, respectively, for the 13-week periods, and 36.9% and 39.1%, respectively, for the 26-week periods. The respective current and prior year periods included similar amounts of income tax-related interest, but because the 2009 pretax income was higher, the effective rates were impacted to a lesser degree. In addition, the 2009 periods benefited from a reduction in a deferred tax valuation allowance related to state income tax credits that did not occur in 2008.

4.

Current and long-term obligations

The Company has two senior secured credit facilities (the Credit Facilities) which provide financing of up to $3.331 billion. The Credit Facilities consist of a $2.3 billion senior secured term loan facility and a senior secured asset-based revolving credit facility (ABL Facility), which was amended on July 31, 2009. Wells Fargo Retail Finance, LLC, became the successor administrative agent, replacing CIT Group/Business Credit, Inc., whose $94 million in commitments were also terminated. The total commitments under the ABL Facility subsequent to the amendment are $1.031 billion.

5.

Assets and liabilities measured at fair value

On January 31, 2009, the Company adopted components of SFAS 157, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The Company has determined that the majority of the inputs used to value its derivative financial instruments fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs , such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of July 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety, as discussed in detail in Note 6, are classified in Level 2 of the fair value hierarchy. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of July 31, 2009.

(In thousands)
Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)
Significant Other Observable Inputs (Level 2)
Significant Unobservable Inputs (Level 3)
Balance at July 31, 2009
Assets:

Trading securities (a)	$ 8,969	$ -	$ -	$ 8,969
Derivative financial instruments (b)	-	2,288		

-

2,288

Liabilities:

Long-term obligations (c)

4,227,480

16,317

-

4,243,797

Derivative financial instruments (d)

-

59,890

-

59,890

(a) Reflected in the condensed consolidated balance sheet as Prepaid expenses and other current assets of $1,731 and Other assets, net of $7,239.

(b) Reflected in the condensed consolidated balance sheet as Prepaid expenses and other current assets.

(c) Reflected in the condensed consolidated balance sheet as Current portion of long-term obligations of $24,822 and Long-term obligations of $4,103,464.

(d) Reflected in the condensed consolidated balance sheet

as Other liabilities.

6.

Derivatives and hedging activities

SFAS 161 amends and expands the disclosure requirements of FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge a certain portion of its

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risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under SFAS 133.

Risk management objective of using derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined primarily by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company s known or expected cash receipts and its known or expected cash payments principally related to the Company s borrowings.

In addition, the Company is exposed to certain risks arising from uncertainties of future market values caused by the fluctuation in the prices of commodities. The Company enters into derivative financial instruments to protect against future price changes related to transportation costs associated with forecasted distribution of inventory.

Cash flow hedges of interest rate risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income (loss) (also referred to as OCI) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the 13-week and 26-week periods ended July 31, 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

As of July 31, 2009, the Company had four interest rate swaps with a combined notional value of $1.47 billion that were designated as cash flow hedges of interest rate risk. Amounts reported in Accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company s

variable-rate debt. The Company terminated an interest rate swap in October 2008 due to the bankruptcy declaration of the counterparty bank. In accordance with Derivatives Implementation Group (DIG) Issue No. G3, the Company continues to report the net gain or loss related to the discontinued cash flow

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hedge in OCI and such net gain or loss is expected to be reclassified into earnings during the original contractual terms of the swap agreement as the hedged interest payments are expected to occur as forecasted. During the next 52-week period, the Company estimates that an additional $44.4 million will be reclassified as an increase to interest expense for all of its interest rate swaps.

Non-designated hedges of commodity risk

Derivatives not designated as hedges are not speculative and are used to manage the Company s exposure to commodity price risk but do not meet the strict hedge accounting requirements of SFAS 133. In February 2009, the Company entered into a commodity hedge related to diesel fuel to limit its exposure to variability in diesel fuel prices and their effect on transportation costs. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of July 31, 2009, the Company had one diesel fuel commodity swap hedging monthly usage of diesel fuel through January 2010 with a total 7.6 million gallons notional during the remaining term that was not designated as a hedge in a qualifying hedging relationship.

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the condensed consolidated balance sheet as of July 31, 2009:

Tabular Disclosure of Fair Values of Derivative Instruments
Asset Derivatives
Liability Derivatives
(in thousands)
As of July 31, 2009
As of July 31, 2009

Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value

Derivatives designated as hedging instruments under SFAS 133

Interest rate swaps

Other liabilities

$

59,890

Derivatives not designated as hedging instruments under SFAS 133

Commodity hedges	
	Prepaid expenses and other current assets
	$
	2,288

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The tables below present the pre-tax effect of the Company s derivative financial instruments on the condensed consolidated statement of income (including OCI, see Note 2) for the 13-week and 26-week periods ended July 31, 2009:

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statement of Income For the 13-weeks ended July 31, 2009

(in thousands)

Derivatives in SFAS 133 Cash Flow Hedging Relationships

Amount of (Gain) or Loss Recognized in OCI on Derivative (Effective Portion)

Location of Gain or Loss Reclassified from Accumulated OCI into Income

(Effective Portion)

Amount of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion)

Location of Gain or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)

Amount of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)

Interest Rate Swaps

$

5,652

Interest
expense

$

11,891

Other
(income)
expense

$

156

Derivatives
Not
Designated as

Hedging Instruments Under SFAS 133	Location of Gain or Loss Recognized in Income on Derivative	Amount of (Gain) or Loss Recognized in Income on Derivative
Commodity Hedges	Other (income) expense	$ (2,551)

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statement of Income For the 26-weeks ended July 31, 2009

(in thousands)

Derivatives in SFAS 133 Cash Flow Hedging Relationships

Amount of (Gain) or Loss Recognized in OCI on Derivative (Effective Portion)

Location of Gain or Loss Reclassified from Accumulated OCI into Income (Effective Portion)

Amount of (Gain) or Loss Reclassified

from Accumulated OCI into Income (Effective Portion)	Location of Gain or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest Rate Swaps		
$ 19,469	Interest expense	

$

23,789

Other (income) expense

$

314

Derivatives Not Designated as Hedging Instruments Under SFAS 133

Location of Gain or Loss Recognized in

Income on Derivative

	Amount of (Gain) or Loss Recognized in Income on Derivative
Commodity Hedges	Other (income) expense
	$ (1,043)

Credit-risk-related contingent features

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

As of July 31, 2009, the fair value of interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these

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agreements, was $62.7 million. As of July 31, 2009, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions at July 31, 2009, it would have been required to settle its obligations under the agreements at their termination value of $62.7 million.

As of July 31, 2009, the fair value of commodity hedges in a net asset position was $2.3 million, which excludes any adjustment for nonperformance risk related to the agreements.

7.

Commitments and contingencies

Legal proceedings

On August 7, 2006, a lawsuit entitled *Cynthia Richter, et al. v. Dolgencorp, Inc., et al.* was filed in the United States District Court for the Northern District of Alabama (Case No. 7:06-cv-01537-LSC) (Richter) in which the plaintiff alleges that she and other current and former Dollar General store managers were improperly classified as exempt executive employees under the Fair Labor Standards Act (FLSA) and seeks to recover overtime pay, liquidated damages, and attorneys fees and costs. On August 15, 2006, the Richter plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff s motion. On March 23, 2007, the court conditionally certified a nationwide class of individuals who worked for Dollar General as store managers since August 7, 2003. The number of persons who will be included in the class has not been determined.

On May 30, 2007, the court stayed all proceedings in the case, including the sending of the Notice, to evaluate, among other things, certain appeals pending in the Eleventh Circuit involving claims similar to those raised in this action. That stay has been extended on several occasions, most recently through October 31, 2009. During the stay, the statute of limitations has been tolled for potential class members. If the court ultimately permits Notice to issue, the Company will have an opportunity at the close of the discovery period to seek decertification of the class, and the Company expects to file such a motion if necessary.

The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that this action is not appropriate for collective action treatment. The Company intends to vigorously defend this action. However, at this time, it is not possible to predict whether the court ultimately will permit this action to proceed collectively, and no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in its efforts to defend this action, the resolution could have a material adverse effect on the Company s financial statements as a whole.

On May 18, 2006, the Company was served with a lawsuit entitled *Tammy Brickey, Becky Norman, Rose Rochow, Sandra Cogswell and Melinda Sappington v. Dolgencorp, Inc. and Dollar General Corporation* (Western District of New York, Case No. 6:06-cv-06084-DGL, originally filed on February 9, 2006 and amended on May 12, 2006 (Brickey)). The Brickey plaintiffs seek to proceed collectively under the FLSA and as a class under New York, Ohio, Maryland and North Carolina wage and hour statutes on behalf of, among others, assistant store

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managers who claim to be owed wages (including overtime wages) under those statutes. At this time, it is not possible to predict whether the court will permit this action to proceed collectively or as a class. However, the Company believes that this action is not appropriate for either collective or class treatment and that the Company s wage and hour policies and practices comply with both federal and state law. The Company plans to vigorously defend this action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise, and, if it is not successful, the resolution of this action could have a material adverse effect on the Company s financial statements as a whole.

On March 7, 2006, a complaint was filed in the United States District Court for the Northern District of Alabama (*Janet Calvert v. Dolgencorp, Inc.*, Case No. 2:06-cv-00465-VEH (Calvert)), in which the plaintiff, a former store manager, alleged that she was paid less than male store managers because of her sex, in violation of the Equal Pay Act and Title VII of the Civil Rights Act of 1964, as amended (Title VII). The complaint subsequently was amended to include additional plaintiffs, who also allege to have been paid less than males because of their sex, and to add allegations that the Company s compensation practices disparately impact females. Under the amended complaint, Plaintiffs seek to proceed collectively under the Equal Pay Act and as a class under Title VII, and request back wages, injunctive and declaratory relief, liquidated damages, punitive damages and attorney s fees and costs.

On July 9, 2007, the plaintiffs filed a motion in which they asked the court to approve the issuance of notice to a class of current and former female store managers under the Equal Pay Act. The Company opposed plaintiffs motion. On November 30, 2007, the court conditionally certified a nationwide class of females under the Equal Pay Act who worked for Dollar General as store managers between November 30, 2004 and November 30, 2007. The notice was issued on January 11, 2008, and persons to whom the notice was sent were required to opt into the suit by March 11, 2008. Approximately 2,100 individuals have opted into the lawsuit. The Company will have an opportunity at the close of the discovery period to seek decertification of the Equal Pay Act class, and the Company expects to file such motion.

The plaintiffs have not yet moved for class certification relating to their Title VII claims. The Company expects such motion to be filed within the next several months and will strenuously oppose such a motion.

At this time, it is not possible to predict whether the court ultimately will permit the Calvert action to proceed collectively under the Equal Pay Act or as a class under Title VII. However, the Company believes that the case is not appropriate for class or collective treatment and that its policies and practices comply with the Equal Pay Act and Title VII. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending the Calvert action, its resolution could have a material adverse effect on the Company s financial statements as a whole.

On July 30, 2008, the Company was served with a complaint filed in the District Court for Dallas County, Iowa (*Julie Cox, et al. v. Dolgencorp, Inc., et al* Case No. LACV-034423 (Cox)) in which the plaintiff, a former store manager, alleges that the Company discriminates

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against pregnant employees on the basis of sex and retaliates against employees in violation of the Iowa Civil Rights Act. Cox seeks to represent a class of all current, former and future employees from the State of Iowa who are employed by Dollar General who suffered from, are currently suffering from or in the future may suffer from alleged sex/pregnancy discrimination and retaliation and seeks declaratory and injunctive relief as well as equitable, compensatory and punitive damages and attorneys fees and costs.

At this time, it is not possible to predict whether the court ultimately will permit the Cox action to proceed as a class. However, the Company believes that the case is not appropriate for class treatment and that its policies and practices comply with the Iowa Civil Rights Act. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending this action, its resolution could have a material adverse effect on the Company s financial statements as a whole.

On December 4, 2008, a complaint was filed in the United States District Court for the Western District of Tennessee (*Tressa Holt, et al v. Dollar General Corporation, et al.*, Case No.1:08-cv-01298 JDB) in which the plaintiff, on behalf of herself and a putative class of non-exempt store employees, alleges that the Company violated the Fair Labor Standards Act by failing to pay for all hours worked, including overtime hours. The Company has reached an agreement to resolve this matter for an amount that is not material, and the matter is expected to be concluded within the next 30 days.

On November 24, 2008, the Company and all defendants, including the Company s directors, reached an agreement in principle to settle the lawsuit pending in the Sixth Circuit Court for Davidson County, Twentieth Judicial District, at Nashville, captioned In re: Dollar General, Case No. 07MD-1, in which the plaintiffs alleged that the Company s directors engaged in self-dealing by agreeing to recommend the Company s 2007 merger to shareholders and that the consideration available to such shareholders in the transaction was unfairly low. The Company determined that the agreement would be in the best interest of the Company to avoid costly and time-consuming litigation. Based on the agreement in principle, the Company recorded a charge of $32.0 million in the third and fourth quarters of 2008 in connection with the proposed settlement, which was net of insurance proceeds of $10.0 million which were collected in the fourth quarter of 2008. On February 2, 2009, the Company funded the $40.0 million settlement and on February 11, 2009, the court approved the terms of the settlement.

From time to time, the Company is a party to various other legal actions involving claims incidental to the conduct of its business, including actions by employees, consumers, suppliers, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including under federal and state employment laws and wage and hour laws. The Company believes, based upon information currently available, that such other litigation and claims, both individually and in the aggregate, will be resolved without a material adverse effect on the Company s financial statements as a whole. However, litigation involves an element of uncertainty. Future developments could cause these actions or claims to have a material adverse effect on the Company s results of operations, cash flows, or financial position. In addition, certain of these lawsuits, if decided adversely to the

Company or settled by the Company, may result in liability material to the Company s financial position or may negatively affect operating results if changes to the Company s business operation are required.

Other

In August 2008, the Consumer Product Safety Improvement Act of 2008 was signed into law. This law addresses, among other things, the permissible levels of lead and listed phthalates in certain products. The first tier of new standards for permissible levels of lead and phthalates became effective in February 2009; the second tier became effective in August 2009. To ensure compliance, the Company undertook a process to identify, mark down and cease the sale of any remaining inventory that would be impacted by the new law. The impact of this process was not material to the Company s consolidated financial statements.

8.

Segment reporting

The Company manages its business on the basis of one reportable segment. As of July 31, 2009, all of the Company s operations were located within the United States, with the exception of a Hong Kong subsidiary, the assets and revenues of which are not material. The following net sales data is presented in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

13 Weeks Ended

26 Weeks Ended

(I n thousands)

July 31, 2009

August 1,

2008

July 31,
2009

August 1,
2008

Classes of similar products:

Consumables

$

2,053,196

$

1,796,015

$

4,049,005

$

3,476,910

Seasonal

423,297

384,520

779,749

706,646

Home products

212,194

219,542

429,077

424,035

Apparel

213,220

209,307

424,013

405,291

Net sales

$

2,901,907

$

2,609,384

$

5,681,844

$

5,012,882

9.

Related party transactions

KKR and GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), indirectly own a substantial portion of the Company s common stock through their investments in Buck Holdings, L.P.

Affiliates of KKR and Goldman Sachs (among other entities) are lenders under the Company s $2.3 billion senior secured term loan facility. The amount of principal outstanding under this term loan facility at all times since the Company s 2007 merger was $2.3 billion, and the Company paid no principal and approximately $39.8 million and $70.7 million of interest on this term loan during the 26-week periods ended July 31, 2009 and August 1, 2008, respectively.

Goldman, Sachs & Co. is a counterparty to an amortizing interest rate swap totaling $420.0 million as of July 31, 2009, entered into in connection with the Company s senior secured term loan facility. The Company paid Goldman, Sachs & Co. approximately $8.3 million and

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$5.1 million in the 26-week periods ended July 31, 2009 and August 1, 2008, respectively pursuant to this swap.

The Company is party to a monitoring agreement with an affiliate of KKR and with Goldman Sachs & Co. pursuant to which those entities provide management and advisory services to the Company. Under the terms of the monitoring agreement, among other things, the Company is obligated to pay to those entities an aggregate annual management fee payable in arrears at the end of each calendar quarter plus all reasonable out of pocket expenses incurred in connection with the provision of services under the agreement upon request. The fees incurred for the 26-week periods ended July 31, 2009 and August 1, 2008 totaled $2.7 million and $4.1 million, respectively. The management fee is scheduled to be $5.4 million in 2009 and increase at a rate of 5% per year. In connection with a proposed initial public offering of the Company s common stock as further discussed in Note 10, the parties intend to terminate the monitoring agreement in accordance with its terms which will include the payment of a termination fee.

From time to time the Company may use the services of Capstone Consulting, LLC, a team of executives who work exclusively with KKR portfolio companies providing certain consulting services. The Chief Executive Officer of Capstone (who also is a Partner of KKR) served on the Company s Board of Directors until March 2009. Although neither KKR nor any entity affiliated with KKR owns any of the equity of Capstone, prior to January 1, 2007 KKR had provided financing to Capstone. The aggregate fees incurred for Capstone services for the 26-week periods ended July 31, 2009 and August 1, 2008 totaled $0.2 million and $1.7 million, respectively.

A Member and a Director of KKR and a Managing Director of Goldman, Sachs & Co. serve on the Company s Board of Directors.

10.

Subsequent events

On August 20, 2009, the Company filed with the SEC a registration statement on Form S-1 relating to a proposed initial public offering of its common stock. The Company intends to use the net proceeds it receives from the offering to redeem a portion of its 10.625% senior notes due 2015 and its 11.875%/12.625% senior subordinated toggle notes due 2017. Upon the completion of the offering, and in connection with the Company s termination of the monitoring agreement with KKR and Goldman, Sachs & Co., the Company will be required to pay a fee to KKR and Goldman, Sachs & Co. (which amount will include a transaction fee equal to 1% of the estimated proceeds from the offering).

On September 8, 2009, the Company s Board of Directors declared a special dividend on the Company s outstanding common stock (including shares of restricted stock) of $0.43 per share, or approximately $239.3 million in the aggregate, payable on or before September 11, 2009 to shareholders of record on September 8, 2009. The special dividend will be paid with cash generated from operations. Pursuant to the terms of the Company s stock option plans, holders of stock options will receive either a pro-rata adjustment to the terms of their share-based awards or a cash payment in substitution for such adjustment as a result of the dividend.

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Subsequent events pertaining to the Company have been evaluated through the time of filing this document with the SEC on September 10, 2009, which is the date these financial statements were issued.

11.

Guarantor subsidiaries

Certain of the Company s subsidiaries (the Guarantors) have fully and unconditionally guaranteed on a joint and several basis the Company's obligations under certain outstanding debt obligations. Each of the Guarantors is a direct or indirect wholly-owned subsidiary of the Company. The following consolidating schedules present condensed financial information on a combined basis, in thousands.

	July 31, 2009
	DOLLAR GENERAL CORPORATION
	GUARANTOR SUBSIDIARIES
	OTHER SUBSIDIARIES
	ELIMINATIONS
	CONSOLIDATED TOTAL
	BALANCE SHEET:

ASSETS

Current assets:

Cash and cash

equivalents

$

320,562

$

156,735

$

38,078

$

-

$

515,375

Merchandise
inventories

-

1,552,586

-

-

1,552,586

Income taxes receivable

-

5,450

-

-

5,450

Deferred income taxes

-

-

2,998

(2,998)

-

Prepaid expenses and other current assets

701,556

2,279,048

6,838

(2,915,074)

72,368

Total current assets

1,022,118

3,993,819

47,914

(2,918,072)

2,145,779

Net property and equipment

78,739

1,194,563

150

-

1,273,452

Goodwill

4,338,589

-

-

-

4,338,589

Intangible assets, net

1,203,445

99,751

-

-

1,303,196

Deferred income taxes

-

-

23,133

(23,133)

-

Other assets, net

3,799,867

8,169

272,348

(4,001,456)

78,928

Total assets

$

10,442,758

$

5,296,302

$

343,545

$

(6,942,661)

$

9,139,944

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:

Current portion of long-term obligations

$

24,822

$

1,975

$

-

$

-

$

26,797

Accounts payable

2,493,428

1,166,687

46,564

(2,906,371)

800,308

Accrued expenses and other

40,549

221,434

51,104

(8,703)

304,384

Income taxes payable

14,373

-

4,931

-

19,304

Deferred income taxes

5,838

12,192

-

(2,998)

15,032

Total current liabilities

2,579,010

1,402,288

102,599

(2,918,072)

1,165,825

Long-term obligations

4,334,047

2,515,240

13,178

(2,751,442)

4,111,023

Deferred income taxes

395,716

177,968

-

(23,133)

550,551

Other liabilities

102,166

27,498

151,062

-

280,726

Redeemable common stock
15,281
-
-
-
15,281

Shareholders equity:

Preferred stock

-

-

-

-

-

Common stock

278,217

23,855

100

(23,955)

278,217

Additional paid-in capital

2,494,984

431,253

19,900

(451,153)

2,494,984

Retained earnings

279,960

718,200

56,706

(774,906)

279,960

Accumulated other comprehensive loss

(36,623)

-

-

-

(36,623)

Total shareholders equity

3,016,538

1,173,308

76,706

(1,250,014)

3,016,538

Total liabilities and shareholders equity	$ 10,442,758
	$ 5,296,302
	$ 343,545
	$ (6,942,661)
	$ 9,139,944

	January 30, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEET:					

ASSETS

Current assets:

Cash and cash equivalents	
	$ 292,637
	$ 64,404
	$ 20,954
	$ -
	$ 377,995
Merchandise inventories	

-

1,414,955

-

-

1,414,955

Income tax receivable

50,601

-

-

(44,209)

6,392

Deferred income taxes

5,892

-

2,560

(3,852)

4,600

Prepaid expenses and other current assets

462,572

2,016,712

5,894

(2,418,995)

66,183

Total current assets

811,702

3,496,071

29,408

(2,467,056)

1,870,125

Net property and equipment

82,616

1,186,125

219

-

1,268,960

Goodwill

4,338,589

-

-

-

4,338,589

Intangible assets, net

1,205,667

119,891

-

-

1,325,558

Deferred income taxes

-

-

3,518

(3,518)

-

Other assets, net

3,384,089

130,100

280,204

(3,708,426)

85,967

Total assets

$

9,822,663

$

4,932,187

$

313,349

$

(6,179,000)

$

8,889,199

LIABILITIES AND
SHAREHOLDERS
EQUITY

Current liabilities:

Current portion of long-term obligations

$

11,500

$

2,658

$

-

$

-

$

14,158

Accounts payable

2,007,625

1,035,057

46,644

(2,410,905)

678,421

Accrued expenses and other

108,504

220,142

54,489

(8,090)

375,045

Income taxes payable

1,659

48,467

1,694

(44,209)

7,611

Deferred income taxes

-

3,852

-

(3,852)

-

Total current liabilities

2,129,288

1,310,176

102,827

(2,467,056)

1,075,235

Long-term obligations

4,346,258

2,383,304

-

(2,606,606)

4,122,956

Deferred income taxes

397,570

162,049

-

(3,518)

556,101

Other liabilities

103,928

37,653

147,707

-

289,288

Redeemable common stock
13,924
-
-
-
13,924

Shareholders equity:

Preferred stock

-

-

-

-

-

Common stock

278,114

23,855

100

(23,955)

278,114

Additional paid-in capital

2,489,647

553,639

19,900

(573,539)

2,489,647

Retained earnings

103,364

461,511

42,815

(504,326)

103,364

Accumulated other comprehensive loss

(39,430)

-

-

-

(39,430)

Total shareholders equity

2,831,695

1,039,005

62,815

(1,101,820)

2,831,695

Total liabilities and shareholders equity		
$	9,822,663	
$	4,932,187	
$	313,349	
$	(6,179,000)	
$	8,889,199	

For the 13 weeks ended July 31, 2009
DOLLAR GENERAL CORPORATION
GUARANTOR SUBSIDIARIES
OTHER SUBSIDIARIES
ELIMINATIONS
CONSOLIDATED TOTAL
STATEMENTS OF INCOME:

Net sales

$

68,779

$

2,901,907

$

23,678

$

(92,457)

$

2,901,907

Cost of goods sold

-

1,995,865

-

-

1,995,865

Gross profit

68,779

906,042

23,678

(92,457)

906,042

Selling, general and administrative expenses

62,536

683,121

19,625

(92,457)

672,825

Operating profit

6,243

222,921

4,053

-

233,217

Interest income

(13,767)

(1,064)

(5,214)

20,030

(15)

Interest expense

96,095

13,875

5

(20,030)

89,945

Other (income) expense

(2,395)

-

-

-

(2,395)

Income (loss) before

income taxes

(73,690)

210,110

9,262

-

145,682

Income taxes

(27,690)

76,890

2,892

-

52,092

Equity in subsidiaries earnings, net of taxes

139,590

-

-

(139,590)

-

Net income

$

93,590

$

133,220

$

6,730

$

(139,590)

$

93,590

For the 13 weeks ended August 1, 2008

DOLLAR GENERAL CORPORATION

GUARANTOR SUBSIDIARIES

OTHER SUBSIDIARIES

ELIMINATIONS

CONSOLIDATED

TOTAL

STATEMENTS OF INCOME:

Net sales

$

50,582

$

2,609,384

$

25,498

$

(76,080)

$

2,609,384

Cost of goods sold

-

1,851,349

-

-

1,851,349

Gross profit

50,582

758,035

25,498

(76,080)

758,035

Selling, general and administrative expenses

46,854

624,268

19,938

(76,080)

614,980

Operating profit

3,728

133,767

5,560

-

143,055

Interest income

(19,140)

(8,673)

(3,683)

30,279

(1,217)

Interest expense

108,102

21,561

50

(30,279)

99,434

Other (income) expense

292

-

-

-

292

Income (loss) before

income taxes

(85,526)

120,879

9,193

-

44,546

Income taxes

(29,614)

43,847

2,595

-

16,828

Equity in subsidiaries earnings, net of taxes

83,630

-

-

(83,630)

-

Net income

$

27,718

$

77,032

$ 6,598

$ (83,630)

$ 27,718

22

For the 26 weeks ended July 31, 2009

DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL

STATEMENTS OF INCOME:

Net sales

$

131,625

$

5,681,844

$

45,151

$

(176,776)

$

5,681,844

Cost of goods sold

-

3,920,444

-

-

3,920,444

Gross profit

131,625

1,761,400

45,151

(176,776)

1,761,400

Selling, general and administrative expenses

119,670

1,326,537

33,883

(176,776)

1,303,314

Operating profit

11,955

434,863

11,268

-

458,086

Interest income

(26,309)

(2,145)

(9,440)

37,785

(109)

Interest expense

190,356

26,599

10

(37,785)

179,180

Other (income) expense

(728)

-

-

-

(728)

Income (loss) before

income taxes

(151,364)

410,409

20,698

-

279,743

Income taxes

(57,380)

153,720

6,807

-

103,147

Equity in subsidiaries earnings, net of taxes

270,580

-

-

(270,580)

-

Net income

$

176,596

$

256,689

$

13,891

$

(270,580)

$

176,596

For the 26 weeks ended August 1, 2008

DOLLAR GENERAL CORPORATION

GUARANTOR SUBSIDIARIES

OTHER SUBSIDIARIES

ELIMINATIONS

CONSOLIDATED

TOTAL

STATEMENTS OF INCOME:

Net sales

$

100,657

$

5,012,882

$

48,469

$

(149,126)

$

5,012,882

Cost of goods sold

-

3,561,770

-

-

3,561,770

Gross profit

100,657

1,451,112

48,469

(149,126)

1,451,112

Selling, general and administrative expenses

93,334

1,212,240

40,738

(149,126)

1,197,186

Operating profit

7,323

238,872

7,731

-

253,926

Interest income

(35,722)

(17,352)

(6,819)

57,719

(2,174)

Interest expense

217,297

40,673

54

(57,719)

200,305

Other (income) expense

590

-

-

-

590

Income (loss) before income taxes

(174,842)

215,551

14,496

-

55,205

Income taxes	(57,981)
	76,866
	2,686
	-
	21,571
Equity in subsidiaries earnings, net of taxes	
	150,495

-

-

(150,495)

-

Net income

$

33,634

$

138,685

$

11,810