DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 06/11/02 for the Period Ending 05/03/02

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

DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 6/11/2002 For Period Ending 5/3/2002

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 3, 2002

Commission file number 1-11421

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee	61-0502302
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

100 Mission Ridge
Goodlettsville, Tennessee 37072
(Address of principal executive offices, zip code)

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

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

The number of shares of common stock outstanding as of May 10, 2002 was 332,856,617.

Dollar General Corporation

Form 10-Q

For the Quarter Ended May 3, 2002

Index

Part I - Financial Information

Item 1. Financial Statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands)

	May 3, 2002 (Unaudited)	February 1, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 287,424	$ 261,525
Merchandise inventories	1,134,449	1,131,023
Deferred income taxes	80,974	105,091
Other current assets	85,419	58,408
Total current assets	1,588,266	1,556,047
Property and equipment, at cost	1,507,414	1,473,693
Less accumulated depreciation and amortization	515,937	484,778
Net property and equipment	991,477	988,915
Other assets	8,989	7,423
Total assets	$ 2,588,732	$ 2,552,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 395,877	$ 395,675
Accounts payable	341,134	322,463
Accrued expenses and other	212,590	253,413
Litigation settlement payable	161,000	162,000
Total current liabilities	1,110,601	1,133,551
Long-term obligations	336,083	339,470
Deferred income taxes	53,388	37,646
Shareholders' equity:		
Preferred stock	--	--
Common stock	166,462	166,359
Additional paid-in capital	302,200	301,848
Retained earnings	625,193	579,265
Accumulated other comprehensive loss	(2,677)	(3,228)
	1,091,178	1,044,244
Less other shareholders' equity	2,518	2,526
Total shareholders' equity	1,088,660	1,041,718
Total liabilities and shareholders' equity	$ 2,588,732	$ 2,552,385

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Income (Unaudited)
(Amounts in thousands except per share amounts)

	13 Weeks Ended			
	May 3, 2002	% of Net Sales	May 4, 2001	% of Net Sales
Net sales	$1,389,412	100.0%	$1,202,504	100.0%
Cost of goods sold	1,009,120	72.6	881,079	73.3
Gross profit	380,292	27.4	321,425	26.7
Selling, general and administrative expense	297,304	21.4	251,990	20.9
Operating profit	82,988	6.0	69,435	5.8
Interest expense	10,432	0.8	11,600	1.0
Income before income taxes..........	72,556	5.2	57,835	4.8
Provision for taxes on income	26,628	1.9	21,602	1.8
Net income	$ 45,928	3.3%	$ 36,233	3.0%
Earnings per share:				
Basic	$ 0.14		$ 0.11	
Diluted	$ 0.14		$ 0.11	
Weighted average shares:				
Basic	332,665		331,588	
Diluted	334,834		335,184	
Dividends per share	$ .032		$ .032	

See notes to condensed consolidated financial statements

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	13 Weeks Ended	
	May 3, 2002	May 4, 2001
Cash flows from operating activities:		
Net income	$ 45,928	$ 36,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,004	29,890
Deferred income taxes	39,859	264
Tax benefit from stock option exercises	689	3,258
Change in operating assets and liabilities:		
Merchandise inventories	(3,426)	(9,299)
Other current assets	1,500	6,972
Accounts payable	18,671	(14,702)
Accrued expenses and other	(19,775)	(15,252)
Income taxes	(39,464)	2,676
Other	(1,166)	(2)
Net cash provided by operating activities	74,820	40,038
Cash flows from investing activities:		
Purchase of property and equipment	(34,812)	(35,726)
Proceeds from sale of property and equipment	58	114
Net cash used in investing activities	(34,754)	(35,612)
Cash flows from financing activities:		
Repayments of long-term obligations	(3,196)	(3,048)
Payment of cash dividends	(10,646)	(10,631)
Proceeds from exercise of stock options	1,374	7,996
Other financing activities	(1,699)	(159)
Net cash used in financing activities	(14,167)	(5,842)
Net increase (decrease) in cash and cash equivalents	25,899	(1,416)
Cash and cash equivalents, beginning of period	261,525	162,310
Cash and cash equivalents, end of period	$ 287,424	$ 160,894
Supplemental schedule of noncash investing and financing activities:		
Purchase of property and equipment under capital lease obligations	$ --	$ 12,088

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Dollar General Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles 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 February 1, 2002 for additional information.

The accompanying condensed consolidated financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated results of operations for the 13-week periods ended May 3, 2002 and May 4, 2001 have been made.

Interim cost of goods sold is determined using ongoing estimates of inventory shrinkage, inflation, and markdowns. Because the Company's business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

Accounting pronouncements

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under the new rules, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company began to apply the new accounting rules on February 2, 2002. The adoption of SFAS No. 141 and No. 142 has not had a material impact on the Company's financial position or results of operations.

The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" in June 2001. SFAS No. 143 applies to legal obligations associated with the retirement of certain tangible long-lived assets. This statement is effective for fiscal years beginning after June 15, 2002. Accordingly, the Company will adopt this statement on February 1, 2003. The Company believes the adoption of SFAS No. 143 will not have a material impact on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company adopted this statement on February 2, 2002. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS No. 144 has not had a material impact on the Company's financial position or results of operations.

2. Comprehensive income

Comprehensive income consists of the following (in thousands):

	13 Weeks Ended	
	May 3, 2002	May 4, 2001
Net income	$ 45,928	$ 36,233
Net change in derivative financial instruments	551	(2,839)
	$ 46,479	$ 33,394

3. Segment reporting

The Company manages its business on the basis of one reportable segment. As of May 3, 2002 and May 4, 2001, all of the Company's operations were located within the United States. The following data is presented in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The following amounts are in thousands:

	13 Weeks Ended	
	May 3, 2002	May 4, 2001
Sales by category:		
Highly consumable	$ 851,236	$ 721,292
Hardware and seasonal...	204,763	168,804
Basic clothing	142,301	130,632
Home products	191,112	181,776
	$1,389,412	$1,202,504

4. Guarantor subsidiaries

All 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 notes payable. Each of the Guarantors is a wholly-owned subsidiary of the Company. The Guarantors comprise all of the direct and indirect subsidiaries of the Company.

In order to participate as a subsidiary guarantor on certain of the Company's financing arrangements, a subsidiary of the Company has entered into a letter agreement with certain state regulatory agencies to maintain stockholders' equity of at least $250 million.

Condensed combined financial information for the Guarantors is set forth below. Dollar amounts are in thousands.

	May 3, 2002			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEET DATA:				
ASSETS				
Current assets				
Cash and cash equivalents	$ 243,961	$ 43,463	$ --	$ 287,424
Merchandise inventories	--	1,134,449	--	1,134,449
Deferred income taxes	71,501	9,473	--	80,974
Other current assets	18,938	1,013,312	(946,831)	85,419
Total current assets	334,400	2,200,697	(946,831)	1,588,266
Property and equipment, at cost	161,358	1,346,056	--	1,507,414
Less accumulated depreciation and amortization	55,862	460,075	--	515,937
Net property and equipment	105,496	885,981	--	991,477
Other assets	2,171,663	3,337	(2,166,011)	8,989
Total assets	$ 2,611,559	$ 3,090,015	$(3,112,842)	$ 2,588,732
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term obligations	$ 65,622	$ 330,255	$ --	$ 395,877
Accounts payable	1,032,607	255,358	(946,831)	341,134
Accrued expenses and other	55,962	156,628	--	212,590
Litigation settlement payable	161,000	--	--	161,000
Total current liabilities	1,315,191	742,241	(946,831)	1,110,601
Long-term obligations	200,569	873,837	(738,323)	336,083
Deferred income taxes	7,139	46,249	--	53,388
Shareholders' equity:				
Preferred stock	--	--	--	--
Common stock	166,462	23,853	(23,853)	166,462
Additional paid-in capital	302,200	929,679	(929,679)	302,200
Retained earnings	625,193	474,156	(474,156)	625,193
Accumulated other comprehensive loss	(2,677)	--	--	(2,677)
	1,091,178	1,427,688	(1,427,688)	1,091,178
Less other shareholders' equity	2,518	--	--	2,518
Total shareholders' equity	1,088,660	1,427,688	(1,427,688)	1,088,660
Total liabilities and shareholders' equity	$ 2,611,559	$ 3,090,015	$(3,112,842)	$ 2,588,732

	February 1, 2002			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEET DATA:				
ASSETS				
Current assets				
Cash and cash equivalents	$ 217,539	$ 43,986	$ --	$ 261,525
Merchandise inventories	--	1,131,023	--	1,131,023
Deferred income taxes	79,203	25,888	--	105,091
Other current assets	15,406	913,082	(870,080)	58,408
Total current assets	312,148	2,113,979	(870,080)	1,556,047
Property and equipment, at cost	158,347	1,315,346	--	1,473,693
Less accumulated depreciation and amortization	51,832	432,946	--	484,778
Net property and equipment	106,515	882,400	--	988,915
Other assets	2,079,572	2,022	(2,074,171)	7,423
Total assets	$ 2,498,235	$ 2,998,401	$(2,944,251)	$ 2,552,385
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term obligations	$ 65,682	$ 329,993	$ --	$ 395,675
Accounts payable	944,830	247,713	(870,080)	322,463
Accrued expenses and other	76,526	176,887	--	253,413
Litigation settlement payable	162,000	--	--	162,000
Total current liabilities	1,249,038	754,593	(870,080)	1,133,551
Long-term obligations	200,460	830,881	(691,871)	339,470
Deferred income taxes	7,019	30,627	--	37,646
Shareholders' equity:				
Preferred stock	--	--	--	--
Common stock	166,359	23,853	(23,853)	166,359
Additional paid-in capital	301,848	929,680	(929,680)	301,848
Retained earnings	579,265	428,767	(428,767)	579,265
Accumulated other comprehensive loss	(3,228)	--	--	(3,228)
	1,044,244	1,382,300	(1,382,300)	1,044,244
Less other shareholders' equity	2,526	--	--	2,526
Total shareholders' equity	1,041,718	1,382,300	(1,382,300)	1,041,718
Total liabilities and shareholders' equity	$ 2,498,235	$ 2,998,401	$(2,944,251)	$ 2,552,385

	Quarter to Date and Year to Date			
	May 3, 2002			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME DATA:				
Net sales	$ 46,452	$1,389,412	$ (46,452)	$1,389,412
Cost of goods sold	--	1,009,120	--	1,009,120
Gross profit	46,452	380,292	(46,452)	380,292
Selling, general and administrative	41,561	302,195	(46,452)	297,304
Operating profit	4,891	78,097	--	82,988
Interest expense	4,004	6,428	--	10,432
Income before income taxes	887	71,669	--	72,556
Less provision for taxes on income	348	26,280	--	26,628
Equity in subsidiaries' earnings, net	45,389	--	(45,389)	--
Net income	$ 45,928	$ 45,389	$ (45,389)	$ 45,928

	Quarter to Date and Year to Date			
	May 4, 2001			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME DATA:				
Net sales	$ 35,843	$1,202,504	$ (35,843)	$1,202,504
Cost of goods sold	--	881,079	--	881,079
Gross profit	35,843	321,425	(35,843)	321,425
Selling, general and administrative	30,079	257,754	(35,843)	251,990
Operating profit	5,764	63,671	--	69,435
Interest expense	4,623	6,977	--	11,600
Income before income taxes	1,141	56,694	--	57,835
Less provision for taxes on income	426	21,176	--	21,602
Equity in subsidiaries' earnings, net	35,518	--	(35,518)	--
Net income	$ 36,233	$ 35,518	$ (35,518)	$ 36,233

	For the 13 weeks ended May 3, 2002			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS DATA:				
Cash flows from operating activities:				
Net income	$ 45,928	$ 45,389	$ (45,389)	$ 45,928
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:				
Depreciation and amortization	4,270	27,734	--	32,004
Deferred income taxes	7,822	32,037	--	39,859
Tax benefit from stock options exercises	689	--	--	689
Change in operating assets and liabilities:				
Merchandise inventories	--	(3,426)	--	(3,426)
Other current assets	(7,567)	(72,003)	81,070	1,500
Accounts payable	87,778	11,963	(81,070)	18,671
Accrued expenses and other	(1,082)	(18,693)	--	(19,775)
Income taxes	(9,388)	(30,076)	--	(39,464)
Other	(41,703)	(4,852)	45,389	(1,166)
Net cash provided by/ (used in) operating activities	86,747	(11,927)	--	74,820
Cash flows from investing activities:				
Purchases of property and equipment	(2,941)	(31,871)	--	(34,812)
Proceeds from sale of property and equipment	1	57	--	58
Issuance of long-term notes receivable	(46,452)	--	46,452	--
Net cash used in investing activities	(49,392)	(31,814)	46,452	(34,754)
Cash flows from financing activities:				
Repayments of long-term obligations	38	(3,234)	--	(3,196)
Payment of cash dividends	(10,646)	--	--	(10,646)
Proceeds from exercise of stock options	1,374	--	--	1,374
Other financing activities	(1,699)	46,452	(46,452)	(1,699)
Net cash provided by (used in) financing activities	(10,933)	43,218	(46,452)	(14,167)
Net increase (decrease) in cash and cash equivalents	26,422	(523)	--	25,899
Cash and cash equivalents, beginning of period	217,539	43,986	--	261,525
Cash and cash equivalents, end of period	$ 243,961	$ 43,463	$ --	$ 287,424

	For the 13 weeks ended May 4, 2001			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS DATA:				
Cash flows from operating activities:				
Net income	$ 36,233	$ 35,518	$ (35,518)	$ 36,233
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:				
Depreciation and amortization	3,338	26,552	--	29,890
Deferred income taxes	(15)	279	--	264
Tax benefit from stock options exercises	3,258	--	--	3,258
Change in operating assets and liabilities:				
Merchandise inventories	--	(9,299)	--	(9,299)
Other current assets	843	49,045	(42,916)	6,972
Accounts payable	23,079	(80,697)	42,916	(14,702)
Accrued expenses and other	3,157	(18,409)	--	(15,252)
Income taxes	723	1,953	--	2,676
Other	(29,126)	(6,394)	35,518	(2)
Net cash provided by (used in) operating activities	41,490	(1,452)	--	40,038
Cash flows from investing activities:				
Purchases of property and equipment	(3,706)	(32,020)	--	(35,726)
Proceeds from sale of property and equipment	15	99	--	114
Issuance of long-term notes receivable	(35,843)	--	35,843	--
Other	2,047	--	(2,047)	--
Net cash used in investing activities	(37,487)	(31,921)	33,796	(35,612)
Cash flows from financing activities:				
Repayments of long-term obligations	(438)	(2,610)	--	(3,048)
Payment of cash dividends	(10,631)	--	--	(10,631)
Proceeds from exercise of stock options	7,996	--	--	7,996
Other financing activities	(159)	33,796	(33,796)	(159)
Net cash provided by (used in) financing activities	(3,232)	31,186	(33,796)	(5,842)
Net increase (decrease) in cash and cash equivalents	771	(2,187)	--	(1,416)
Cash and cash equivalents, beginning of period	120,643	41,667	--	162,310
Cash and cash equivalents, end of period	$ 121,414	$ 39,480	$ --	$ 160,894

5. Commitments and Contingencies

As disclosed in further detail in the Company's Form 10-K for the 2001 fiscal year, on April 30, 2001, the Company announced that it had become aware of certain accounting issues that would cause it to restate its audited financial statements for fiscal years 1999 and 1998, and to restate the unaudited financial information for fiscal year 2000 that had been previously released by the Company. The Company subsequently restated such financial statements and financial information by means of its Form 10-K for the fiscal year ended February 2, 2001, which was filed on January 14, 2002.

Following the April 30, 2001 announcement, more than 20 purported class action lawsuits were filed against the Company and certain current and former officers and directors of the Company, asserting claims under the federal securities laws relating to the restatement of the Company's financial statements. The Company has reached a settlement agreement with the purported class action plaintiffs, which agreement was amended following the completion of confirmatory discovery and was approved by the court on May 24, 2002. Pursuant to such agreement, the Company has agreed to pay $162 million to such plaintiffs in settlement for their claims and to implement certain enhancements to its corporate governance and internal control procedures.

The Company recognized an expense of $162 million in the fourth quarter of 2000 in respect of the class action settlement agreement. Pursuant to the terms of such agreement, the Company disbursed $1 million of such funds in April, 2002. The Company expects to disburse the remaining amount of $161 million in June or July, 2002, provided that all rights to appeal such agreement have expired and that no appeals have been filed as of such date. The Company expects to receive from its insurers approximately $4.5 million in respect of such settlement, which amount has not been accrued in the Company's financial statements.

In addition, six purported shareholder derivative lawsuits have been filed in Tennessee state court against certain current and former Company directors and officers and Deloitte & Touche LLP, the Company's former independent accountant, and two purported shareholder derivative lawsuits have been filed in the United States District Court for the Middle District of Tennessee, which lawsuits seek damages and other relief. The Company and the individual defendants have reached a settlement agreement with counsel to the lead plaintiffs in the lead Tennessee state shareholder derivative action, and the Company anticipates that pursuant to such agreement the other shareholder derivative actions, which have been stayed, will be dismissed with prejudice. Such settlement agreement was approved by the court on June 4, 2002. Provided that all rights to appeal such settlement agreement have expired and that no appeals have been filed, the Company expects that this agreement will result in a net payment to the Company by July 17, 2002, after attorneys' fees payable to the plaintiffs' counsel, of approximately $24.8 million, which has not been accrued in the Company's financial statements.

These cases were at an early stage prior to the parties' execution of the settlement agreements, and the amount of potential loss, if any, should the settlement agreements not become effective cannot be reasonably estimated. An unfavorable outcome for the Company in these actions could have a material adverse impact on the Company's financial position and results of operations. In addition, plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the class settlement and may elect to pursue recovery against the Company individually. Because no separate litigation has yet been filed by parties who opted out, the Company cannot estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material effect on the Company's financial position.

The Company has been notified that the Securities and Exchange Commission ("SEC") is conducting an investigation into the circumstances that gave rise to the Company's April 30, 2001 announcement. The Company is cooperating with this investigation by providing documents and other information to the SEC. At this time, the Company is unable to predict the outcome of this investigation and the ultimate effects on the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following text contains references to years 2002, 2001, 2000 and 1999, which represent fiscal years of the Dollar General Corporation (the "Company") ending or ended January 31, 2003, February 1, 2002, February 2, 2001 and January 28, 2000, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the notes thereto.

Results of Operations -- 13 Weeks Ended May 3, 2002 and May 4, 2001

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

Net Sales. Net sales for the first 13 weeks of 2002 were $1.39 billion as compared against $1.20 billion during the first 13 weeks of 2001, an increase of 15.5%. The increase resulted primarily from 535 net new stores and a same store sales increase of 6.7%. Same store sales increases are calculated based on the comparable calendar weeks in the prior year. Same-store sales calculations include only those stores that were open both at the end of a fiscal period and at the beginning of the preceding fiscal period. Net sales increases by category during the period were as follows: highly consumable 18.0%, hardware and seasonal 21.3%, basic clothing 8.9%, and home products 5.1%. The Company's strong performance in the hardware and seasonal category was due in part to increased sales generated by new outdoor items added to the product mix including, but not limited to, lawn statues, stepping stones, and inspirational garden stones. The Company also generated additional seasonal sales by shipping warm weather products to its stores earlier than in prior years, which resulted in greater sales due to the fact that these products were in the stores for a longer period of time.

Gross Profit. Gross profit during the current year period was $380.3 million, or 27.4% of sales, versus $321.4 million, or 26.7% of sales during the comparable period in the prior year, an increase of 18.3%. The approximately 70 basis point increase in the gross margin rate as a percentage of sales was due principally to a 67 basis point reduction in distribution and transportation costs as a percentage of sales and a higher mark-up percentage on the Company's total inventory balance than that experienced during the comparable period in the prior year. The reduction in distribution and transportation costs as a percentage of net sales during the first quarter is due to a relatively modest increase in these expenses during a period of increased sales. Factors contributing to this result included a reduction in the Company's average delivery miles per store due in part to the opening of the Zanesville, Ohio distribution center, and lower fuel costs relative to the first quarter of the prior year. The higher mark-up percentage on the Company's inventories is primarily a result of a lower than normal mark-up on the Company's inventory balance in the first quarter of 2001 due to the ongoing impact of the markdown on certain excess inventories taken during the fourth quarter of 2000. As noted in Item 7 of the Company's Annual Report on Form 10-K for the 2001 fiscal year, the Company utilizes the retail method of accounting for inventories. Because the retail method is an averaging process, the mathematical impact of this markdown on the Company's blended inventory mark-up will diminish with the passage of time.

Selling, General & Administrative Expenses ("SG&A"). SG&A expenses during the current year period were $297.3 million, or 21.4% of sales, versus $252.0 million, or 20.9% of sales during the comparable period in the prior year, an increase of 18.0%. The increase can be attributed to a 10.3% increase in store count as compared to the prior year, $5.3 million in expenses incurred during the current year period related to the Company's restatement of certain of its financial statements (see Part II, Item 1) versus $0.3 million in such expenses incurred during the prior year period, and an increase in store labor costs that was greater than the Company's sales increase. The increase in store labor costs reflects various actions taken to improve store conditions, including increasing labor hours and improving employee wages. Excluding the restatement-related expenses, SG&A would have been $292.0 million, or 21.0% of sales, in the current year period versus $251.7 million, or 20.9% of sales, in the prior year period, an increase of 16.0%.

Interest Expense. Interest expense during the current year period was $10.4 million, or 0.8% of sales, versus $11.6 million, or 1.0% of sales during the comparable period in the prior year, a decrease of 10.1%. The decrease in interest expense was due primarily to lower interest rates in the current year period on the Company's variable rate debt.

Provision for Taxes on Income. The Company's effective tax rate was 36.7% in the current year period versus 37.4% during the comparable period in the prior year. The reduction in the Company's effective tax rate was due principally to the implementation of a tax planning strategy in the fourth quarter of 2001.

Net Income. Net income during the current year period was $45.9 million, or 3.3% of sales, compared to $36.2 million, or 3.0% of sales, during the comparable period in the prior year, an increase of 26.8%. Diluted earnings per share were $0.14 in the current year period versus $0.11 in the prior year.

Liquidity and Capital Resources

Current Financial Condition / Recent Developments. At May 3, 2002, the Company's total debt (including current maturities and short-term borrowings) was $732.0 million, and the Company had $287.4 million of cash and equivalents and $1.1 billion of shareholders' equity, compared to $735.1 million of total debt, $261.5 million of cash and equivalents and $1.0 billion of shareholders' equity at February 1, 2002.

As of May 3, 2002, the Company had $383 million outstanding under two synthetic lease facilities (the "Synthetic Lease Facilities"), one with $212 million in outstanding capital leases and the other with $171 million in outstanding capital leases. As of such date, the Company also had a $175 million revolving credit agreement (the "Current Credit Facility"), under which no amounts were outstanding. The Synthetic Lease Facilities will mature and the Current Credit Facility will expire in September 2002.

On March 18, 2002, the Company entered into a commitment letter (the "Commitment Letter") with SunTrust Bank and SunTrust Capital Markets, pursuant to which SunTrust Bank has agreed to serve as the sole agent and SunTrust Capital Markets has agreed to serve as the lead arranger and book manager for $450 million in new revolving credit facilities (the "New Credit Facilities"). The Company intends to use the New Credit Facilities (i) to replace the Current Credit Facility, (ii) to refinance the Synthetic Lease Facilities and (iii) for working capital and other general corporate purposes. The New Credit Facilities are split between a $300 million three-year revolving credit facility, and a $150 million 364-day revolving credit facility. The Company will pay interest on funds borrowed under the New Credit Facilities at rates that are subject to change based upon the rating of the Company's senior debt by independent agencies. At the Company's current ratings, the facility fees would be 37.5 basis points and 32.5 basis points on the two facilities, respectively, with an all-in drawn margin of LIBOR plus 237.5 basis points. The New Credit Facilities will be secured by the same real estate assets that currently serve as collateral for the Synthetic Lease Facilities. The availability of funding under the New Credit Facilities is subject to the negotiation of final documents and other conditions set forth in the Commitment Letter, which is filed as an exhibit hereto. The Company expects the New Credit Facilities to be finalized by the end of June, 2002, and in any event before the Synthetic Lease Facilities mature and the Current Credit Facility expires, although there can be no assurance that this will be the case.

On April 10, 2002, Moody's Investors Service announced that it had lowered its ratings on the Company's outstanding public debt to Ba2. On April 12, 2002, Standard and Poor's announced that it had lowered its ratings on the Company's outstanding public debt to BB+. These ratings downgrades increased the pricing spread over LIBOR paid by the Company under the synthetic lease facility with $212 million in outstanding capital leases. At the Company's current ratings, borrowings under such facility are priced at LIBOR plus 140 basis points, with an all-in drawn margin (including facility fees) of LIBOR plus 180 basis points.

The Company has $200 million (principal amount) of 8 5/8% unsecured notes due June 15, 2010. Interest on the notes is payable semi-annually on June 15 and December 15 of each year. The holders of the notes may elect to have their notes repaid on June 15, 2005, at 100% of the principal amount plus accrued and unpaid interest.

The Company is currently in discussions with the debt and equity parties with respect to the Company's leases of its distribution centers at Indianola, Mississippi and Fulton, Missouri, relating to an alleged default arising under those leases from the restatement of certain of the Company's financial statements as further described in Part II, Item 1 of this Form 10-Q. The Company reached agreement with the debt parties on those leases to incorporate certain amendments in the debt instruments relating to such properties, but the equity parties objected to such proposed amendments. The Company is now exploring other possible changes to address the concerns of the debt and equity parties, and expects that this matter will be resolved without any material adverse effect to the Company.

As further described in Part II, Item 1 of this Form 10-Q, and subject to the contingencies set forth therein, the Company expects to disburse in June or July of the current year approximately $161 million in final settlement of the class action lawsuits filed against the Company as a result of the restatement of the Company's financial statements. The Company expects to fund this amount from existing cash balances.

The Company believes that its existing cash balances, cash flow from operations, insurance proceeds expected in connection with the settlement of the class action and derivative lawsuits filed against the Company as a result of the restatement of the Company's financial statements, and its ongoing access to the capital markets (including the New Credit Facilities) will provide sufficient financing to meet the Company's currently foreseeable liquidity and capital resource needs.

Cash flows provided by operating activities. Net cash provided by operating activities totaled $74.8 million during the first 13 weeks of 2002, as compared to a $40.0 million source of cash during the comparable period in the prior year. The primary source of this cash in 2002 was the Company's net income plus depreciation and amortization expense, which together totaled $77.9 million. Another significant source of cash in the current year period was an increase in accounts payable of $18.7 million due primarily to increased trade payables of $8.7 million and an increase in checks outstanding that have not yet been presented for payment of $13.4 million. The payment of the Company's management and store bonuses for the 2001 fiscal year, which was the principal factor resulting in a decrease in accrued expenses of $19.8 million was a significant use of cash during the period.

The primary source of net cash from operating activities during the prior year period was the Company's net income plus depreciation and amortization expense, which together totaled $66.1 million during the prior year period. Decreases in accounts payable and accrued expenses and an increase in merchandise inventories were uses of cash during the prior year period of $14.7 million, $15.3 million and $9.3 million, respectively. The decrease in accounts payable during the prior year period was attributable primarily to a decrease in checks outstanding that had not yet been presented for payment of $16.6 million. The primary component of the decrease in accrued expenses was a decrease in accrued bonuses of $15.8 million reflecting the payment of store bonuses for the 2000 fiscal year. The increase in inventories reflected primarily the net addition of 196 stores during the period.

Cash flows used in investing activities. Net cash used in investing activities during the first 13 weeks of 2002 totaled $34.8 million, as compared to a $35.6 million use of cash during the comparable period in the prior year. The $34.8 million spent in the current year period consisted primarily of $8.8 million for new stores, $9.9 million for various store-related technology projects and $9.5 million for distribution and transportation expenditures. The $35.6 million spent in the prior year period consisted primarily of $15.4 million for new stores and relocations and $16.0 million for various store-related fixtures.

Cash flows used in financing activities. Net cash used in financing activities during the first 13 weeks of 2002 was $14.2 million, which consisted principally of $10.6 million in dividends and $3.2 million of debt repayments. Net cash used in financing activities during the comparable period in the prior year was $5.8 million, which consisted principally of $10.6 million in dividends and $3.0 million in debt repayments offset by $8.0 million in proceeds from stock options exercised.

Forward-Looking Statements

This discussion and analysis contains historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements as a result of certain risks and uncertainties. These risks include, but are not limited to, those set forth under Item 7 in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosures relating to this item that are set forth in our report on Form 10-K for the fiscal year ended February 1, 2002.

Part II - Other Information

Item 1. Legal Proceedings

Restatement-Related Proceedings

On April 30, 2001, the Company announced that it had become aware of certain accounting issues that would cause it to restate its audited financial statements for fiscal years 1999 and 1998, and to restate the unaudited financial information for fiscal year 2000 that had been previously released by the Company. The Company subsequently restated such financial statements and financial information by means of its Form 10-K for the fiscal year ended February 2, 2001, which was filed on January 14, 2002.

Following the April 30, 2001, announcement more than 20 purported class action lawsuits were filed against the Company and certain current and former officers and directors of the Company, asserting claims under the federal securities laws. These lawsuits have been consolidated into a single action pending in the United States District Court for the Middle District of Tennessee. On July 17, 2001, the court entered an order appointing the Florida State Board of Administration and the Teachers' Retirement System of Louisiana as lead plaintiffs and the law firms of Entwistle & Cappucci LLP, Milberg Weiss Bershad Hynes & Lerach LLP and Grant & Eisenhofer, P.A. as co-lead counsel. On January 3, 2002, the lead plaintiffs filed an amended consolidated class action complaint. Among other things, plaintiffs have alleged that the Company and certain of its current and former officers and directors made misrepresentations concerning the Company's financial results in the Company's filings with the Securities and Exchange Commission and in various press releases and other public statements. The plaintiffs seek damages with interest, costs and such other relief as the court deems proper.

On January 3, 2002, the Company reached a settlement agreement with the putative class action plaintiffs, pursuant to which the Company agreed to pay at least $140 million to such plaintiffs in settlement for their claims and to implement certain enhancements to its corporate governance and internal control procedures. Such agreement was subject to confirmatory discovery, to the final approval of the Company's Board of Directors, and to court approval. Under such settlement agreement, the plaintiffs had the right, following the completion of confirmatory discovery, to amend their complaint and to negotiate with the Company for additional damages, the aggregate amount of all damages to be paid in settlement of plaintiffs' claims not to exceed $162 million.

On April 1, 2002, following the completion of such confirmatory discovery, the Company and the putative class action plaintiffs amended their settlement agreement and the plaintiffs filed a second amended complaint, purporting to name as plaintiffs a class of persons who purchased or otherwise made an investment decision regarding the Company's securities and related derivative securities between March 5, 1997 and January 14, 2002. Pursuant to the amended settlement agreement, the Company has agreed to pay $162 million to such plaintiffs in settlement for their claims and to implement certain enhancements to its corporate governance and internal control procedures. Such amended agreement was approved by the court on May 24, 2002.

The Company recognized an expense of $162 million in the fourth quarter of 2000 in respect of the class action settlement agreement. Pursuant to the terms of such agreement, the Company disbursed $1 million of such funds in April, 2002. The Company expects to disburse the remaining amount of $161 million in June or July, 2002, provided that all rights to appeal such agreement have expired and that no appeals have been filed as of such date. The Company expects to receive from its insurers approximately $4.5 million in respect of such settlement, which amount has not been accrued in the Company's financial statements.

In addition, six purported shareholder derivative lawsuits have been filed in Tennessee State Court against certain current and former Company directors and officers and Deloitte & Touche LLP, the Company's former independent accountant. The Company is named as a nominal defendant in the actions, which seek restitution and/or compensatory and punitive damages with interest, equitable and/or injunctive relief, costs and such further relief as the court deems proper. By order entered October 31, 2001, the court appointed Michael Dixon, Jr., Carolinas Electrical Workers Retirement Fund and Thomas Dewey, plaintiffs in one of the six filed cases, as lead plaintiffs and the law firms of Branstetter, Kilgore Stranch & Jennings and Stanley, Mandel & Iola as lead counsel. In the same order, the court stayed the remaining cases pending completion of the lead case. Among other things, the plaintiffs allege that certain current and former Company directors and officers breached their fiduciary duties to the Company and that Deloitte & Touche aided and abetted those breaches and was negligent in its service as the Company's independent accountant. During August and September 2001, the Company moved to dismiss all six cases for failure to make a pre-suit demand on the Board of Directors and, in the alternative, requested that the court stay the actions pending the completion of an investigation into the allegations in the complaints by the Shareholder Derivative Claim Review Committee of the Company's Board of Directors. The lead plaintiffs filed an opposition to this motion on October 2, 2001.

Two purported shareholder derivative lawsuits also have been filed in the United States District Court for the Middle District of Tennessee against certain current and former Company directors and officers alleging that they breached their fiduciary duties to the Company. The Company is named as a nominal defendant in these actions, which seek declaratory relief, compensatory and punitive damages, costs and such further relief as the court deems proper. By motion filed on September 28, 2001, the Company requested that the federal court abstain from exercising jurisdiction over the purported shareholder derivative actions in deference to the pending state court actions. By agreement of the parties and court order dated December 3, 2001, the case has been stayed until June 3, 2002.

The Company and the individual defendants have reached a settlement agreement with lead counsel to the plaintiffs in the lead Tennessee state shareholder derivative action. The agreement includes a payment to the Company from a portion of the proceeds of the Company's director and officer liability insurance policies as well as certain corporate governance and internal control enhancements. Pursuant to the terms of such agreement, the Company anticipates that all of the stayed cases, including the federal derivative cases described above, will be dismissed with prejudice by the courts in which they are pending. Following confirmatory discovery, the settlement agreement was preliminarily approved by the Tennessee state court on April 19, 2002, and received final approval, subject to any appeal that may be filed, on June 4, 2002.

Provided that all rights to appeal such settlement agreement have expired and that no appeals have been filed, the Company expects that this agreement will result in a net payment to the Company by July 17, 2002, after attorneys' fees payable to the plaintiffs' counsel, of approximately $24.8 million, which has not been accrued in the Company's financial statements.

The Company believes that it has substantial defenses to the purported class action and the derivative lawsuits and intends to assert these defenses in the courts in which the actions are pending in the event the settlement agreements referred to above do not successfully resolve these matters. These cases were at an early stage prior to the parties' execution of the settlement agreements, and the amount of potential loss, if any, should the settlement agreements not become effective cannot be reasonably estimated. An unfavorable outcome for the Company in these actions could have a material adverse impact on the Company's financial position and results of operations. In addition, plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the class settlement and may elect to pursue recovery against the Company individually. Because no separate litigation has yet been filed by parties who opted out, the Company cannot estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material effect on the Company's financial position.

The Company has been notified that the SEC is conducting an investigation into the circumstances that gave rise to the Company's April 30, 2001, announcement. The Company is cooperating with this investigation by providing documents and other information to the SEC. At this time, the Company is unable to predict the outcome of this investigation and the ultimate effects on the Company.

Other Litigation

The Company was involved in other litigation, investigations of a routine nature and various legal matters during the reporting period, which were and are being defended and otherwise handled in the ordinary course of business. While the ultimate results of these matters cannot be determined or predicted, management believes that they have not had and will not have a material adverse effect on the Company's results of operations or financial position.

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

An Annual Meeting of Shareholders of the Company was held on February 20, 2002. Following is a brief description of the matters voted upon at the meeting and the tabulation of the voting therefor:

Proposal 1 - Election of Directors.

	Number of Votes		
Nominee	For	Withheld	Broker Non-Votes
Dennis C. Bottorff	295,306,431	2,087,055	0
Barbara L. Bowles	295,287,851	2,105,635	0
James L. Clayton	295,302,104	2,091,382	0
Reginald D. Dickson	295,337,415	2,056,071	0
E. Gordon Gee	295,239,153	2,154,333	0
John B. Holland	295,276,458	2,117,028	0
Barbara M. Knuckles	295,251,300	2,142,186	0
Cal Turner	295,267,681	2,125,805	0
David M. Wilds	295,322,340	2,071,146	0
William S. Wire, II	295,300,680	2,092,806	0

Proposal 2 - Shareholder Proposal Regarding Equal Employment Opportunity Information. A shareholder proposal recommending that the Company adopt certain measures regarding equal employment opportunity information was rejected, with 201,041,839 votes cast against, 11,424,922 votes cast for, 8,680,476 votes abstained and 76,246,249 broker non-votes.

Proposal 3 - Ratification of the Appointment of Independent Public Accountants. A proposal to ratify the selection of Ernst & Young LLP as independent public accountants for the fiscal year ending February 1, 2002 was adopted, with 295,419,977 votes cast for, 606,032 votes cast against, 1,367,471 votes abstained and no broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

The exhibit listed on the accompanying Exhibit Index is filed as a part of this report and such Exhibit Index is incorporated herein by reference.

(b) Reports on Form 8-K.

(1) A Current Report on Form 8-K, dated April 18, 2002, was filed with the SEC in connection with an announcement regarding the signing of a $450 million fully underwritten bank commitment.

(2) A Current Report on Form 8-K, dated April 18, 2002, was filed with the SEC in connection with an announcement regarding March 2002 sales results and April 2002 sales expectations.

(3) A Current Report on Form 8-K, dated April 4, 2002, was filed with the SEC in connection with an announcement regarding the appointment of James D. Robbins to the Company's Board of Directors and to the Audit Committee of the Company's Board of Directors.

(4) A Current Report on Form 8-K, dated March 26, 2002, was filed with the SEC in connection with a conference call held to discuss the Company's business plans and strategy.

(5) A Current Report on Form 8-K, dated March 20, 2002, was filed with the SEC in connection with a conference call held to discuss the Company's unaudited financial results for its 2001 fiscal year.

(6) A Current Report on Form 8-K, dated February 8, 2002, was filed with the SEC in connection with an announcement regarding January 2002 sales results, sales results for the fourth quarter of fiscal 2001, 2001 annual sales results and February sales expectations.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOLLAR GENERAL CORPORATION

By:

/s/ James J. Hagan

James J. Hagan

Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

June 10, 2002

EXHIBIT INDEX

Pursuant to Item 601 of Regulation S-K

Exhibit No.	Description of Exhibit
10.1	Commitment Letter, dated March 11, 2002, from SunTrust Bank and SunTrust Capital Markets, Inc. to Dollar General Corporation.

EXHIBIT 10.1

[LETTERHEAD - SUNTRUST ROBINSON HUMPHREY]

COMMITMENT LETTER

March 11, 2002

Dollar General Corporation
100 Mission Ridge
Goodlettsville, TN 37072

Attention: Mr. James J. Hagan
Executive Vice President and
Chief Financial Officer

Mr. Wade Smith
Treasurer

Re: $450,000,000 Revolving Credit Facilities for Dollar General Corporation (the "Credit Facilities")

Ladies and Gentlemen:

SunTrust Bank is pleased to commit to provide $450,000,000 in revolving credit facilities (the "Credit Facilities") described in the summary of term and conditions attached as Annex I (the "Term Sheet") to Dollar General Corporation (the "Company"), subject to the terms and conditions set forth in this letter and in the Term Sheet (collectively, this "Commitment Letter"), the proceeds of which shall be used for (i) refinancing all amounts outstanding under the Company's existing $175,000,000 revolving credit facility, and the two synthetic lease facilities totaling $383,000,000, and (ii) working capital and other general corporate purposes of the Company (including funding of draws under trade letters of credit issued for its account).

SunTrust Bank agrees to act as sole agent for the Credit Facilities, and SunTrust Capital Markets, Inc. ("SunTrust Capital Markets" and, together with SunTrust Bank, "SunTrust") agrees to act as lead arranger and book manager for the Credit Facilities, in each case subject to the terms and conditions of this Commitment Letter. In consideration for the undertakings and obligations of SunTrust under this Commitment Letter, the Company agrees that SunTrust Bank will act as the sole and exclusive agent for the Credit Facilities, that SunTrust Capital Markets will act as the sole and exclusive arranger and book manager for the Credit Facilities, and that no other agents, co-agents or arrangers will be appointed, or other titles conferred, without the prior written consent Of SunTrust Capital Markets.

A. Terms and Conditions of the Credit Facilities

The Credit Facilities will consist of a $300,000,000 three year revolving credit facility and a $150,000,000 364-day revolving credit facility. The principal terms and conditions of the Credit Facilities shall include those set forth in the Term Sheet. In addition, SunTrust Capital Markets, on behalf of the Lenders, may require certain other customary terms and conditions found in credit facilities of this type, and substantially similar to those in the Company's existing $175,000,000 revolving credit facility, which may not be specifically listed in the Term Sheet.

B. Syndication

Although SunTrust Bank has, subject to the terms and conditions hereof, provided a commitment for the entire amount of the Credit Facilities, it is the intent of SunTrust Bank to syndicate the Credit Facilities, and, as a material inducement to SunTrust Bank's issuing its commitment hereunder, the Company hereby agrees to provide its reasonable cooperation in such syndication process. The Company's assistance shall include (but not be limited to) (i) making senior management and representatives of the Company and its affiliates available to participate in meetings and to provide information to potential lenders under the Credit Facilities (the "Lenders") at such time as SunTrust Capital Markets may reasonably request, (ii) using the Company's existing lending relationships to assist in the syndication process, and (iii) providing to SunTrust Capital Markets all information reasonably deemed necessary to SunTrust Capital Markets to complete the syndication, including an information memorandum with respect to the Credit Facilities and the Company and projected financial statements with respect to the Company and the transactions contemplated by this Commitment Letter (the "Projections").

SunTrust Capital Markets will manage all aspects of the syndication of the Credit Facilities in consultation with SunTrust Bank and the Company, including the timing of all offers to potential Lenders, the allocation of commitments, and the determination of compensation and titles (such as co-agent, managing agent, etc.) given, if any, to such Lenders. The Company agrees that no Lender will receive any compensation for its commitment to, or participation in, the Credit Facilities except as expressly set forth in the Term Sheet or the Fee Letter (as defined below), or as otherwise agreed to and offered by SunTrust Capital Markets.

In addition, until the commitment of SunTrust Bank is reduced to no more than $100,000,000 before or after closing of the Credit Facilities, SunTrust's obligations pursuant to this Commitment Letter shall be further subject to the terms and conditions set forth in the Fee Letter.

To ensure an orderly and effective syndication of the Credit Facilities, the Company further agrees that until the earlier of the termination of this Commitment

Letter and the reduction of SunTrust Bank's commitment before or after the closing of the Credit Facilities to no more than $100,000,000, the Company will not, and will not cause or permit any of its affiliates or agents to, syndicate or issue, attempt to syndicate or issue, announce or authorize the announcement of the syndication or issuance of, or engage in discussions concerning the syndication or issuance of, any debt facility or debt security (including any renewals thereof) except with the prior written consent of SunTrust Capital Markets.

C. Fees.

The fees payable to SunTrust Bank and SunTrust Capital Markets in connection with their obligations hereunder are set forth in that certain letter agreement dated as of the date hereof, among the Company, SunTrust Bank and SunTrust Capital Markets (the "Fee Letter"). The obligations of SunTrust pursuant to this Commitment Letter are subject to the execution and delivery of the Fee Letter by the Company, which Fee Letter constitutes an integral part of this Commitment Letter.

D. Conditions Precedent.

The undertakings and obligations of SunTrust under this Commitment Letter are subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including a credit agreement incorporating substantially the terms and conditions outlined in this Commitment Letter; (ii) the absence of (A) a material adverse change in the assets, operations, or financial condition of the Company and its subsidiaries or affiliates, as reflected in its consolidated financial statements as of February 2, 2002 and (B) any change after the date hereof in loan syndication, financial or capital market conditions generally that, in the reasonable judgment of SunTrust Capital Markets, would materially impair syndication of the Credit Facilities, (iii) no withdrawal of the Company's debt ratings from either Moody's or S&P having occurred after the date of this Commitment Letter, (iv) completion to the satisfaction of the Lead Arranger and the Agent of due diligence as to pending and threatened litigation and regulatory investigations and proceedings, including but not limited to, class action lawsuits, shareholder derivative, third party claims, and Securities and Exchange Commission investigations arising in connection with the Company's restatement of its financial statements and other related matters (which due diligence as to such matters the Lead Arranger and the Agent expect to complete within ten business days following their receipt from the Company or its counsel of all requested information with respect thereto), (v) the Company's actual EBITDAR (as such term is defined in the Term Sheet) for its fiscal year ending in February 2002, as reflected in its audited year-end financial statements, being equal to or exceeding $669,000,000,
(vi) the accuracy of all representations in all material respects that you make to us (including those in Section E below) and all information that you furnish to us and your compliance with the terms of this Commitment Letter; (vii) the payment in full of all fees, expenses and other amounts payable hereunder and

under the Fee Letter; and (viii) a closing of the Credit Facilities on or prior to June 30, 2002.

E. Representations

You represent and warrant that (i) all information that has been or will be made available to SunTrust by you or any of your representatives in connection with the transactions contemplated by this Commitment Letter (other than the Projections) (the "Information") is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were or will be made, and (ii) the Projections have been or will be prepared in good faith based upon reasonable assumptions. You agree to supplement the Information and the Projections from time to time prior to completion of syndication of the Credit Facilities (whether before or after closing) so that the representations and warranties contained in this paragraph remain correct. In issuing the commitments and undertakings hereunder and in arranging and syndicating the Credit Facilities, you acknowledge that SunTrust Bank and SunTrust Capital Markets are relying on the accuracy of the Information and the Projections without independent verification thereof.

F. Indemnities, Expenses, Etc.

1. Indemnification. You agree to indemnify and hold harmless SunTrust Capital Markets, SunTrust Bank, each other Lender, their respective affiliates and their respective directors, officers, employees, agents, representatives, legal counsel, and consultants (each, an "Indemnified Person") against, and to reimburse each Indemnified Person upon its demand for, any losses, claims, damages, liabilities or other reasonable expenses ("Losses") incurred by such Indemnified Person insofar as such Losses arise out of or in any way relate to or result from this Commitment Letter, the Fee Letter, the financings contemplated by this Commitment Letter or the proposed use of the proceeds of the Credit Facilities, including, without limitation, all Losses arising out of any legal proceeding relating to any of the foregoing (whether or not such Indemnified Person is a party thereto); provided that the Company shall not be liable to any Indemnified Person pursuant to this indemnity for any Losses to the extent that a court having competent jurisdiction shall have determined by a final judgment (not subject to further appeal) that such Loss resulted primarily from the gross negligence or willful misconduct of such Indemnified Person.

2. CONSEQUENTIAL DAMAGES. NO INDEMNIFIED PARTY SHALL BE RESPONSIBLE OR LIABLE TO THE COMPANY OR ANY OTHER PERSON OR ENTITY FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF THIS COMMITMENT LETTER, THE

FEE LETTER, THE CREDIT FACILITIES OR ANY OF THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED BY THIS COMMITMENT LETTER.

3. Expenses. In further consideration of the commitments and undertakings of SunTrust hereunder, and recognizing that in connection herewith SunTrust will be incurring certain costs and expenses (including, without limitation, fees and disbursements of counsel, and costs and expenses for due diligence, syndication, transportation, duplication, mailings, messenger services, dedicated web page on the internet for the transactions contemplated by this Commitment Letter, appraisal, audit and insurance), you hereby agree to pay, or to reimburse SunTrust on demand for, all such reasonable costs and expenses (whether incurred before or after the date hereof), regardless of whether any of the transactions contemplated hereby are consummated. You also agree to pay all costs and expenses of SunTrust (including, without limitation, reasonable fees and disbursements of counsel) incurred in connection with the enforcement of any of their rights and remedies hereunder.

G. Special Disclosure.

SunTrust Capital Markets is a wholly owned subsidiary of SunTrust Banks, Inc. ("STBI") and an affiliate of SunTrust Bank. SunTrust Capital Markets is a broker/dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation ("SIPC"). Although it is a subsidiary of STBI, SunTrust Capital Markets is not a bank and is separate from SunTrust Bank or any banking affiliate of SunTrust Bank. SunTrust Capital Markets is solely responsible for its contractual obligations and commitments.

Securities and financial instruments sold, offered, or recommended by SunTrust Capital Markets are not bank deposits, are not insured by the Federal Deposit Insurance Corporation, SIPC or any governmental agency and are not obligations of or endorsed or guaranteed in any way by any bank affiliated with SunTrust Capital Markets or any other bank unless otherwise stated.

The Company authorizes SunTrust Capital Markets and its affiliates, including SunTrust Bank, to share with each other, and to use, credit and other confidential or non-public information regarding the Company to the extent permitted by applicable laws and regulations and solely for the purpose of performing their obligations under this Commitment Letter and the Credit Facilities. It is the policy of SunTrust Bank and SunTrust Capital Markets to strictly protect confidential non-public client information. Therefore, any information shared within SunTrust will be on a limited basis and only to people within the organization who are part of our relationship team, except as otherwise provided in this Commitment Letter.

H. Miscellaneous.

1. Effectiveness. This Commitment Letter shall constitute a binding obligation of SunTrust for all purposes immediately upon the acceptance hereof by the Company in the manner specified below. Notwithstanding any other provision of this Commitment Letter, the commitments and undertakings of SunTrust set forth herein shall not be or become effective for any purpose unless and until this Commitment Letter shall have been accepted by the Company in the manner specified below.

2. Acceptance by the Company. If you are in agreement with the foregoing, please sign and return the enclosed copy of this Commitment Letter by fax and overnight courier service to

SunTrust Capital Markets, Inc. 303 Peachtree Street, 24th Floor Atlanta, GA 30308

Attention: Jeff Titus
Fax: (404) 827-6514
Telephone: (404) 575-2865

3. Termination. Unless you have signed and returned the enclosed copy of this Commitment Letter and the Fee Letter, and paid the non-refundable deposit due upon such signing and acceptance as provided in the Fee Letter, prior to 5:00 p.m., Atlanta, Georgia time, on March 18, 2002, then the commitments and obligations of SunTrust under this Commitment Letter shall terminate on such date. If this Commitment Letter is executed and delivered by the Company to SunTrust Capital Markets in accordance with the preceding sentence, this Commitment Letter, and the commitments and obligations of SunTrust under this Commitment Letter, shall terminate on June 30, 2002, unless the definitive credit agreement and other legal documents related to the Credit Facilities have been executed and delivered on or prior to such date. In addition to the foregoing, this Commitment Letter may be terminated at any time by mutual agreement. Furthermore, by acceptance of this Commitment Letter, any other commitments outstanding with respect to the Credit Facilities by SunTrust will be terminated.

4. No Third-Party Beneficiaries. This Commitment Letter is solely for the benefit of the Company and SunTrust; no provision hereof shall be deemed to confer rights on any other person or entity.

5. No Assignment. This Commitment Letter may not be assigned by the Company to any other person or entity, but all of the obligations of the Company hereunder shall be binding upon the successors and assigns of the Company.

6. Tombstone Advertisements. Upon closing and initial funding of the Credit Facilities, SunTrust or any affiliate of SunTrust may place customary "tombstone" advertisements in publications of their choice at their own expense.

7. GOVERNING LAW. THIS COMMITMENT LETTER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF GEORGIA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

8. WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE COMPANY, SUNTRUST BANK AND SUNTRUST CAPITAL MARKETS WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS COMMITMENT LETTER OR ANY OTHER DOCUMENTS CONTEMPLATED HEREBY.

9. Survival. The obligations and agreements of the Company with respect to changes in the terms and conditions of the Credit Facilities under the third paragraph of Section B, indemnification provisions and costs and expense provisions under Section F, the sharing of information under Section G and the confidentiality provisions of paragraph 10 of this Section H shall survive the expiration and termination of this Commitment Letter.

10. Confidentiality. Neither this Commitment Letter, the Fee Letter nor any of their terms or substance may be disclosed by you, directly or indirectly, to any other person or entity except (i) to your officers, agents and advisors who are directly involved in the transactions contemplated hereby or (ii) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us promptly thereof), provided, that the foregoing restrictions shall cease to apply (except in respect of the Fee Letter and its terms and substance) after this Commitment Letter has been accepted by you or has been terminated or expires by its terms.

11. Counterparts. This Commitment Letter may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

12. Entire Agreement. Upon acceptance by you as provided herein, this Commitment Letter and the Fee Letter referenced herein shall supersede all understandings and agreements between the parties to this Commitment Letter in respect of the transactions contemplated hereby.

We look forward to working with you on this important transaction.

Very truly yours,

SUNTRUST BANK

By: /S/ Scott Corley

Name: Scott Corley
Title: Director

SUNTRUST CAPITAL MARKETS, INC.

By: /S/ Jeffrey R. Titus

Name: Jeffrey R. Titus
Title: Managing Director

ACCEPTED AND AGREED
this 18 day of March, 2002;

DOLLAR GENERAL CORPORATION

By: /S/ James J. Hagan

Name: James J. Hagan
Title: Executive Vice President and Chief Financial Officer

[LETTERHEAD-SUNTRUST ROBINSON HUMPHREY]

SUMMARY OF PRINCIPAL TERMS AND CONDITIONS OF
$450,000,000 SENIOR REVOLVING CREDIT FACILITIES 1

I. DESCRIPTION OF THE CREDIT FACILITIES

Credit Facilities: $450,000,000 revolving credit facilities (together the "Revolvers") as follows:

(1) $300,000,000 3-year revolving credit facility, including a $20,000,000 letter of credit subfacility (the "3-Year Revolver"); and

(2) $150,000,000 364-day revolving credit facility (the

"364-Day Revolver").

Borrower:	Dollar General Corporation (the "Borrower").
Guarantors:	All present and future direct and indirect Subsidiaries of the Borrower (the "Guarantors").
Agent:	SunTrust Bank ("SunTrust" or the "Agent").
Lead Arranger:	SunTrust Robinson Humphrey Capital Markets, a division of SunTrust Capital Markets, Inc. (the "Lead Arranger").
Lenders:	SunTrust and a syndicate of financial institutions acceptable to the Borrower, the Arranger and SunTrust, as Agent (together, the "Lenders").
Letter of Credit Issuing Bank:	SunTrust Bank (in such capacity, the "Issuing Bank").
Purpose:	Proceeds of the Revolvers shall be used for (1) refinancing all amounts outstanding under the Borrower's existing $175,000,000 revolving credit facility, and the two synthetic lease facilities totaling $383,000,000, and (2) working capital and other general corporate purposes of the Borrower (including funding of draws under trade letters of credit issued for its account).

----

1 Note: Italicized terms are defined in the attached Annex I ("Selected Definitions")

Maturity:	(1) The 3-Year Revolver will terminate and be payable in full three years from closing.
	(2) The 364-Day Revolver will terminate and be payable in full 364 days from closing.
Collateral:	Unsecured, with a negative pledge on all present and future assets (subject to existing liens as approved by the Lead Arranger, the Agent and the Lenders).

II. PRICING AND PAYMENT TERMS FOR THE FACILITIES

Interest Rate Options:	The Borrower shall be entitled to select between the following interest rate options:
	(i) Base Rate or (ii) LIBOR, in each case plus the Applicable Margin.
Interest Payments:	Interest shall be calculated on the basis of a 365-day year for Base Rate advances and on a 360-day year for LIBOR advances and shall be payable on outstanding advances as follows:
	(i) Base Rate advances - On the last day of each fiscal quarter, in arrears.
	(ii) LIBOR advances - At the expiration of each Interest Period, and with respect to loans made for an Interest Period longer than three months, on the last day of each three month period prior to the expiration of the Interest Period.
Letter of Credit Fees:	Fees on outstanding Letters of Credit shall be charged at a per annum rate equal to the Applicable Margin for LIBOR Advances as then in effect for the 3-Year Revolver as set forth in Annex II. In addition, the Borrower shall pay the Issuing Bank an issuance fee for each Letter of Credit as agreed to by the Issuing Bank and the Borrower, together with customary administrative charges.
Default Rate:	If any Event of Default has occurred and is continuing, the otherwise then applicable interest rates shall be increased by 2% per annum; provided that, for any LIBOR

advances, at the end of the applicable Interest Period, interest shall accrue thereafter at the Base Rate plus 2% per annum. Default interest shall be payable on demand.

Facility Fee:	A facility fee, payable quarterly in arrears for the pro rata account of the Lenders, on the total amount of the Revolvers, in the amount designated in Annex II based on the Borrower's Applicable Debt Rating.
Mandatory Prepayments:	Mandatory prepayment provisions comparable to those in the credit agreement for the Borrower's existing $175,000,000 revolving credit facility.
Funding; Payments; Pricing/Yield Protection Provisions:	Customary provisions with respect to: notices for borrowing and minimum/multiple amounts required for various borrowings and letters of credit; payment terms; voluntary reductions of commitments and prepayments; payment of withholding tax "gross-up" amounts; suspension of LIBOR pricing options due to illegality or inability to ascertain funding costs; payment of reserve requirements, increased funding costs and capital adequacy compensation; and payment of breakage and redeployment costs in connection with fundings and repayments of LIBOR advances.

III. CONDITIONS TO FUNDINGS

Funding will be subject to conditions customary in credit facilities of this type, including, but not limited to, the following:

Conditions to Initial Borrowing:	(1) Execution and delivery of credit agreement, promissory notes, guarantee agreements, and other loan documents.
	(2) Delivery of certified articles of incorporation, good standing certificates and certified copies of other organizational documents, including bylaws, authorizing resolutions of board of directors, and incumbency certificates for the Borrower and all Guarantors.
	(3) No withdrawal of the Borrower's debt ratings from either Moody's or S&P having occurred after March 11, 2002.
	(4) Delivery of favorable opinion of counsel for the Borrower and all Guarantors.

(5) Delivery of certificates of insurance issued on behalf of insurers of the Borrower and all Guarantors, describing in reasonable detail the types and amounts of insurance (property and liability) maintained by such parties.

(6) Payment in full of all fees and expenses related to the Revolvers.

(7) Completion to the satisfaction of the Lead Arranger and the Agent of due diligence (as contemplated by the Commitment Letter) as to pending and threatened litigation and regulatory investigations and proceedings, including but not limited to, class action lawsuits, shareholder derivative actions, third party claims, and Securities and Exchange Commission investigations arising in connection with the Borrower's restatement of its financial statements and related matters.

(8) The Borrower's actual EBITDAR for its fiscal year ending in February 2002, as reflected in its audited year-end financial statements, shall be not less than $669,000,000.

Conditions to All Borrowings:	(1) No Default or Event of Default shall then exist or would result from such borrowing.
	(2) All representations and warranties shall continue to be true and correct in all material respects on and as of the date of each borrowing.
	(3) Since February 1, 2002, there shall have been no change that has had or could be reasonably expected to have a material adverse effect on the assets, operations, or financial condition of the Borrower and its Subsidiaries taken as a whole.

IV. REPRESENTATIONS AND WARRANTIES

Representations and warranties customary for credit facilities of this type, including but not limited to, the following matters in respect of the Borrower and Guarantors, as the case may be: due organization, qualification, and licensing; due authorization and enforceability of loan documents; receipt of necessary governmental and third party approvals for loan documents, and absence of conflict of loan documents with applicable law, organizational documents, and material contractual obligations; accuracy of financial statements and absence of material adverse change in financial condition; absence of material pending or threatened litigation (except as previously disclosed to, and approved by, the Lead Arranger, the Agent, and the Lenders) or environmental liabilities; ownership of all material properties (including intellectual property); compliance with laws and material agreements; payment of taxes; compliance with ERISA and absence of liability for unfunded or underfunded plans; maintenance of customary insurance; and accuracy of disclosures.

V. COVENANTS

Financial Covenants: The following financial covenants shall be measured on a consolidated basis, including all Subsidiaries:

Adjusted Funded Debt/EBITDAR

The Borrower shall maintain at all times a ratio of Adjusted Funded Debt to EBITDAR less than 2.00:1.00. The Borrower's compliance with this covenant shall be calculated on a rolling four quarter basis.

EBITR/Interest and Rent Expense Ratio

The Borrower shall maintain a ratio of EBITR to the sum of Interest Expenses plus Rent Expense greater than 2.00:1.00. The Borrower's compliance with this covenant shall be calculated on a quarterly basis.

Asset Coverage Ratio

The Borrower shall maintain, as of the end of each month, a ratio of Eligible Inventory to Funded Debt of not less than 1.25:1.00; provided, however, the foregoing covenant shall no longer be applicable at such times as Borrower's Applicable Debt Rating shall, for a period of at least 90 consecutive days, have been BBB- or higher from S&P and Baa3 or higher from Moody's.

Consolidated Net Worth

The Borrower shall maintain at all times a Net Worth not less than the sum of (i) $[TBD], (ii) fifty percent (50%) of Consolidated Net Income for each fiscal quarter
(beginning with the fiscal quarter ending [May 3,] 2002)
for which Consolidated Net Income is positive,

calculated quarterly at the end of each such fiscal quarter, and (iii) 100% of the cumulative net proceeds of capital stock received during any period after closing.

Capital Expenditures

The Borrower shall not make capital expenditures, on a consolidated basis, in any fiscal year in an amount greater than $200,000,000; provided, however, the foregoing covenant shall no longer be applicable at such times as Borrower's Applicable Debt Rating shall, for a period of at least 90 consecutive days, have been BBB- or higher from S&P and Baa3 or higher from Moody.

Reporting Requirements:	The Borrower shall deliver (i) its annual unqualified audited consolidated financial statements within 90 days after the end of each fiscal year; (ii) its quarterly unaudited consolidated financial statements within 45 days after the end of each fiscal quarter that is not the end of a fiscal year; (iii) together with the financial statements described in clauses (i) and (ii) above, a certificate from the chief financial officer or treasurer (a) certifying as to whether there exists a Default or Event of Default on the date of such certificate, and if a Default or an Event of Default, specifying the details thereof and the action which the Borrower has taken or proposes to take with respect thereto, and (b) setting forth in reasonable detail calculations demonstrating compliance with the financial covenants, and (iv) its monthly report of Eligible Inventory and Funded Debt for purposes of determining compliance with the Asset Coverage Ratio described above, so long as such covenant shall be applicable.
Affirmative Covenants:	Customary affirmative covenants for credit facilities of this type, including but not limited to, covenants as to maintenance of existence and material franchises and intellectual property; payment of taxes and other obligations; maintenance of customary insurance; maintenance of fixed assets in good order and repair; compliance with applicable laws; maintenance of books and records, with visitation and inspection rights of the Lenders; and further assurances as to delivery of guarantee agreements by newly organized or acquired Subsidiaries.

Negative Covenants:	Customary negative covenants for credit facilities of this type and substantially similar to those in the Borrower's existing $175,000,000 revolving credit facility, including but not limited to, covenants restricting (subject to qualifications and exceptions as agreed by the Lenders and the Borrower) as to incurring of additional indebtedness; granting of liens or security interests on real or personal property; engaging in mergers, consolidations, or sales or other dispositions of assets outside the ordinary course of business; engaging in businesses other than the businesses conducted by the Borrower and its Subsidiaries on the closing date; investments in, loans to, or guarantees of the indebtedness of, third parties; acquisitions; payments of dividends or other distributions on capital stock, redemption of capital stock, prepayment of subordinated debt, and other restricted payments; affiliate transactions on other than an arm's length basis; entering into agreements that prohibit or limit destructions or loans that may be made to the Borrower or any Subsidiary by any other Subsidiary; agreements limiting the ability of the Borrower or any of its Subsidiaries to grant liens or security interests on any of their respective assets; sales/leaseback transactions; certain modifications of material agreements and documents; and changes in fiscal year or accounting practices.

VI. EVENTS OF DEFAULT

Customary events of default for credit facilities of this type, and substantially similar to those in the Borrower's existing $175,000,000 revolving credit facility, including but not limited to, the following (subject to normal and customary cure periods, where applicable:) Non-payment of interest, fees or other amounts when due; representations or warranties shall be untrue or incorrect in any material respect; breach of any financial covenant, negative covenant, or reporting requirement; breach of any other covenant or obligation that remains uncured for 30 days after notice or knowledge thereof; cross-default to other Indebtedness of the Borrower or any Subsidiary which individually or in the aggregate exceeds $10,000,000, or breach of any covenant contained in any agreement relating to such Indebtedness causing or permitting its acceleration; voluntary or involuntary bankruptcy proceedings; any final judgments or orders rendered against the Borrower or any Subsidiary in an aggregate amount exceeding $10,000,000 remaining in effect for 30 days without being stayed or discharged; occurrence of an ERISA event resulting in liability in an aggregate amount exceeding $10,000,000; termination or invalidity of any guarantee agreement of any Guarantor; or the aggregate amounts required to be paid by the Borrower pursuant to any settlement arrangement(s), judgment(s) or order(s) agreed by or entered against the Borrower in respect of litigation or regulatory investigations or proceedings arising out of the Borrower's restatement of its financial statements shall exceed those amounts to be agreed upon by the Borrower, the Lead Arranger and the Agent following completion of due diligence with respect thereto by the Lead Arranger and the Agent as provided in the Commitment Letter.

VII. OTHER TERMS

Participations and Assignments:	Assignments to other banks and financial institutions of the Revolvers will be permitted by any Lender with the written approval of the Borrower and the Agent (such approval not to be unreasonably withheld or delayed, and such approval not required by the Borrower if an Event of Default has occurred) in minimum increments of $1,000,000, provided, however, that (i) no such consent of the Borrower or the Agent shall be required to any assignment by a Lender to an affiliate of such Lender or to a fund managed by Lender or an affiliate of Lender and (ii) the minimum increment requirement shall not apply if a Lender is assigning its entire commitment. An administrative fee of $1,000 shall be due and payable by such assigning Lender to the Agent upon the occurrence of any assignment. Sales of participations to other banks and financial institutions will be permitted without restriction. Such participation will not release the selling Lender from its obligations with respect to the Revolvers.
Required Lenders:	Lenders holding a majority of the committed amount of the Revolvers.
Indemnification:	The Borrower shall pay (i) all reasonable, out-of-pocket costs and expenses of the Agent and its affiliates, including the reasonable fees, charges and disbursements of counsel for the Agent and its affiliates, in connection with the syndication of the Revolvers provided for herein, the preparation and administration of the loan documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated herein shall be consummated), and (ii) all out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Agent or any Lender in connection with the enforcement or protection of its rights in connection with the loan documentation or the loans made thereunder. The Borrower shall indemnify the

	Agent and each Lender against all reasonable costs, losses, liabilities, damages, and expenses incurred by them in connection with any investigation, litigation, or other proceedings relating to the Revolvers, except when due to the gross negligence or willful misconduct on the part of the indemnified party, as determined by a final non-appealable judgment by a court of competent jurisdiction.
Governing Law:	State of Georgia

ANNEX I

SELECTED DEFINITIONS

Adjusted Funded Debt shall mean, at any time for the Borrower and its Subsidiaries on a consolidated basis, the sum of (i) Funded Debt at such time, and (ii) the present value (determined based on a discount rate of ten percent (10%) in accordance with discounted present value analytical technology) at such time of all remaining payments due under leases and financing obligations (excluding capital leases already included in the calculation of Funded Debt), whether for retail stores, distribution centers, administrative office space, furniture, fixtures, equipment, or other tangible assets, determined on a consolidated basis in accordance with generally accepted accounting principles.

Applicable Debt Rating shall mean the senior unsecured non-credit enhanced long term debt rating of the Borrower as assigned by each of Moody's and S&P. If the Moody's rating and the S&P rating shall fall within different categories of the Pricing Grid attached as Annex II hereto, then the Applicable Debt Rating shall be determined by reference to the lower of the two ratings for all purposes hereunder.

Applicable Margin shall mean the percentage (expressed in basis points) designated in the "Pricing Grid" attached hereto as Annex II based on the Borrower's Applicable Debt Rating.

Base Rate shall mean the higher of (i) the rate which SunTrust announces from time to time as its prime lending rate, as in effect from time to time, or
(ii) the Federal Funds rate, as in effect from time to time, plus one-half of one percent (1/2%) per annum (any changes in such rates to be effective as of the date of any change in such rate). The SunTrust prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. SunTrust may make commercial loans or other loans at rates of interest at, above, or below the SunTrust prime lending rate.

EBITDAR shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum of (i) EBITR for such period, and (ii) to the extent deducted in determining Net Income for such period, depreciation and amortization for such period, determined on a consolidated basis in accordance with generally accepted accounting principles in each case.

EBITR shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum of (a) Net Income for such period, plus (b) to the extent deducted in determining the Net Income for such period (i) Interest Expense, (ii) income tax expense, and (iii) Rent Expense, determined on a consolidated basis in accordance with generally accepted accounting principles in each case.

Eligible Inventory shall mean inventory of the Borrower and its Subsidiaries valued at the lower of cost or market with cost determined using the retail last-in, first-out method, all as properly reflected on the Borrower's consolidated balance sheet and otherwise determined in accordance with generally accepted accounting principles.

Funded Debt shall mean, at any time, all outstanding Indebtedness of the Borrower and its Subsidiaries on a consolidated basis (other than as described in clause (xi) of the definition of the term Indebtedness), including without limitation, all obligations under the Revolvers.

Indebtedness of any Person shall mean, without duplication, (1) obligations of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations of such Person in respect of the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business on terms customary in the trade), (iv) obligations of such Person under any conditional sale or other title retention agreement(s) relating to property acquired by such Person, (v) capitalized lease obligations of such Person, (vi) obligations, contingent or otherwise, of such Person in respect of letters of credit, acceptances or similar extensions of credit, (vii) guaranties by such Person of Indebtedness of others of the types described in this definition, (viii) all indebtedness of a third party secured by any lien on property owned by such Person, whether or not such indebtedness has been assumed by such Person, (ix) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any capital stock or member or other ownership interests of such Person, in each case where the holder of such capital stock or member or other ownership interests may require such purchase, redemption, retirement or other acquisition to be effected prior to the maturity of the 3-Year Revolver, (x) off-balance sheet liability in respect of asset securitization programs, synthetic leases, sale and leaseback transactions or other similar obligations arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and its subsidiaries, and (xi) obligations that would be due under any interest rate hedge agreement or foreign exchange agreement if terminated at such time.

Interest Expense shall mean, for the Borrower and its Subsidiaries for any period, determined on a consolidated basis in accordance with GAAP, the sum of
(i) total interest expense, including without limitation the interest component of any payments in respect of capital leases capitalized or expensed during such period (whether or not actually paid during such period) plus (ii) the net amount payable (or minus the net amount receivable) under hedging agreements

during such period (whether or not actually paid or received during such period).

Interest Period shall mean with respect to LIBOR loans, the period of 1, 2, 3 or 6 months selected by the Borrower pursuant to the terms of the Revolvers and subject to customary adjustments in duration.

LIBOR shall mean, for any Interest Period, the British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars for a period comparable to the Interest Period appearing on Telerate Screen Page 3750, as of 11:00 a.m. London time, on the day that is two business days prior to the Interest Period. Such rates may be adjusted for any applicable reserve requirements.

Net Income shall mean, for any period, the net income or loss of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles; provided that there shall be excluded the income of any Person (other than the Borrower) in which any other Person (other than the Borrower or any Subsidiary) owns any equity interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of the Subsidiaries during such period.

Net Worth shall mean, at any time, the shareholders' equity of the Borrower, as set forth or reflected on the most recent consolidated balance sheet of the Borrower prepared in accordance with generally accepted accounting principles, but excluding any redeemable preferred stock.

Person shall mean any natural person, corporation, business trust, joint venture, association, company, partnership, limited liability company, or government, or any agency or political subdivision thereof.

Rent Expense shall mean, for the Borrower and its Subsidiaries during any period, the aggregate amount of all rental payments (including both minimum and contingent rents) during such period in respect of all lease agreements and financing obligations (excluding any amounts in respect of capital leases or financing obligations included in the calculation of Interest Expense for such period), whether for retail stores, distribution centers, administrative office space, furniture, fixtures, equipment, or other tangible assets.

Subsidiary shall mean, as to any Person, any other Person of which more than 50% of the outstanding stock or comparable equity interest having ordinary voting power for the election of the board of directors, managers, or similar governing body is at the time directly or indirectly owned by such Person or by one or more of its Subsidiaries.

ANNEX II

REVOLVER PRICING

3 Year Revolving Credit Facility

Senior Debt Rating	Applicable Margin (Basis points per annum)			
	LIBOR	Facility Fee	Base Rate	All In Spread
< BB+/Ba1	200.0	37.5	87.5	237.5
BB+/Ba1	175.0	25.0	50.0	200.0
BBB-/Baa3	125.0	25.0	0.0	150.0
BBB/Baa2	85.0	20.0	0.0	105.0
> BBB+/Baa1	75.0	15.0	0.0	90.0

364-Day Revolving Credit Facility

Senior Debt Rating	Applicable Margin (Basis points per annum)			
	LIBOR	Facility Fee	Base Rate	All In Spread
< BB+/Ba1	205.0	32.5	87.5	237.5
BB+/Ba1	180.0	20.0	50.0	200.0
BBB-/Baa3	130.0	20.0	0.0	150.0
BBB/Baa2	90.0	15.0	0.0	105.0
> BBB+/Baa1	80.0	10.0	0.0	90.0