
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 2, 2012

Commission File Number: 001-11421

DOLLAR GENERAL CORPORATION

(Exact name of Registrant as specified in its charter)

TENNESSEE

(State or other jurisdiction of
incorporation or organization)

61-0502302

(I.R.S. Employer
Identification No.)

**100 MISSION RIDGE
GOODLETTSVILLE, TN 37072**

(Address of principal executive offices, zip code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 328,712,549 shares of common stock outstanding on December 3, 2012.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	November 2, 2012	February 3, 2012
	(Unaudited)	(see Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 142,580	\$ 126,126
Merchandise inventories	2,330,436	2,009,206
Income taxes receivable	13,554	—
Prepaid expenses and other current assets	131,622	139,742
Total current assets	<u>2,618,192</u>	<u>2,275,074</u>
Net property and equipment	2,047,434	1,794,960
Goodwill	4,338,589	4,338,589
Other intangible assets, net	1,223,407	1,235,954
Other assets, net	46,055	43,943
Total assets	<u>\$ 10,273,677</u>	<u>\$ 9,688,520</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	\$ 891	\$ 590
Accounts payable	1,199,727	1,064,087
Accrued expenses and other	392,439	397,075
Income taxes payable	997	44,428
Deferred income taxes	39,785	3,722
Total current liabilities	<u>1,633,839</u>	<u>1,509,902</u>
Long-term obligations	3,023,367	2,617,891
Deferred income taxes	655,910	656,996
Other liabilities	225,699	229,149
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	—	—
Common stock	287,613	295,828
Additional paid-in capital	2,983,323	2,967,027
Retained earnings	1,468,534	1,416,918
Accumulated other comprehensive loss	(4,608)	(5,191)
Total shareholders' equity	<u>4,734,862</u>	<u>4,674,582</u>
Total liabilities and shareholders' equity	<u>\$ 10,273,677</u>	<u>\$ 9,688,520</u>

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	For the 13 weeks ended		For the 39 weeks ended	
	November 2, 2012	October 28, 2011	November 2, 2012	October 28, 2011
Net sales	\$ 3,964,647	\$ 3,595,224	\$ 11,814,507	\$ 10,622,115
Cost of goods sold	2,738,524	2,479,422	8,096,905	7,270,574
Gross profit	1,226,123	1,115,802	3,717,602	3,351,541
Selling, general and administrative expenses	864,734	804,885	2,584,675	2,368,977
Operating profit	361,389	310,917	1,132,927	982,564
Interest expense	27,726	38,632	100,466	164,831
Other (income) expense	1,728	53	29,956	60,564
Income before income taxes	331,935	272,232	1,002,505	757,169
Income tax expense	124,250	101,068	367,265	282,994
Net income	\$ 207,685	\$ 171,164	\$ 635,240	\$ 474,175
Earnings per share:				
Basic	\$ 0.62	\$ 0.50	\$ 1.90	\$ 1.39
Diluted	\$ 0.62	\$ 0.50	\$ 1.89	\$ 1.37
Weighted average shares outstanding:				
Basic	332,337	341,955	333,806	341,670
Diluted	334,004	345,777	336,339	345,598

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(In thousands)

	<u>For the 13 weeks ended</u>		<u>For the 39 weeks ended</u>	
	November 2, 2012	October 28, 2011	November 2, 2012	October 28, 2011
Comprehensive income	\$ 208,249	\$ 174,269	\$ 635,823	\$ 486,594

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	For the 39 weeks ended	
	November 2, 2012	October 28, 2011
<i>Cash flows from operating activities:</i>		
Net income	\$ 635,240	\$ 474,175
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	222,398	204,771
Deferred income taxes	24,221	23,977
Tax benefit of stock options	(85,335)	(16,101)
Loss on debt retirement, net	30,620	60,303
Noncash share-based compensation	15,357	10,969
Other noncash gains and losses	9,548	31,656
Change in operating assets and liabilities:		
Merchandise inventories	(326,076)	(350,932)
Prepaid expenses and other current assets	12,399	(30,899)
Accounts payable	130,733	164,336
Accrued expenses and other liabilities	(4,334)	89,993
Income taxes	28,350	(57,575)
Other	(2,235)	(174)
Net cash provided by (used in) operating activities	<u>690,886</u>	<u>604,499</u>
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(453,626)	(363,099)
Proceeds from sales of property and equipment	1,144	729
Net cash provided by (used in) investing activities	<u>(452,482)</u>	<u>(362,370)</u>
<i>Cash flows from financing activities:</i>		
Issuance of long-term obligations	500,000	—
Repayments of long-term obligations	(478,026)	(911,708)
Borrowings under revolving credit facility	1,703,400	649,100
Repayments of borrowings under revolving credit facility	(1,349,800)	(361,300)
Debt issue costs	(15,278)	—
Repurchases of common stock	(596,442)	—
Equity transactions with employees, net of taxes paid	(71,139)	(13,188)
Tax benefit of stock options	85,335	16,101
Net cash provided by (used in) financing activities	<u>(221,950)</u>	<u>(620,995)</u>
Net increase (decrease) in cash and cash equivalents	16,454	(378,866)
Cash and cash equivalents, beginning of period	126,126	497,446
Cash and cash equivalents, end of period	<u>\$ 142,580</u>	<u>\$ 118,580</u>
<i>Supplemental schedule of non-cash investing and financing activities:</i>		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 40,569	\$ 44,225
Purchases of property and equipment under capital lease obligations	\$ 3,440	\$ —

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP or those normally made in the Company's Annual Report on Form 10-K, including the condensed consolidated balance sheet as of February 3, 2012 which has been derived from the audited consolidated financial statements at that date. Accordingly, readers of this Quarterly Report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2012 for additional information.

The Company's fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company's fiscal year. The Company's 2012 fiscal year will be a 52-week accounting period ending on February 1, 2013 and the 2011 fiscal year was a 53-week accounting period that ended on February 3, 2012.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company's customary accounting practices. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of November 2, 2012 and results of operations for the 13-week and 39-week accounting periods ended November 2, 2012 and October 28, 2011 have been made.

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

The Company uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation/deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded a LIFO provision of \$0.1 million and \$11.1 million in the respective 13-week periods, and \$1.2 million and \$25.4 million in the respective 39-week periods, ended November 2, 2012 and October 28, 2011. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation. Because the Company's business is

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

In July 2012, the Financial Accounting Standards Board issued new accounting guidance relating to impairment testing for indefinite-lived intangible assets. In accordance with this guidance, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. If after such assessment an entity concludes that the indefinite-lived intangible asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test as required by existing standards. This guidance is effective for annual and interim impairment tests for fiscal years beginning after September 15, 2012 and early adoption is permitted. The Company adopted this guidance in the third quarter of 2012 and it did not have a material impact on its condensed consolidated financial statements.

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

2. Common stock transactions

On August 29, 2012, the Company's Board of Directors authorized a \$500 million common stock repurchase program, of which \$218.6 million remained available for repurchase as of November 2, 2012. The repurchase authorization has no expiration date and allows repurchases from time to time in the open market or in privately negotiated transactions, which could include repurchases from Buck Holdings, L.P., a Delaware limited partnership controlled by KKR and Goldman Sachs and Co., or other related parties if appropriate. The timing and number of shares purchased will depend on a variety of factors, such as price, market conditions, compliance with the covenants and restrictions under our debt agreements and other factors. Repurchases under the program may be funded from available cash or borrowings under our senior secured asset-based revolving credit facility, which is discussed in further detail in Note 5.

On November 30, 2011, the Company's Board of Directors authorized a \$500 million common stock repurchase program, which was completed during the period ended November 2, 2012 as discussed below. The repurchase authorization had terms similar to the August 2012 authorization.

During the 39-week period ended November 2, 2012, the Company repurchased approximately 7.1 million shares under the November 2011 authorization at a total cost of \$315.0 million, including approximately 6.8 million shares purchased from Buck Holdings, L.P. for an aggregate purchase price of \$300.0 million, and approximately 5.6 million shares under the August 2012 authorization at a total cost of \$281.4 million, including approximately 4.9 million shares purchased from Buck Holdings, L.P. for an aggregate purchase price of \$250.0 million.

3. Earnings per share

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

	13 Weeks Ended November 2, 2012			13 Weeks Ended October 28, 2011		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic earnings per share	\$ 207,685	332,337	\$ 0.62	\$ 171,164	341,955	\$ 0.50
Effect of dilutive share-based awards		1,667			3,822	
Diluted earnings per share	<u>\$ 207,685</u>	<u>334,004</u>	<u>\$ 0.62</u>	<u>\$ 171,164</u>	<u>345,777</u>	<u>\$ 0.50</u>

	39 Weeks Ended November 2, 2012			39 Weeks Ended October 28, 2011		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic earnings per share	\$ 635,240	333,806	\$ 1.90	\$ 474,175	341,670	\$ 1.39
Effect of dilutive share-based awards		2,533			3,928	
Diluted earnings per share	<u>\$ 635,240</u>	<u>336,339</u>	<u>\$ 1.89</u>	<u>\$ 474,175</u>	<u>345,598</u>	<u>\$ 1.37</u>

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is determined based on the dilutive effect of stock options using the treasury stock method.

Options to purchase shares of common stock that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings per share because the effect of exercising such options would be antidilutive, were 0.8 million and 0.3 million in the 2012 and 2011 periods, respectively.

4. Income taxes

Under the accounting standards for income taxes, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns.

Income tax reserves are determined using the methodology established by accounting standards for income taxes which require companies to assess each income tax position taken using a two-step approach. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

The Internal Revenue Service ("IRS") has completed its examination of the Company's federal income tax returns for fiscal years 2006, 2007, and 2008. As a result, the 2008 and earlier tax years are not open for examination by the IRS. The IRS, at its discretion, may choose to examine the Company's 2009, 2010, or 2011 fiscal year income tax filings. The Company has

various state income tax examinations that are currently in progress. Generally, the Company's 2009 and later tax years remain open for examination by the various state taxing authorities.

As of November 2, 2012, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were \$22.7 million, \$2.1 million and \$0.4 million, respectively, for a total of \$25.2 million. Of this amount, \$0.3 million and \$24.9 million are reflected in current liabilities as Accrued expenses and other and in noncurrent Other liabilities, respectively, in the condensed consolidated balance sheet. The reserve for uncertain tax benefits decreased during the 39-week period ended November 2, 2012 by \$19.3 million due principally to the favorable resolution of matters associated with examination activity.

As of November 2, 2012, approximately \$22.7 million of the reserve for uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions. The Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately \$15.0 million in the coming twelve months due principally to the effective settlement of reserved amounts.

The effective income tax rates for the 13-week and 39-week periods ended November 2, 2012 were 37.4% and 36.6%, compared to rates of 37.1% and 37.4% for the respective 13-week and 39-week periods ended October 28, 2011. The increase in the effective income tax rate for the 13-week period is primarily associated with state income tax items. The 2011 period benefited, to a greater extent, from a decrease in a state income tax valuation allowance associated with state income tax credits and from decreases in state income tax reserves as compared to 2012's reserve increases. The decrease in the 39-week period effective income tax rate was due to benefits (recorded earlier in the current fiscal year) associated with the adjustment of accruals due to the favorable resolution of income tax examinations that exceeded increases in the effective tax rate associated with the expiration of various federal jobs credits for workers hired after December 31, 2011 (primarily the Work Opportunity Tax Credit), the expiration of the Hire Act's Retention Credit and an increase in the state income tax rate as noted earlier in this paragraph.

5. Current and long-term obligations

Current and long-term obligations consist of the following:

<u>(In thousands)</u>	<u>November 2, 2012</u>	<u>February 3, 2012</u>
Senior secured term loan facility:		
Maturity July 6, 2014	\$ 1,083,800	\$ 1,963,500
Maturity July 6, 2017	879,700	—
ABL Facility, maturity July 6, 2014	538,300	184,700
4 1/8% Senior Notes due July 15, 2017	500,000	—
11 7/8%/12 5/8% Senior Subordinated Notes due July 15, 2017	—	450,697
Capital lease obligations	7,963	5,089
Tax increment financing due February 1, 2035	14,495	14,495
	<u>3,024,258</u>	<u>2,618,481</u>
Less: current portion	(891)	(590)
Long-term portion	<u>\$ 3,023,367</u>	<u>\$ 2,617,891</u>

As of November 2, 2012 the Company has senior secured credit agreements (the “Credit Facilities”) which provide total financing of \$3.16 billion, consisting of a senior secured term loan facility (“Term Loan Facility”), and a senior secured asset-based revolving credit facility (“ABL Facility”).

On March 15, 2012, the ABL Facility was amended and restated. The maturity date was extended by a year to July 6, 2014 and the total commitment was increased to \$1.2 billion (of which up to \$350.0 million is available for letters of credit), subject to borrowing base availability. The Company capitalized \$2.7 million of debt issue costs, and incurred a pretax loss of \$1.6 million for the write off of a portion of existing debt issue costs associated with the amendment, which is reflected in Other (income) expense in the condensed consolidated statement of income for the 39-week period ended November 2, 2012.

On March 30, 2012, the Term Loan Facility was amended and restated. Pursuant to the amendment, the maturity date for a portion (\$879.7 million) of the Term Loan Facility was extended from July 6, 2014 to July 6, 2017. The applicable margin for borrowings under the Term Loan Facility remains unchanged. The Company capitalized \$5.2 million of debt issue costs associated with the amendment.

On October 9, 2012, the Credit Facilities were further amended to add additional capacity for the Company to repurchase, redeem or otherwise acquire shares of its capital stock, not to exceed \$250.0 million. The Company incurred a fee of \$1.7 million associated with these amendments which is included in Other (income) expense in the condensed consolidated statements of income for the 13-week and 39-week periods ended November 2, 2012. The Company was reimbursed for these fees as further discussed in Note 9.

Borrowings under the Credit Facilities bear interest at a rate equal to an applicable margin plus, at the Company’s option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable margin for borrowings as of November 2, 2012 and February 3, 2012 was (i) under the Term Loan, 2.75% for LIBOR borrowings and 1.75% for base-rate borrowings and (ii) under the ABL Facility, 1.75% and 1.50%, respectively, for LIBOR borrowings and 0.75% and 0.50%, respectively, for base-rate borrowings. At February 3, 2012, prior to the amendment discussed above, the ABL Facility also had a “last out” tranche of \$101.0 million for which the applicable margin was 2.25% for LIBOR borrowings and 1.25% for base rate borrowings. The applicable margins for borrowings under the ABL Facility are subject to adjustment each quarter based on average daily excess availability under the ABL Facility. The Company also must pay customary letter of credit fees. The interest rate for borrowings under the Term Loan Facility was 3.0% and 3.1% (without giving effect to the interest rate swaps discussed in Note 7), as of November 2, 2012 and February 3, 2012, respectively.

The senior secured credit agreement for the Term Loan Facility requires the Company to prepay outstanding term loans, subject to certain exceptions, with percentages of excess cash flow, proceeds of non-ordinary course asset sales or dispositions of property, and proceeds of incurrences of certain debt. In addition, the senior secured credit agreement for the ABL Facility requires the Company to prepay the ABL Facility, subject to certain exceptions, with proceeds of non-ordinary course asset sales or dispositions of property and any borrowings in excess of the then current borrowing base. The Term Loan Facility can be prepaid in whole or in part at any

time. No prepayments have been required under any prepayment provisions through November 2, 2012.

All obligations under the Credit Facilities are unconditionally guaranteed by substantially all of the Company's existing and future domestic subsidiaries (excluding certain immaterial subsidiaries and certain subsidiaries designated by the Company under the Credit Facilities as "unrestricted subsidiaries").

All obligations and guarantees of those obligations under the Term Loan Facility are secured by, subject to certain exceptions, a second-priority security interest in all existing and after-acquired inventory and accounts receivable; a first priority security interest in substantially all of the Company's and the guarantors' tangible and intangible assets (other than the inventory and accounts receivable collateral); and a first-priority pledge of the capital stock held by the Company. All obligations under the ABL Facility are secured by all existing and after-acquired inventory and accounts receivable, subject to certain exceptions.

The Credit Facilities contain certain covenants, including, among other things, covenants that limit the Company's ability to incur additional indebtedness, sell assets, incur additional liens, pay dividends, make investments or acquisitions, or repay certain indebtedness.

As of November 2, 2012 and February 3, 2012, the respective letter of credit amounts related to the ABL Facility were \$41.1 million and \$38.4 million, and borrowing availability under the ABL Facility was \$620.6 million and \$807.9 million, respectively.

On July 12, 2012, the Company issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2017 (the "Senior Notes") which mature on July 15, 2017, pursuant to an indenture dated as of July 12, 2012 (the "Senior Indenture"). The Company capitalized \$7.3 million of debt issue costs associated with the Senior Notes.

Interest on the Senior Notes is payable in cash on January 15 and July 15 of each year, commencing on January 15, 2013. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of the existing and future direct or indirect domestic subsidiaries that guarantee the obligations under the Credit Facilities discussed above.

The Company may redeem some or all of the Senior Notes at any time at redemption prices described or set forth in the Senior Indenture. The Company also may seek, from time to time, to retire some or all of the Senior Notes through cash purchases in the open market, in privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

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

The Senior Indenture contains covenants limiting, among other things, the ability of the Company and its restricted subsidiaries to (subject to certain exceptions): consolidate, merge, sell or otherwise dispose of all or substantially all of the Company's assets; and incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Senior Notes to become or to be declared due and payable.

On July 15, 2012, the Company redeemed the entire \$450.7 million outstanding aggregate principal amount of its 11.875%/12.625% Senior Subordinated Notes due 2017 (the "Senior Subordinated Notes") at a premium. The pretax loss on this transaction of \$29.0 million is reflected in Other (income) expense in the condensed consolidated statements of income for the 39-week period ended November 2, 2012. The Company funded the redemption price for the Senior Subordinated Notes with proceeds from the issuance of the Senior Notes.

In April and July 2011, the Company repurchased or redeemed all \$864.3 million outstanding aggregate principal amount of its 10.625% senior notes due 2015 at a premium. The Company funded the redemption price for the senior notes due 2015 with cash on hand and borrowings under the ABL Facility. The 2011 redemption and repurchase resulted in pretax losses totaling \$60.3 million, which is reflected in Other (income) expense in the condensed consolidated statements of income for 39-week period ended October 28, 2011.

Approximately \$1.6 billion of the Company's outstanding long-term debt balances as of November 2, 2012 will mature in 2014 and approximately \$1.4 billion of such debt will mature after 2016.

6. Assets and liabilities measured at fair value

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

In connection with accounting standards for fair value measurement, the Company has made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The Company has determined that the majority of the inputs used to value its derivative financial instruments using the income approach fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of November 2, 2012, the Company has assessed the significance of

the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that such adjustments are not significant to the derivatives' valuation. As a result, the Company has classified its derivative valuations, as discussed in detail in Note 7, in Level 2 of the fair value hierarchy. The Company's long-term obligations that are classified in Level 2 of the fair value hierarchy are valued at cost. The Company does not have any fair value measurements categorized within Level 3 as of November 2, 2012.

<u>(in thousands)</u>	<u>Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at November 2, 2012</u>
Assets:				
Trading securities (a)	\$ 5,742	\$ —	\$ —	\$ 5,742
Liabilities:				
Long-term obligations (b)	3,032,042	22,458	—	3,054,500
Derivative financial instruments (c)	—	7,567	—	7,567
Deferred compensation (d)	21,380	—	—	21,380

- (a) Reflected at fair value in the condensed consolidated balance sheet as Prepaid expenses and other current assets of \$4,047 and Other assets, net of \$1,695.
- (b) Reflected at book value in the condensed consolidated balance sheet as Current portion of long-term obligations of \$891 and Long-term obligations of \$3,023,367.
- (c) Reflected in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$1,557 and non-current Other liabilities of \$6,010.
- (d) Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of \$4,047 and non-current Other liabilities of \$17,333.

7. Derivatives and hedging activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply the hedge accounting standards.

Risk management objective of using derivatives

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

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

Cash flow hedges of interest rate risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income (loss) (also referred to as "OCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the 13-week and 39-week periods ended November 2, 2012 and October 28, 2011, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. Any ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

In May 2012, the Company entered into interest rate swaps with a total notional amount of \$875.0 million in order to mitigate a portion of the variable rate interest exposure under the Term Loan Facility. These swaps were effective May 31, 2012 and are scheduled to mature on May 29, 2015. The terms of the agreements resulted in the swap of one month LIBOR rates for a fixed interest rate, which results in the payment of an all-in fixed rate of 3.34% on the notional amount.

As of November 2, 2012, the Company had four interest rate swaps with a combined notional value of \$1.175 billion that were designated as cash flow hedges of interest rate risk. Amounts reported in Accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate

debt. During the next 52-week period, the Company estimates that an additional \$4.8 million will be reclassified as an increase to interest expense for all of its interest rate swaps.

Non-designated hedges of commodity risk

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to commodity price risk but do not meet strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of November 2, 2012, and October 28, 2011, the Company had no such non-designated hedges.

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of November 2, 2012 and February 3, 2012:

(in thousands)	November 2, 2012	February 3, 2012
Derivatives Designated as Hedging Instruments		
Interest rate swaps classified in current liabilities as Accrued expenses and other	\$ 1,557	\$ 10,820
Interest rate swaps classified in noncurrent Other liabilities	\$ 6,010	\$ —

The tables below present the pre-tax effect of the Company's derivative financial instruments on the condensed consolidated statements of comprehensive income for the 13-week and 39-week periods ended November 2, 2012 and October 28, 2011:

(in thousands)	13 Weeks Ended		39 Weeks Ended	
	November 2, 2012	October 28, 2011	November 2, 2012	October 28, 2011
Derivatives in Cash Flow Hedging Relationships				
Loss related to effective portion of derivative recognized in OCI	\$ 1,441	\$ 482	\$ 9,983	\$ 3,319
Loss related to effective portion of derivative reclassified from Accumulated OCI to Interest expense	\$ 2,368	\$ 5,570	\$ 10,939	\$ 23,710
(Gain) loss related to ineffective portion of derivative recognized in Other (income) expense	\$ —	\$ 52	\$ (2,392)	\$ 261

Credit-risk-related contingent features

The Company has agreements with all of its interest rate swap counterparties that contain a provision that the Company could be declared in default on its derivative obligations if there is a payment default or repayment is accelerated by the lender as a result of the Company's default on indebtedness equal to or greater than the cross default threshold in the Credit Facilities.

As of November 2, 2012, the fair value of interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, was \$7.9 million. If the Company had breached any of these provisions at

November 2, 2012, it could have been required to post full collateral or settle its obligations under the agreements at an estimated termination value of \$7.9 million. As of November 2, 2012, the Company had not breached any of these provisions or posted any collateral related to these agreements.

8. Commitments and contingencies

Legal proceedings

On August 7, 2006, a lawsuit entitled *Cynthia Richter, et al. v. Dolgencorp, Inc., et al.* was filed in the United States District Court for the Northern District of Alabama (Case No. 7:06-cv-01537-LSC) (“Richter”) in which the plaintiff alleges that she and other current and former Dollar General store managers were improperly classified as exempt executive employees under the Fair Labor Standards Act (“FLSA”) and seeks to recover overtime pay, liquidated damages, and attorneys’ fees and costs. On August 15, 2006, the *Richter* plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff’s motion. On March 23, 2007, the court conditionally certified a nationwide class. On December 2, 2009, notice was mailed to over 28,000 current or former Dollar General store managers. Approximately 3,950 individuals have opted into the lawsuit, approximately 800 of whom have been dismissed for various reasons, including failure to cooperate in discovery.

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

On October 22, 2012, the court entered a Memorandum Opinion granting the Company’s decertification motion. The Company expects the court to enter an Order implementing its Memorandum Opinion within the next 30-60 days, at which time the parties expect to receive additional information regarding procedural matters such as whether the opt-in plaintiffs’ claims will be dismissed or transferred to other jurisdictions and applicable deadlines. The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that the *Richter* action is not appropriate for collective action treatment. The Company has obtained summary judgment in some, although not all, of its pending individual or single-plaintiff store manager exemption cases in which it has filed such a motion.

However, at this time, it is not possible to predict whether *Richter* ultimately will be permitted to proceed collectively, and no assurances can be given that the Company will be successful in its defense of the action on the merits or otherwise. Similarly, at this time the Company cannot estimate either the size of any potential class or the value of the claims asserted in *Richter*. For these reasons, the Company is unable to estimate any potential loss or range of loss in the matter; however, if the Company is not successful in its defense efforts, the resolution of *Richter* could have a material adverse effect on the Company’s financial statements as a whole. The Company will continue to vigorously defend its position in the *Richter* matter.

On March 7, 2006, a complaint was filed in the United States District Court for the Northern District of Alabama (*Janet Calvert v. Dolgencorp, Inc.*, Case No. 2:06-cv-00465-VEH (“Calvert”)), in which the plaintiff, a former store manager, alleged that she was paid less than

male store managers because of her sex, in violation of the Equal Pay Act and Title VII of the Civil Rights Act of 1964, as amended (“Title VII”) (now captioned, *Wanda Womack, et al. v. Dolgencorp, Inc.*, Case No. 2:06-cv-00465-VEH). The complaint subsequently was amended to include additional plaintiffs, who also allege to have been paid less than males because of their sex, and to add allegations that the Company’s compensation practices disparately impact females. Under the amended complaint, plaintiffs sought to proceed collectively under the Equal Pay Act and as a class under Title VII, and requested back wages, injunctive and declaratory relief, liquidated damages, punitive damages and attorneys’ fees and costs.

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

On April 19, 2010, the plaintiffs moved for class certification relating to their Title VII claims. The Company filed its response to the certification motion in June 2010. The Company’s motion to decertify the Equal Pay Act class was denied as premature.

The parties agreed to mediate, and the court stayed the action pending the results of the mediation. The mediation occurred in March and April, 2011, at which time the Company reached an agreement in principle to settle the matter on behalf of the entire putative class. The proposed settlement, which received final approval from the court on July 23, 2012, provides for both monetary and equitable relief. Under the approved terms, \$3.25 million was paid for plaintiffs’ legal fees and costs and \$15.5 million was paid into a fund for the class members that will be apportioned and paid out to individual members (less certain administrative expenses and an additional \$3 million in attorneys’ fees approved by the court on October 24, 2012). Of the total \$18.75 million, the Company’s Employment Practices Liability Insurance (“EPLI”) carrier paid approximately \$15.9 million in the first quarter of 2012 to a third party claims administrator to disburse the funds, per the settlement terms, to claimants and counsel in accordance with the court’s orders, which represented the balance remaining of the \$20 million EPLI policy covering the claims. The Company paid approximately \$2.8 million to the third party claims administrator. In addition, the Company agreed to make, and, effective April 1, 2012, has made, certain adjustments to its pay setting policies and procedures for new store managers. Because it deemed settlement probable and estimable, the Company accrued for the net settlement as well as for certain additional anticipated fees related thereto during the first quarter of 2011, and concurrently recorded a receivable of approximately \$15.9 million from its EPLI carrier. Due to the payments described above, the accrual and receivable were each relieved during the first quarter of 2012.

On April 9, 2012, the Company was served with a lawsuit filed in the United States District Court for the Eastern District of Virginia entitled *Jonathan Marcum v. Dolgencorp, Inc.* (Civil Action No. 3:12-cv-00108-JRS) in which the plaintiff, whose conditional offer of employment was rescinded, alleges defamation and that certain of the Company’s background check procedures violate the Fair Credit Reporting Act (“FCRA”). According to the complaint

and subsequently filed amended complaint, the plaintiff seeks to represent a putative class of applicants in connection with his FCRA claims. The Company filed its response to the original complaint in June 2012 and moved to dismiss certain allegations contained in the amended complaint in November 2012. The plaintiff's certification motion is due to be filed on or before April 5, 2013.

At this time, it is not possible to predict whether the court ultimately will permit the action to proceed as a class under the FCRA. Although the Company intends to vigorously defend the action, no assurances can be given that it will be successful in the defense on the merits or otherwise. At this stage in the proceedings, the Company cannot estimate either the size of any potential class or the value of the claims raised by the plaintiff. For these reasons, the Company is unable to estimate any potential loss or range of loss in such a scenario; however, if the Company is not successful in defending this action, its resolution could have a material adverse effect on the Company's financial statements as a whole.

In September 2011, the Chicago Regional Office of the United States Equal Employment Opportunity Commission ("EEOC" or "Commission") notified the Company of a cause finding related to the Company's criminal background check policy. The cause finding alleges that Dollar General's criminal background check policy, which excludes from employment individuals with certain criminal convictions for specified periods, has a disparate impact on African-American candidates and employees in violation of Title VII of the Civil Rights Act of 1964, as amended.

The Company and the EEOC engaged in the statutorily required conciliation process, and despite the Company's good faith efforts to resolve the matter, the Commission notified the Company on July 26, 2012 of its view that conciliation had failed.

The Company believes that its criminal background check process is both lawful and necessary to a safe environment for its employees and customers and the protection of its assets and shareholders' investments. Based on the Commission's conciliation demands and its decision to fail conciliation, the Company believes that litigation may ensue. The Company does not believe that this matter would be amenable to class or similar treatment; however, because at this time the Company cannot estimate or determine the form that any ultimate litigation would take, the size of any putative class or the damages or other recoveries that would be sought, it cannot estimate the potential exposure. If the matter were to proceed successfully as a class or similar action, it could have a material impact on the Company's financial statements as a whole.

On May 20, 2011, a lawsuit entitled *Winn-Dixie Stores, Inc., et al. v. Dolgencorp, LLC* was filed in the United States District Court for the Southern District of Florida (Case No. 9:11-cv-80601-DMM) ("Winn-Dixie") in which the plaintiffs alleged that the sale of food and other items in approximately 55 of the Company's stores, each of which allegedly is or was at some time co-located in a shopping center with one of plaintiffs' stores, violates restrictive covenants that plaintiffs contend are binding on the occupants of the shopping centers. Plaintiffs sought damages and an injunction limiting the sale of food and other items in those stores. Although plaintiffs did not make a demand for any specific amount of damages, documents prepared and produced by plaintiffs during discovery suggested that plaintiffs would seek as much as \$47

million although the court limited their ability to prove such damages. The Company vigorously defended the *Winn-Dixie* matter and viewed that sum as wholly without basis and unsupported by the law and the facts. The various leases involved in the matter are unique in their terms and/or the factual circumstances surrounding them, and, in some cases, the stores named by plaintiffs are not now and have never been co-located with plaintiffs' stores. The court granted the Company's motion challenging the admissibility of plaintiffs' damages expert, precluding the expert from testifying. The case was consolidated with similar cases against Big Lots and Dollar Tree, and a non-jury trial commenced on May 14, 2012 and presentation of evidence concluded on May 22, 2012. The court issued an order on August 10, 2012 in which it (i) dismissed all claims for damages, (ii) dismissed claims for injunctive relief for all but four stores, and (iii) directed the Company to report to the court on its compliance with restrictive covenants at the four stores for which it did not dismiss the claims for injunctive relief. The Company believes that the ruling will have no material impact on the Company's financial statements or otherwise. Plaintiffs filed a notice of appeal of the court's decision on August 28, 2012. If all or a portion of the court's ruling is overturned on appeal, no assurances can be given that the Company will be successful in its ultimate defense of the action on the merits or otherwise. If the Company is not successful in its defense, the outcome could have a material adverse effect on the Company's financial statements as a whole.

In 2008, the Company terminated an interest rate swap as a result of the counterparty's declaration of bankruptcy and made a cash payment of \$7.6 million to settle the swap. On May 14, 2010, the Company received a demand from the counterparty for an additional payment of approximately \$19 million plus interest. In April 2011, the Company reached a settlement with the counterparty under which the Company paid an additional \$9.85 million in exchange for a full release. The Company accrued the settlement amount along with additional expected fees and costs related thereto in the first quarter of 2011. The settlement was finalized and the payment was made in May 2011.

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

9. Related party transactions

From time to time the Company may conduct business with related parties including KKR and Goldman, Sachs and Co., and references herein to these entities include their affiliates. KKR and Goldman, Sachs & Co. indirectly own a significant portion of the Company's common

stock. Two of KKR's members and a managing director of Goldman, Sachs & Co. serve on the Company's Board of Directors.

KKR and Goldman, Sachs & Co. (among other entities) are or may be lenders, agents or arrangers under the Company's Term Loan Facility and ABL Facility discussed in further detail in Note 5. The Company made interest payments of approximately \$47.1 million and \$46.4 million on the Term Loan Facility and \$4.3 million and \$1.2 million on the ABL Facility during the 39-week periods ended November 2, 2012 and October 28, 2011, respectively. In connection with the March 2012 amendment to the Term Loan Facility, KKR received \$0.4 million. In connection with the March 2012 ABL Facility and Term Loan Facility amendments, Goldman, Sachs & Co. received \$0.1 million and \$0.4 million, respectively.

On October 9, 2012, the Term Loan and ABL Facilities were further amended to add additional capacity for the Company to repurchase, redeem or otherwise acquire shares of its capital stock, not to exceed \$250 million. The Company incurred a fee of \$1.7 million associated with these amendments, which was reimbursed to the Company by Buck Holdings, L.P. (which is controlled by KKR and Goldman Sachs & Co.) and such reimbursement was recorded as a capital contribution during the period ended November 2, 2012.

As joint book-running managers in connection with the issuance of the Senior Notes, KKR and Goldman Sachs & Co. received an equivalent share of approximately \$2.3 million during the 39-week period ended November 2, 2012.

Goldman, Sachs & Co. was a counterparty to an amortizing interest rate swap, entered into in connection with the Term Loan Facility, which matured on July 31, 2012. The Company paid Goldman, Sachs & Co. approximately \$2.5 million and \$10.6 million in the 39-week periods ended November 2, 2012 and October 28, 2011, respectively, pursuant to this swap.

KKR and Goldman, Sachs & Co. served as underwriters in connection with the secondary offerings of the Company's common stock held by certain existing shareholders that were completed in April, June and October of 2012 and September of 2011. The Company did not sell shares of common stock, receive proceeds from such shareholders' sales of shares of common stock or pay any underwriting fees in connection with the secondary offerings. Certain members of the Company's management exercised registration rights in connection with such offerings.

The Company repurchased common stock held by Buck Holdings, L.P during 2012 as further discussed in Note 2.

10. Segment reporting

The Company manages its business on the basis of one reportable segment. As of November 2, 2012, all of the Company's operations were located within the United States, with the exception of a Hong Kong subsidiary and a liaison office in India, the collective assets and revenues of which are not material. Net sales grouped by classes of similar products are presented below.

(In thousands)	13 Weeks Ended		39 Weeks Ended	
	November 2, 2012	October 28, 2011	November 2, 2012	October 28, 2011
Classes of similar products:				
Consumables	\$ 3,004,247	\$ 2,705,765	\$ 8,802,350	\$ 7,845,905
Seasonal	471,541	433,931	1,532,772	1,393,557
Home products	257,918	236,951	772,831	706,962
Apparel	230,941	218,577	706,554	675,691
Net sales	<u>\$ 3,964,647</u>	<u>\$ 3,595,224</u>	<u>\$ 11,814,507</u>	<u>\$ 10,622,115</u>

11. Guarantor subsidiaries

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

November 2, 2012

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,223	\$ 116,107	\$ 25,250	\$ —	\$ 142,580
Merchandise inventories	—	2,330,436	—	—	2,330,436
Income taxes receivable	26,908	6,847	—	(20,201)	13,554
Deferred income taxes	1,592	—	8,626	(10,218)	—
Prepaid expenses and other current assets	701,969	5,379,125	10,035	(5,959,507)	131,622
Total current assets	<u>731,692</u>	<u>7,832,515</u>	<u>43,911</u>	<u>(5,989,926)</u>	<u>2,618,192</u>
Net property and equipment	123,523	1,923,806	105	—	2,047,434
Goodwill	4,338,589	—	—	—	4,338,589
Other intangible assets, net	1,199,700	23,707	—	—	1,223,407
Deferred income taxes	—	—	49,588	(49,588)	—
Other assets, net	7,529,127	14,573	344,715	(7,842,360)	46,055
Total assets	<u>\$ 13,922,631</u>	<u>\$ 9,794,601</u>	<u>\$ 438,319</u>	<u>\$ (13,881,874)</u>	<u>\$ 10,273,677</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	\$ 588	\$ 303	\$ —	\$ —	\$ 891
Accounts payable	5,356,882	1,737,980	50,534	(5,945,669)	1,199,727
Accrued expenses and other	52,287	285,731	68,259	(13,838)	392,439
Income taxes payable	—	—	21,198	(20,201)	997
Deferred income taxes	—	50,003	—	(10,218)	39,785
Total current liabilities	<u>5,409,757</u>	<u>2,074,017</u>	<u>139,991</u>	<u>(5,989,926)</u>	<u>1,633,839</u>
Long-term obligations	3,301,168	3,604,106	—	(3,881,907)	3,023,367
Deferred income taxes	433,413	272,085	—	(49,588)	655,910
Other liabilities	43,431	40,239	142,029	—	225,699
Shareholders' equity:					
Preferred stock	—	—	—	—	—
Common stock	287,613	23,855	100	(23,955)	287,613
Additional paid-in capital	2,983,323	431,253	19,900	(451,153)	2,983,323
Retained earnings	1,468,534	3,349,046	136,299	(3,485,345)	1,468,534
Accumulated other comprehensive loss	(4,608)	—	—	—	(4,608)
Total shareholders' equity	<u>4,734,862</u>	<u>3,804,154</u>	<u>156,299</u>	<u>(3,960,453)</u>	<u>4,734,862</u>
Total liabilities and shareholders' equity	<u>\$ 13,922,631</u>	<u>\$ 9,794,601</u>	<u>\$ 438,319</u>	<u>\$ (13,881,874)</u>	<u>\$ 10,273,677</u>

February 3, 2012

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,844	\$ 102,627	\$ 21,655	\$ —	\$ 126,126
Merchandise inventories	—	2,009,206	—	—	2,009,206
Deferred income taxes	10,078	—	21,729	(31,807)	—
Prepaid expenses and other current assets	551,457	4,685,263	5,768	(5,102,746)	139,742
Total current assets	563,379	6,797,096	49,152	(5,134,553)	2,275,074
Net property and equipment	113,661	1,681,072	227	—	1,794,960
Goodwill	4,338,589	—	—	—	4,338,589
Other intangible assets, net	1,199,200	36,754	—	—	1,235,954
Deferred income taxes	—	—	49,531	(49,531)	—
Other assets, net	6,575,574	13,260	323,736	(6,868,627)	43,943
Total assets	\$ 12,790,403	\$ 8,528,182	\$ 422,646	\$ (12,052,711)	\$ 9,688,520
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	\$ —	\$ 590	\$ —	\$ —	\$ 590
Accounts payable	4,654,237	1,451,277	52,362	(5,093,789)	1,064,087
Accrued expenses and other	79,010	264,575	62,447	(8,957)	397,075
Income taxes payable	12,972	5,013	26,443	—	44,428
Deferred income taxes	—	35,529	—	(31,807)	3,722
Total current liabilities	4,746,219	1,756,984	141,252	(5,134,553)	1,509,902
Long-term obligations	2,879,475	3,340,075	—	(3,601,659)	2,617,891
Deferred income taxes	435,791	270,736	—	(49,531)	656,996
Other liabilities	54,336	33,156	141,657	—	229,149
Shareholders' equity:					
Preferred stock	—	—	—	—	—
Common stock	295,828	23,855	100	(23,955)	295,828
Additional paid-in capital	2,967,027	431,253	19,900	(451,153)	2,967,027
Retained earnings	1,416,918	2,672,123	119,737	(2,791,860)	1,416,918
Accumulated other comprehensive loss	(5,191)	—	—	—	(5,191)
Total shareholders' equity	4,674,582	3,127,231	139,737	(3,266,968)	4,674,582
Total liabilities and shareholders' equity	\$ 12,790,403	\$ 8,528,182	\$ 422,646	\$ (12,052,711)	\$ 9,688,520

For the 13-weeks ended November 2, 2012

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
STATEMENTS OF COMPREHENSIVE INCOME:					
Net sales	\$ 86,674	\$ 3,964,647	\$ 24,082	\$ (110,756)	\$ 3,964,647
Cost of goods sold	—	2,738,524	—	—	2,738,524
Gross profit	86,674	1,226,123	24,082	(110,756)	1,226,123
Selling, general and administrative expenses	78,795	877,237	19,458	(110,756)	864,734
Operating profit	7,879	348,886	4,624	—	361,389
Interest income	(10,837)	(9,095)	(4,836)	24,768	—
Interest expense	41,599	10,885	10	(24,768)	27,726
Other (income) expense	1,728	—	—	—	1,728
Income (loss) before income taxes	(24,611)	347,096	9,450	—	331,935
Income tax expense (benefit)	(11,440)	132,511	3,179	—	124,250
Equity in subsidiaries' earnings, net of taxes	220,856	—	—	(220,856)	—
Net income	\$ 207,685	\$ 214,585	\$ 6,271	\$ (220,856)	\$ 207,685
Comprehensive income	\$ 208,249	\$ 214,585	\$ 6,271	\$ (220,856)	\$ 208,249

For the 13-weeks ended October 28, 2011

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
STATEMENTS OF COMPREHENSIVE INCOME:					
Net sales	\$ 80,476	\$ 3,595,224	\$ 21,340	\$ (101,816)	\$ 3,595,224
Cost of goods sold	—	2,479,422	—	—	2,479,422
Gross profit	80,476	1,115,802	21,340	(101,816)	1,115,802
Selling, general and administrative expenses	73,160	814,281	19,260	(101,816)	804,885
Operating profit	7,316	301,521	2,080	—	310,917
Interest income	(11,269)	(7,491)	(5,146)	23,906	—
Interest expense	54,059	8,465	14	(23,906)	38,632
Other (income) expense	53	—	—	—	53
Income (loss) before income taxes	(35,527)	300,547	7,212	—	272,232
Income tax expense (benefit)	(12,715)	111,788	1,995	—	101,068
Equity in subsidiaries' earnings, net of taxes	193,976	—	—	(193,976)	—
Net income	\$ 171,164	\$ 188,759	\$ 5,217	\$ (193,976)	\$ 171,164
Comprehensive income	\$ 174,269	\$ 188,759	\$ 5,217	\$ (193,976)	\$ 174,269

For the 39-weeks ended November 2, 2012

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
STATEMENTS OF COMPREHENSIVE INCOME:					
Net sales	\$ 255,130	\$ 11,814,507	\$ 73,287	\$ (328,417)	\$ 11,814,507
Cost of goods sold	—	8,096,905	—	—	8,096,905
Gross profit	255,130	3,717,602	73,287	(328,417)	3,717,602
Selling, general and administrative expenses	231,937	2,618,062	63,093	(328,417)	2,584,675
Operating profit	23,193	1,099,540	10,194	—	1,132,927
Interest income	(31,327)	(27,174)	(14,676)	73,177	—
Interest expense	143,382	30,234	27	(73,177)	100,466
Other (income) expense	29,956	—	—	—	29,956
Income (loss) before income taxes	(118,818)	1,096,480	24,843	—	1,002,505
Income tax expense (benefit)	(60,573)	419,557	8,281	—	367,265
Equity in subsidiaries' earnings, net of taxes	693,485	—	—	(693,485)	—
Net income	\$ 635,240	\$ 676,923	\$ 16,562	\$ (693,485)	\$ 635,240
Comprehensive income	\$ 635,823	\$ 676,923	\$ 16,562	\$ (693,485)	\$ 635,823

For the 39-weeks ended October 28, 2011

	<u>DOLLAR GENERAL CORPORATION</u>	<u>GUARANTOR SUBSIDIARIES</u>	<u>OTHER SUBSIDIARIES</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
STATEMENTS OF COMPREHENSIVE INCOME:					
Net sales	\$ 242,397	\$ 10,622,115	\$ 62,735	\$ (305,132)	\$ 10,622,115
Cost of goods sold	—	7,270,574	—	—	7,270,574
Gross profit	242,397	3,351,541	62,735	(305,132)	3,351,541
Selling, general and administrative expenses	220,361	2,394,639	59,109	(305,132)	2,368,977
Operating profit	22,036	956,902	3,626	—	982,564
Interest income	(35,379)	(17,587)	(15,640)	68,606	—
Interest expense	198,097	35,312	28	(68,606)	164,831
Other (income) expense	60,564	—	—	—	60,564
Income (loss) before income taxes	(201,246)	939,177	19,238	—	757,169
Income tax expense (benefit)	(73,825)	351,175	5,644	—	282,994
Equity in subsidiaries' earnings, net of taxes	601,596	—	—	(601,596)	—
Net income	\$ 474,175	\$ 588,002	\$ 13,594	\$ (601,596)	\$ 474,175
Comprehensive income	\$ 486,594	\$ 588,002	\$ 13,594	\$ (601,596)	\$ 486,594

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
<i>Cash flows from operating activities:</i>					
Net income	\$ 635,240	\$ 676,923	\$ 16,562	\$ (693,485)	\$ 635,240
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	22,942	199,317	139	—	222,398
Deferred income taxes	(4,648)	15,823	13,046	—	24,221
Tax benefit of stock options	(85,335)	—	—	—	(85,335)
Loss on debt retirement, net	30,620	—	—	—	30,620
Noncash share-based compensation	15,357	—	—	—	15,357
Other noncash gains and losses	(593)	10,141	—	—	9,548
Equity in subsidiaries' earnings, net	(693,485)	—	—	693,485	—
Change in operating assets and liabilities:					
Merchandise inventories	—	(326,076)	—	—	(326,076)
Prepaid expenses and other current assets	24,897	(14,774)	2,276	—	12,399
Accounts payable	15,385	117,007	(1,659)	—	130,733
Accrued expenses and other liabilities	(39,256)	28,738	6,184	—	(4,334)
Income taxes	45,455	(11,860)	(5,245)	—	28,350
Other	(501)	(1,663)	(71)	—	(2,235)
Net cash provided by (used in) operating activities	<u>(33,922)</u>	<u>693,576</u>	<u>31,232</u>	<u>—</u>	<u>690,886</u>
<i>Cash flows from investing activities:</i>					
Purchases of property and equipment	(19,949)	(433,660)	(17)	—	(453,626)
Proceeds from sales of property and equipment	65	1,079	—	—	1,144
Net cash provided by (used in) investing activities	<u>(19,884)</u>	<u>(432,581)</u>	<u>(17)</u>	<u>—</u>	<u>(452,482)</u>
<i>Cash flows from financing activities:</i>					
Issuance of long-term obligations	500,000	—	—	—	500,000
Repayments of long-term obligations	(477,521)	(505)	—	—	(478,026)
Borrowings under revolving credit facility	1,703,400	—	—	—	1,703,400
Repayments of borrowings under revolving credit facility	(1,349,800)	—	—	—	(1,349,800)
Debt issue costs	(15,278)	—	—	—	(15,278)
Repurchase of common stock	(596,442)	—	—	—	(596,442)
Equity transactions with employees, net of taxes paid	(71,139)	—	—	—	(71,139)
Tax benefit of stock options	85,335	—	—	—	85,335
Changes in intercompany note balances, net	<u>274,630</u>	<u>(247,010)</u>	<u>(27,620)</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>53,185</u>	<u>(247,515)</u>	<u>(27,620)</u>	<u>—</u>	<u>(221,950)</u>
Net increase (decrease) in cash and cash equivalents	(621)	13,480	3,595	—	16,454
Cash and cash equivalents, beginning of period	1,844	102,627	21,655	—	126,126
Cash and cash equivalents, end of period	<u>\$ 1,223</u>	<u>\$ 116,107</u>	<u>\$ 25,250</u>	<u>\$ —</u>	<u>\$ 142,580</u>

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
<i>Cash flows from operating activities:</i>					
Net income	\$ 474,175	\$ 588,002	\$ 13,594	\$ (601,596)	\$ 474,175
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	24,008	180,666	97	—	204,771
Deferred income taxes	1,527	24,573	(2,123)	—	23,977
Tax benefit of stock options	(16,101)	—	—	—	(16,101)
Loss on debt retirement, net	60,303	—	—	—	60,303
Non-cash share-based compensation	10,969	—	—	—	10,969
Other noncash gains and losses	562	31,094	—	—	31,656
Equity in subsidiaries' earnings, net	(601,596)	—	—	601,596	—
Change in operating assets and liabilities:					
Merchandise inventories	—	(350,932)	—	—	(350,932)
Prepaid expenses and other current assets	(17,129)	(13,125)	(645)	—	(30,899)
Accounts payable	21,248	143,080	8	—	164,336
Accrued expenses and other liabilities	32,950	50,916	6,127	—	89,993
Income taxes	(48,077)	(16,644)	7,146	—	(57,575)
Other	(2)	(100)	(72)	—	(174)
Net cash provided by (used in) operating activities	<u>(57,163)</u>	<u>637,530</u>	<u>24,132</u>	<u>—</u>	<u>604,499</u>
<i>Cash flows from investing activities:</i>					
Purchases of property and equipment	(20,956)	(342,078)	(65)	—	(363,099)
Proceeds from sale of property and equipment	16	713	—	—	729
Net cash provided by (used in) investing activities	<u>(20,940)</u>	<u>(341,365)</u>	<u>(65)</u>	<u>—</u>	<u>(362,370)</u>
<i>Cash flows from financing activities:</i>					
Repayments of long-term obligations	(910,677)	(1,031)	—	—	(911,708)
Borrowings under revolving credit facility	649,100	—	—	—	649,100
Repayments of borrowings under revolving credit facility	(361,300)	—	—	—	(361,300)
Equity transactions with employees, net of taxes paid	(13,188)	—	—	—	(13,188)
Tax benefit of stock options	16,101	—	—	—	16,101
Changes in intercompany note balances, net	587,289	(565,513)	(21,776)	—	—
Net cash provided by (used in) financing activities	<u>(32,675)</u>	<u>(566,544)</u>	<u>(21,776)</u>	<u>—</u>	<u>(620,995)</u>
Net increase (decrease) in cash and cash equivalents	(110,778)	(270,379)	2,291	—	(378,866)
Cash and cash equivalents, beginning of period	111,545	364,404	21,497	—	497,446
Cash and cash equivalents, end of period	<u>\$ 767</u>	<u>\$ 94,025</u>	<u>\$ 23,788</u>	<u>\$ —</u>	<u>\$ 118,580</u>

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Dollar General Corporation

We have reviewed the condensed consolidated balance sheet of Dollar General Corporation and subsidiaries (the Company) as of November 2, 2012, and the related condensed consolidated statements of income and comprehensive income for the thirteen- and thirty-nine-week periods ended November 2, 2012 and October 28, 2011, and the condensed consolidated statements of cash flows for the thirty-nine week periods ended November 2, 2012 and October 28, 2011. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Dollar General Corporation as of February 3, 2012 and the related consolidated statements of income, shareholders' equity, and cash flows for the fiscal year then ended (not presented herein) and in our report dated March 22, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 3, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

December 11, 2012
Nashville, Tennessee

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

General

This discussion and analysis is based on, should be read with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended February 3, 2012. It also should be read in conjunction with the disclosure under "Cautionary Disclosure Regarding Forward-Looking Statements" in this report.

Executive Overview

We are the largest discount retailer in the United States by number of stores, with 10,371 stores located in 40 states as of November 2, 2012, the majority of which are located in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, as well as non-consumable products such as seasonal merchandise, home decor and domestics, and apparel. Our merchandise includes high quality national brands from leading manufacturers, along with comparable quality private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically \$10 or less) in our convenient small-box (small store) locations.

Dollar General has always been intensely focused on helping our value-conscious customers make the most of their spending dollars. We believe our convenient store format and broad selection of high quality products at compelling values have driven our substantial growth and financial success over the years. Like other companies, we have been operating in an environment with heightened economic challenges and uncertainties in recent years. Consumers are facing low rates of employment, fluctuating food, gasoline and energy costs, rising medical costs, and continued weakness in housing and consumer credit markets, and the timetable and strength of any economic recovery remains uncertain. Nonetheless, as a result of our long-term mission of serving the value-conscious customer, coupled with a vigorous focus on improving our operating and financial performance, our financial results have been strong.

We remain keenly focused on executing the following four operating priorities: (1) drive productive sales growth, (2) increase our gross profit margins, (3) leverage process improvements and information technology to reduce costs, and (4) strengthen and expand Dollar General's culture of serving others. We are optimistic with regard to executing our operating priorities for the remainder of 2012, although we expect heightened competition with regard to pricing and advertising which could negatively impact our sales and margin results. We also expect that the ongoing economic uncertainties may continue to impact our customers' discretionary spending.

Drive Productive Sales Growth . We drive productive sales growth by attempting to increase shopper frequency and transaction amount and maximize sales per square foot. In

addition to our ongoing category management processes which help us determine the most productive merchandise offerings, 2012 sales growth initiatives include: improvement in merchandise in-stock levels; further emphasis on the \$1.00 price point; expansion of the number of coolers in select stores; and the initial implementation of a merchandise allocation strategy to optimize square footage utilization in existing stores. We also are testing larger store formats with an expanded selection of perishable foods and with merchandise allocations based on store demographics. While we believe we are prepared for the upcoming 2012 fourth quarter holiday season to meet the needs of our customers and to provide the convenience and value they expect, as noted above, we expect the pressures on discretionary spending to continue throughout the remainder of the year and have planned accordingly. Looking forward to 2013, in response to competitive pressures and based on market tests, we are proceeding with plans to offer tobacco products to our customers. In addition, a labor dispute at West Coast ports has resulted in a work stoppage that was recently resolved. Labor uncertainties also exist at East Coast ports which, if not resolved, could result in a work stoppage. Like many retailers, we are dependent on these ports which are owned and controlled by outside third parties. Protracted work stoppages or slowdowns as well as extended recovery time following any resolution of such labor disputes, could have a material adverse impact on our sales, gross profit and net income results.

New store expansion, remodels and relocations are important elements of our overall growth strategy. In the first three quarters of 2012, we opened 479 of the 625 planned new stores for 2012. While traditional Dollar General stores remain our highest priority, representing 421 of the total new stores opened in 2012, we have also opened 34 new Dollar General Market stores and 24 Dollar General Plus stores and relocated or remodeled 82 traditional Dollar General stores to the Plus format this year. Dollar General Market and Dollar General Plus offer a broader selection of perishable foods and certain non-consumable products than our traditional format allowing customers to complete a greater portion of their everyday purchases at Dollar General.

Increase Gross Profit . We strive to increase gross profit and optimize our gross profit rate as a percentage of sales through effective category management, the expansion of private brand offerings, increased foreign sourcing, shrink reduction, transportation and distribution efficiencies and improvements to our pricing and markdown model, while remaining committed to our everyday low price strategy. Within our consumables category, we seek to offer the optimal balance of the most popular nationally advertised brands and our own private brands, which generally have higher gross profit rates than national brands. In recent years, sales growth in consumables, which generally have lower gross profit rates than non-consumables, has outpaced that in non-consumables due partly to economic challenges faced by our customers which have impacted discretionary spending as well as our focus on expanding the consumables offerings in our stores. The increased commodities costs we experienced in 2011 have moderated in 2012; as a result, increases in our selling prices have abated. Sales of non-consumables, including seasonal, home, and apparel merchandise, remain an important factor in serving our customers and increasing our gross margin rate. See “Drive Productive Sales Growth” above for a discussion of uncertainties relating to labor issues at West Coast and East Coast ports.

Leveraging Process Improvements and Information Technology to Reduce Costs . We remain committed to extracting costs that do not affect the customer experience. Our store managers continue to utilize the capabilities of our workforce management system to more effectively schedule store workforce hours, thus aiding improvement in our store standards and overall customer experience. In addition, we are in the early stages of a multi-year implementation of a comprehensive supply chain solution which we believe will help improve our allocation of merchandise and reduce our overall costs of purchasing and delivering merchandise to our stores.

Strengthen and Expand Dollar General's Culture of Serving Others . We help customers "Save time. Save money. Every day!" by providing clean, well-stocked stores with quality products at low prices. We strive to create an environment that attracts and retains key employees throughout the organization. To this end, we have significantly increased training hours and access to computer-based learning for our store and field employees and are committed to developing and promoting employees within Dollar General. We give back to our store communities through our charitable and other efforts. We also endeavor to meet expectations of an efficiently and profitably run organization that operates with compassion and integrity.

Focus on these four priorities primarily through the strategies identified above has resulted in improved performance in the third quarter of 2012 over the comparable 2011 period in many of our key financial metrics. Basis points amounts referred to below are equal to 0.01% as a percentage of sales. Discussions of 2012 same-store sales increases are based on the comparable calendar weeks in 2011.

- Total sales increased 10.3% to \$3.96 billion. Sales in same-stores increased 4.0% driven by increases in customer traffic and average transaction amount. Average sales per square foot for all stores over the 53-week period ended November 2, 2012 were \$219, up from \$207 for the 52-week period ended October 28, 2011.
- Operating profit increased by 16.2% and increased 47 basis points, as a percentage of sales, to 9.1%, due to the 58 basis points improvement in selling, general and administrative expenses ("SG&A") offset by an 11 basis point decline in our gross profit rate.
- Gross profit, as a percentage of sales, was 30.9% in the 2012 period compared to 31.0% in the 2011 period. The most significant factors positively affecting our gross profit rate in the 2012 quarter were higher inventory markups, the impact of a significant LIFO charge in the 2011 period that did not recur in the 2012 period and transportation efficiencies. The most significant factors negatively affecting the gross profit rate included higher markdowns, a lesser impact from price increases compared to the prior year, a heavier consumables weighting within the sales mix and a higher shrink rate.
- SG&A, as a percentage of sales, was 21.8% compared to 22.4% in the 2011 quarter, a decrease of 58 basis points. The improvement in SG&A, as a percentage of sales, is primarily due to the impact of significant efficiencies in workforce utilization and the impact of increased sales.
- Interest expense decreased by \$10.9 million to \$27.7 million in the 2012 third quarter, due to a lower average interest rate on our outstanding long-term obligations, primarily as a result of the refinancing of our senior subordinated notes.
- The effective income tax rate for the quarter was 37.4% compared to 37.1% in the prior year period.

- Net income was \$207.7 million, or \$0.62 per diluted share, compared to net income of \$171.2 million, or \$0.50 per diluted share, in the 2011 third quarter. Diluted shares outstanding decreased by 11.8 million shares.
- Cash generated from operating activities was \$690.9 million, a 14.3% increase over the 2011 period. At November 2, 2012, we had a cash balance of \$142.6 million.
- Inventory turnover was 5.2 times on a rolling four-quarter basis. Improving our in-stock levels, while improving our inventory turns, remains a high priority. Inventories increased 5.5% on a per store basis over the comparable 2011 period.
- During 2012, we have opened 479 new stores, remodeled or relocated 591 stores, and closed 45 stores, resulting in a store count of 10,371 as of November 2, 2012.

The above discussion is a summary only. Readers should refer to the detailed discussion of our operating results below for the full analysis of our financial performance in the current year period as compared with the prior year period.

Results of Operations

Accounting Periods . We follow the convention of a 52-53 week fiscal year that ends on the Friday nearest to January 31. The following text contains references to years 2012 and 2011, which represent the 52-week fiscal year ending February 1, 2013 and the 53-week fiscal year ended February 3, 2012, respectively. References to the third quarter accounting periods for 2012 and 2011 contained herein refer to the 13-week accounting periods ended November 2, 2012 and October 28, 2011, respectively.

Seasonality. The nature of our business is seasonal to a certain extent. Primarily because of sales of holiday-related merchandise, our sales and gross profit rate in the fourth quarter have historically been higher than those 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 not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

The following table contains results of operations data for the most recent 13-week and 39-week periods of each of 2012 and 2011, and the dollar and percentage variances among those periods:

(amounts in millions, except per share amounts)	13 Weeks Ended		2012 vs. 2011		39 Weeks Ended		2012 vs. 2011	
	Nov. 2, 2012	Oct. 28, 2011	Amount change	% change	Nov. 2, 2012	Oct. 28, 2011	Amount change	% change
Net sales by category:								
Consumables	\$ 3,004.2	\$ 2,705.8	\$ 298.5	11.0 %	\$ 8,802.4	\$ 7,845.9	\$ 956.4	12.2 %
% of net sales	75.78 %	75.26 %			74.50 %	73.86 %		
Seasonal	471.5	433.9	37.6	8.7	1,532.8	1,393.6	139.2	10.0
% of net sales	11.89 %	12.07 %			12.97 %	13.12 %		
Home products	257.9	237.0	21.0	8.8	772.8	707.0	65.9	9.3
% of net sales	6.51 %	6.59 %			6.54 %	6.66 %		
Apparel	230.9	218.6	12.4	5.7	706.6	675.7	30.9	4.6
% of net sales	5.83 %	6.08 %			5.98 %	6.36 %		
Net sales	\$ 3,964.6	\$ 3,595.2	\$ 369.4	10.3 %	\$ 11,814.5	\$ 10,622.1	\$ 1,192.4	11.2 %
Cost of goods sold	2,738.5	2,479.4	259.1	10.5	8,096.9	7,270.6	826.3	11.4
% of net sales	69.07 %	68.96 %			68.53 %	68.45 %		
Gross profit	1,226.1	1,115.8	110.3	9.9	3,717.6	3,351.5	366.1	10.9
% of net sales	30.93 %	31.04 %			31.47 %	31.55 %		
Selling, general and administrative expenses	864.7	804.9	59.8	7.4	2,584.7	2,369.0	215.7	9.1
% of net sales	21.81 %	22.39 %			21.88 %	22.30 %		
Operating profit	361.4	310.9	50.5	16.2	1,132.9	982.6	150.4	15.3
% of net sales	9.12 %	8.65 %			9.59 %	9.25 %		
Interest expense	27.7	38.6	(10.9)	(28.2)	100.5	164.8	(64.4)	(39.0)
% of net sales	0.70 %	1.07 %			0.85 %	1.55 %		
Other (income) expense	1.7	0.1	(1.7)	—	30.0	60.6	(30.6)	(50.5)
% of net sales	0.04 %	0.00 %			0.25 %	0.57 %		
Income before income taxes	331.9	272.2	59.7	21.9	1,002.5	757.2	245.3	32.4
% of net sales	8.37 %	7.57 %			8.49 %	7.13 %		
Income taxes	124.2	101.1	23.2	22.9	367.3	283.0	84.3	29.8
% of net sales	3.13 %	2.81 %			3.11 %	2.66 %		
Net income	\$ 207.7	\$ 171.2	\$ 36.5	21.3 %	\$ 635.2	\$ 474.2	\$ 161.1	34.0 %
% of net sales	5.24 %	4.76 %			5.38 %	4.46 %		
Diluted earnings per share	\$ 0.62	\$ 0.50	\$ 0.12	24.0 %	\$ 1.89	\$ 1.37	\$ 0.52	38.0 %

13 WEEKS ENDED NOVEMBER 2, 2012 AND OCTOBER 28, 2011

Net Sales . The net sales increase in the 2012 third quarter reflects a 4.0% same-store sales increase compared to the 2011 quarter. Same-stores include stores that have been open for at least 13 months and remain open at the end of the reporting period. For the 2012 quarter, there were 9,624 same-stores which accounted for sales of \$3.71 billion. Increases in customer traffic and average transaction amount contributed to the increase in same-store sales. The remainder of the sales increase was attributable to new stores, partially offset by sales from closed stores. Consumables sales increased at a higher rate than non-consumables, with the most significant growth related to changes in and further expansion of our candy and snacks and perishables offerings. We were pleased with the sales growth in our home and seasonal categories as well as certain basic apparel departments. Overall, hanging apparel sales were weak.

We believe that the increase in sales also reflects the impact of various operating and merchandising initiatives discussed in the Executive Overview, including the impact of improved store standards, the expansion of our merchandise offerings, improved utilization of store square footage and enhanced marketing efforts.

Gross Profit. The gross profit rate as a percentage of sales was 30.9% in the 2012 period compared to 31.0% in the 2011 period. The most significant factors positively affecting our gross profit rate in the 2012 quarter were higher inventory markups, the impact of a significant LIFO charge in the 2011 period (\$11 million) that did not recur in the 2012 period and transportation efficiencies. The most significant factors negatively affecting the gross profit rate included higher markdowns, a lesser impact from price increases compared to the prior year, a heavier consumables weighting within the sales mix and a higher shrink rate.

SG&A. SG&A was 21.8% as a percentage of sales in the 2012 quarter compared to 22.4% in the 2011 quarter, an improvement of 58 basis points. Retail labor expense increased at a rate lower than our increase in sales, partially due to ongoing benefits of our workforce management system. A decrease in incentive compensation also contributed to the overall decrease in SG&A as a percentage of sales. Workers' compensation and general liability expenses increased at a rate lower than the increase in sales. SG&A results for the 2012 quarter also reflect the favorable impact of other cost reduction and productivity initiatives as well as the 10.3% increase in sales. Costs that increased at a rate higher than our sales increase include fees associated with increased debit card usage.

Interest Expense. The decrease in interest expense in the 2012 period from the 2011 period is primarily due to lower all-in interest rates. See Liquidity and Capital Resources below for further discussion.

Other (Income) Expense. In the 2012 period, we recorded fees of \$1.7 million to banks for costs relating to the waiver of certain restrictions with regard to our repurchase of \$250.0 million of our outstanding common stock. These fees were reimbursed by Buck Holdings, L.P. (which is controlled by KKR and Goldman Sachs & Co.) and such reimbursement was recorded as a capital contribution.

Income Taxes. The effective income tax rate for the 2012 period was 37.4% compared to a rate of 37.1% for the 2011 period which represents a net increase of 0.3%. This increase in the effective tax rate is primarily associated with state income tax items. The 2011 period benefited from decreases in state income tax reserves while the 2012 period included expense associated with an increase in reserves. In addition, both periods benefited from decreases in a state income tax valuation allowance associated with state income tax credits; however, the 2011 period's benefit exceeded the 2012 period's benefit.

39 WEEKS ENDED NOVEMBER 2, 2012 AND OCTOBER 28, 2011

Net Sales. The net sales increase in the 2012 period reflects a same-store sales increase of 5.3% compared to the 2011 period. Same-stores include stores that have been open at least 13 months and remain open at the end of the reporting period. For 2012, there were 9,624 same-stores which accounted for sales of \$11.06 billion. The remainder of the sales increase was attributable to new stores, partially offset by sales from closed stores. Consumables sales

increased at a higher rate than non-consumables, with the most significant growth related to candy and snacks, perishables and our health and beauty offerings. We have been pleased with the sales growth in our home and seasonal categories and certain basic apparel departments in the 39-week 2012 period, although hanging apparel sales have remained weak.

Gross Profit. The gross profit rate as a percentage of sales was 31.5% in the 2012 period compared to 31.6% in the 2011 period. Factors favorably impacting our gross profit rate include a significantly lower LIFO provision, higher inventory markups and improved transportation efficiencies. These positive factors were offset by higher markdowns and lower price increases than in the 2011 period. In addition, consumables, which generally have lower markups than non-consumables, represented a greater percentage of sales in the 2012 period than in the 2011 period. We recorded a LIFO provision of \$1.2 million in the 2012 period compared to a \$25.4 million provision in the 2011 period.

SG&A. SG&A was 21.9% as a percentage of sales in the 2012 period compared to 22.3% in the 2011 period, an improvement of 42 basis points partially due to the favorable impact of the 11.2% increase in sales as well as the effect of \$13.1 million of expenses in the 2011 period related to the settlement of two legal matters which did not recur in the 2012 period. In addition, retail labor expense increased at a rate lower than our increase in sales, partially due to ongoing benefits of our workforce management system. Various cost reduction efforts affecting expenses also contributed to the overall decrease in SG&A as a percentage of sales. Costs that increased at a rate higher than our sales increase include fees associated with the increased use of debit cards and advertising.

Interest Expense. The decrease in interest expense in the 2012 period from the 2011 period is due to lower average outstanding long-term obligations, resulting from our repurchases of indebtedness in 2012 and 2011 and lower all-in interest rates. See Liquidity and Capital Resources below for further discussion.

Other (Income) Expense. Other (income) expense in the 2012 period includes pretax losses totaling \$29.0 million resulting from the repurchase of our 11.875%/12.125% senior subordinated notes, a \$2.5 million pretax gain resulting from the settlement of interest rate swaps, the \$1.7 million bank waiver fees which were reimbursed by Buck Holdings, L.P. as discussed above, and a pretax loss of \$1.6 million resulting from the amendment of our senior secured revolving credit facility. Other (income) expense in the 2011 period includes pretax losses totaling \$60.3 million resulting from the repurchase of our 10.625% senior notes.

Income Taxes. The effective income tax rate for the 2012 period was 36.6% compared to a rate of 37.4% for the 2011 period which represents a net decrease of 0.8%. Increases in the effective tax rate associated with the expiration of various federal jobs credits for workers hired after December 31, 2011 (primarily the Work Opportunity Tax Credit), the expiration of the Hire Act's Retention Credit and an increase in the state income tax rate (the 2011 period benefited from decreases in state income tax reserves while the 2012 period included expense associated with an increase in reserves) were more than offset by decreases associated with the adjustment of accruals due to the favorable resolution of income tax examinations.

Liquidity and Capital Resources

Credit Facilities

We have two senior secured credit facilities (the “Credit Facilities”) which provide financing of up to \$3.16 billion as of November 2, 2012. The Credit Facilities consist of a \$1.964 billion senior secured term loan facility (the “Term Loan Facility”) and a senior secured asset-based revolving credit facility (the “ABL Facility”). Total commitments under the ABL Facility are equal to \$1.2 billion (of which up to \$350.0 million is available for letters of credit), subject to borrowing base availability. The ABL Facility also includes borrowing capacity available for short-term borrowings referred to as swingline loans.

Borrowings under the Credit Facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). As of November 2, 2012, the applicable margin for borrowings under the Term Loan Facility is 2.75% for LIBOR borrowings and 1.75% for base-rate borrowings, and the applicable margin for borrowings under the ABL Facility is 1.75% for LIBOR borrowings and 0.75% for base-rate borrowings. We are also required to pay a commitment fee to the lenders under the ABL Facility for any unutilized commitments, at a rate of 0.375% per annum as of November 2, 2012. The applicable margins for borrowings and the commitment fees under the ABL Facility are subject to adjustment each quarter based on average daily excess availability under the ABL Facility. We also must pay customary letter of credit fees.

Under the Term Loan Facility we would be required to prepay outstanding term loans, subject to certain exceptions, with: up to 50% of our annual excess cash flow (as defined in the credit agreement) if our total net leverage ratio were to exceed 5.0 to 1.0; the net cash proceeds of certain non-ordinary course asset sales or other dispositions of property; and the net cash proceeds of any incurrence of debt other than proceeds from debt permitted under the senior secured credit agreement. Through November 2, 2012, no prepayments have been required under such prepayment provisions. The Term Loan Facility can be prepaid in whole or in part at any time.

We amended the Term Loan Facility in March 2012 which resulted in the extension of the maturity on \$879.7 million of the Term Loan Facility to July 6, 2017. The remaining \$1.08 billion of the Term Loan Facility will mature on July 6, 2014. The applicable margin for borrowings under the Term Loan Facility remains unchanged.

We also amended the ABL Facility in March 2012. The primary effects of the amendment were to extend the maturity of the ABL Facility to July 6, 2014, and to increase the total commitment from \$1.031 billion to \$1.2 billion. The amendment resulted in the write-off of a portion (\$1.6 million) of existing debt issue costs related to the ABL Facility.

On October 9, 2012, the Term Loan and ABL Facilities were further amended to add additional capacity for the Company to repurchase, redeem or otherwise acquire shares of its capital stock, not to exceed \$250 million. The Company incurred a fee of \$1.7 million associated with these amendments, which was reimbursed to the Company by Buck Holdings, L.P.

There is no amortization of the principal balance of the ABL Facility. In addition, we are required to prepay the ABL Facility, subject to certain exceptions, with the net cash proceeds of all non-ordinary course asset sales or other dispositions of revolving facility collateral (as defined in the senior secured credit agreement); and to the extent such extensions of credit exceed the then current borrowing base. Through November 2, 2012, no prepayments have been required under any prepayment provisions.

We may voluntarily repay outstanding loans under the Term Loan Facility or the ABL Facility at any time without premium or penalty, other than customary “breakage” costs with respect to LIBOR loans.

All obligations under the Credit Facilities are unconditionally guaranteed by substantially all of our existing and future domestic subsidiaries (excluding certain immaterial subsidiaries and certain subsidiaries designated by us under our senior secured credit agreements as “unrestricted subsidiaries”), referred to, collectively, as U.S. Guarantors.

All obligations and related guarantees under the Term Loan Facility are secured by:

- a second-priority security interest in all existing and after-acquired inventory, accounts receivable, and other assets arising from such inventory and accounts receivable, of our company and each U.S. Guarantor (the “Revolving Facility Collateral”), subject to certain exceptions;
- a first-priority security interest in, and mortgages on, substantially all of our and each U.S. Guarantor’s tangible and intangible assets (other than the Revolving Facility Collateral); and
- a first-priority pledge of 100% of the capital stock held by us, or any of our domestic subsidiaries that are directly owned by us or one of the U.S. Guarantors and 65% of the voting capital stock of each of our existing and future foreign subsidiaries that are directly owned by us or one of the U.S. Guarantors.

All obligations and related guarantees under the ABL Facility are secured by the Revolving Facility Collateral, subject to certain exceptions.

The senior secured credit agreements contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to: incur additional indebtedness; create liens; sell assets; pay dividends and distributions or repurchase our capital stock; make investments or acquisitions; repay or repurchase subordinated indebtedness, amend material agreements governing our indebtedness; or change our lines of business. The senior secured credit agreements also contain certain customary affirmative covenants and events of default.

At November 2, 2012, we had borrowings of \$538.3 million and letters of credit of \$41.1 million outstanding under the ABL Facility. We anticipate potential borrowings under the ABL Facility in the remainder of fiscal 2012 up to a maximum of approximately \$600 million outstanding at any one time, which includes borrowings for the share repurchases discussed below.

Senior Notes due 2017

Overview. On July 12, 2012, we issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2017 (the “Senior Notes”) which mature on July 15, 2017, pursuant to an indenture dated as of July 12, 2012 (the “Senior Indenture”).

Interest on the Senior Notes is payable in cash on January 15 and July 15 of each year, commencing on January 15, 2013. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of the existing and future direct or indirect domestic subsidiaries that guarantee the obligations under our Credit Facilities.

We may redeem some or all of the Senior Notes at any time at redemption prices described or set forth in the Senior Indenture. We also may seek, from time to time, to retire some or all of the Senior Notes through cash purchases on the open market, in privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Change of Control. Upon the occurrence of a change of control triggering event, which is defined in the Senior Indenture, each holder of the Senior Notes has the right to require us to repurchase some or all of such holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Covenants. The Senior Indenture contains covenants limiting, among other things, our ability and the ability of our restricted subsidiaries to (subject to certain exceptions): consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and incur or guarantee indebtedness secured by liens on any shares of voting stock of significant subsidiaries.

Events of Default. The Senior Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Senior Notes to become or to be declared due and payable.

Senior Subordinated Toggle Notes due 2017

On July 15, 2012, we redeemed the remaining \$450.7 million outstanding aggregate principal amount of 11.875%/12.625% senior subordinated toggle notes due 2017 (the “Senior Subordinated Notes” which had been scheduled to mature on July 15, 2017) at a redemption price of 105.938% of the principal amount, plus accrued and unpaid interest, resulting in a pretax loss of \$29.0 million. The redemption was effected in accordance with the indenture dated as of July 6, 2007 governing the Senior Subordinated Notes. The pretax losses on these transactions are reflected in Other (income) expense in our condensed consolidated statement of income in the 39-week period ended November 2, 2012. We funded the redemption price for the Senior Subordinated Notes with proceeds from the Senior Notes.

On April 29, 2011, we repurchased in the open market \$25.0 million outstanding aggregate principal amount of our 10.625% senior notes due 2015 at a redemption price of 107.0% of the principal amount, plus accrued and unpaid interest, resulting in a pretax loss of \$2.2 million. On July 15, 2011, we redeemed the remaining \$839.3 million outstanding aggregate principal amount of such notes (which had been scheduled to mature on July 15, 2015) at a redemption price of 105.313% of the principal amount, plus accrued and unpaid interest, resulting in a pretax loss of \$58.1 million. The redemption was effected in accordance with the indenture dated as of July 6, 2007 governing the notes. The pretax losses on these transactions are reflected in Other (income) expense in our condensed consolidated statement of income in the 39-week period ended October 28, 2011. We funded the redemption price with cash on hand and borrowings under the ABL Facility.

Adjusted EBITDA

Under the agreements governing the Credit Facilities, certain limitations and restrictions could arise if we are not able to satisfy and remain in compliance with specified financial ratios. Management believes the most significant of such ratios is the senior secured incurrence test under the Credit Facilities. This test measures the ratio of the senior secured debt to Adjusted EBITDA. This ratio would need to be no greater than 4.25 to 1 to avoid such limitations and restrictions. As of November 2, 2012, this ratio was 1.2 to 1. Senior secured debt is defined as our total debt secured by liens or similar encumbrances less cash and cash equivalents. EBITDA is defined as income (loss) from continuing operations before cumulative effect of change in accounting principles plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA, further adjusted to give effect to adjustments required in calculating this covenant ratio under our Credit Facilities. EBITDA and Adjusted EBITDA are not presentations made in accordance with U.S. GAAP, are not measures of financial performance or condition, liquidity or profitability, and should not be considered as an alternative to (1) net income, operating income or any other performance measures determined in accordance with U.S. GAAP or (2) operating cash flows determined in accordance with U.S. GAAP. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements and replacements of fixed assets.

Our presentation of EBITDA and Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Because not all companies use identical calculations, these presentations of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. We believe that the presentation of EBITDA and Adjusted EBITDA is appropriate to provide additional information about the calculation of this financial ratio in the Credit Facilities. Adjusted EBITDA is a material component of this ratio. Specifically, non-compliance with the senior secured indebtedness ratio contained in our Credit Facilities could prohibit us from making investments, incurring liens, making certain restricted payments and incurring additional secured indebtedness (other than the additional funding provided for under the senior secured credit agreement and pursuant to specified exceptions).

The calculation of Adjusted EBITDA under the Credit Facilities is as follows:

(in millions)	13-weeks ended		39-weeks ended		53-weeks ended	
	Nov. 2, 2012	Oct. 28, 2011	Nov. 2, 2012	Oct. 28, 2011	Nov. 2, 2012	Feb. 3, 2012
Net income	\$ 207.7	\$ 171.2	\$ 635.2	\$ 474.2	\$ 927.7	\$ 766.7
Add (subtract):						
Interest expense	27.7	38.6	100.5	164.9	140.5	204.9
Depreciation and amortization	73.7	66.3	215.4	196.0	283.5	264.1
Income taxes	124.2	101.1	367.3	283.0	542.9	458.6
EBITDA	<u>433.3</u>	<u>377.2</u>	<u>1,318.4</u>	<u>1,118.1</u>	<u>1,894.6</u>	<u>1,694.3</u>
Adjustments:						
Loss on debt retirement, net	—	—	30.6	60.3	30.6	60.3
Loss (gain) on hedging instruments	—	0.1	(2.4)	0.3	(2.3)	0.4
Non-cash expense for share-based awards	5.1	4.2	15.4	11.0	19.7	15.3
Litigation settlement and related costs, net	—	—	—	13.1	—	13.1
Indirect costs related to merger and stock offering	0.5	0.4	1.3	0.4	1.8	0.9
Other non-cash charges (including LIFO)	5.5	13.1	10.7	30.7	33.3	53.3
Other	1.7	—	2.5	—	2.5	—
Total Adjustments	<u>12.8</u>	<u>17.8</u>	<u>58.1</u>	<u>115.8</u>	<u>85.6</u>	<u>143.3</u>
Adjusted EBITDA	<u>\$ 446.1</u>	<u>\$ 395.0</u>	<u>\$ 1,376.5</u>	<u>\$ 1,233.9</u>	<u>\$ 1,980.2</u>	<u>\$ 1,837.6</u>

Current Financial Condition / Recent Developments

At November 2, 2012, we had total outstanding debt (including the current portion of long-term obligations) of approximately \$3.02 billion. We had \$620.6 million available for borrowing under our ABL Facility at that date. Our liquidity needs are significant, primarily due to our debt service and other obligations. However, we believe our cash flow from operations and existing cash balances, combined with availability under the Credit Facilities, will provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes the next twelve months as well as the next several years.

Our inventory balance represented approximately 49% of our total assets exclusive of goodwill and other intangible assets as of November 2, 2012. Our proficiency in managing our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. Inventory purchases are often somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Efficient management of our inventory has been and continues to be an area of focus for us.

As described in Note 8 to the condensed consolidated financial statements, we are involved in a number of legal actions and claims, some of which could potentially result in

material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity. We also have certain income tax-related contingencies as more fully described below under “Critical Accounting Policies and Estimates” and in Note 4 to the condensed consolidated financial statements. Future negative developments could have a material adverse effect on our liquidity.

In April 2012, Standard & Poor’s upgraded our corporate rating to BBB- from BB+ with a stable outlook, and Moody’s upgraded our corporate rating to Ba1 from Ba2 with a positive outlook. Our current credit ratings, as well as future rating agency actions, could (i) impact our ability to obtain financings to finance our operations on satisfactory terms; (ii) affect our financing costs; and (iii) affect our insurance premiums and collateral requirements necessary for our self-insured programs. There can be no assurance that we will be able to maintain or improve our current credit ratings.

Cash flows from operating activities . Significant components of the change in cash flows from operating activities include increased net income due primarily to increased sales and lower SG&A expenses, as a percentage of sales, in the 2012 period as described in more detail above under “Results of Operations.” In addition, we had increased accruals and lower payments for incentive compensation in the 2012 period compared to the 2011 period. A portion of the changes in Prepaid and other current assets as well as Accrued expenses and other reflect the activity associated with a legal settlement initially recorded in the 2011 period for which payments were made in the 2012 period. In addition, we completed three secondary offerings of our common stock held by certain of our shareholders in the 2012 period compared to one in the 2011 period, and as a result the reclassification of the tax benefit of stock options to cash flows from financing activities was higher than in the 2011 period.

On an ongoing basis, we closely monitor and manage our inventory balances, and they may fluctuate from period to period based on new store openings, the timing of purchases, and other factors. Merchandise inventories increased by 16% during the 2012 period, compared to an 18% increase in the 2011 period. Inventory levels in our four inventory categories in the 2012 period compared to the respective 2011 period were as follows: the consumables category increased 20% compared to a 21% increase; the seasonal category increased by 13% in both periods; the home products category increased by 27% compared to a 22% increase; and apparel declined by 2% compared to a 12% increase.

Cash flows from investing activities . Significant components of property and equipment purchases in the 2012 period included the following approximate amounts: \$129 million for improvements, upgrades, remodels and relocations of existing leased stores; \$115 million related to new leased stores, primarily for leasehold improvements, fixtures and equipment; \$98 million for stores purchased or built by us; \$87 million for distribution and transportation-related capital expenditures; and \$19 million for information systems upgrades and technology-related projects. The timing of new, remodeled and relocated store openings along with other factors may affect the relationship between such openings and the related property and equipment purchases in any given period. During the 2012 period, we opened 479 new stores and remodeled or relocated 591 stores.

Significant components of property and equipment purchases in the 2011 period included the following approximate amounts: \$127 million for improvements, upgrades, remodels and relocations of existing leased stores; \$79 million for new leased stores; \$73 million for distribution centers; \$59 million for stores purchased or built by us; and \$20 million for systems-related capital projects. During the 2011 period, we opened 482 new stores and remodeled or relocated 544 stores.

Capital expenditures during 2012 are projected to be in the range of \$600-\$650 million. We anticipate funding 2012 capital requirements with cash flows from operations, and if necessary, our ABL Facility. Projected capital spending includes investment in store growth and development for approximately 625 new stores expected to be opened in 2012 and for 591 stores which have been remodeled or relocated. These capital expenditures will support the construction of new stores; costs related to new leased stores such as leasehold improvements, fixtures and equipment; the purchase of existing stores; and continued investment in our existing store base. Projected capital spending also includes transportation, distribution and special projects as well as routine and ongoing capital requirements.

Cash flows from financing activities . In the 2012 period we repurchased 12.7 million outstanding shares of our common stock at a total cost of \$596.4 million, including 11.7 million shares repurchased from Buck Holdings, L.P. In July 2012, we issued \$500.0 million aggregate principal amount of 4.125% senior notes due 2017. Also in July 2012, we redeemed the remaining aggregate principal amount of our Senior Subordinated Notes at a redemption price of 105.938% of the principal amount thereof, resulting in a cash outflow of \$477.5 million. In the 2011 period, we redeemed the remaining aggregate principal amount of senior notes due 2015 at a premium to the par value, resulting in a cash outflow of \$910.7 million. A portion of the 2011 redemption of the senior notes due 2015 was financed by borrowings under the ABL Facility. Net borrowings under the ABL Facility were \$353.6 million during the 2012 period and \$287.8 million during the 2011 period.

Share Repurchase Program

On August 29, 2012, our Board of Directors authorized a \$500 million common stock repurchase program, of which \$218.6 million remained available for repurchase as of November 2, 2012. The repurchase authorization has no expiration date and allows repurchases from time to time in the open market or in privately negotiated transactions, which could include repurchases from Buck Holdings, L.P. or other related parties if appropriate. The timing and number of shares purchased will depend on a variety of factors, such as price, market conditions, compliance with the covenants and restrictions under our senior secured credit facilities and other factors. Repurchases under the program may be funded from available cash or borrowings under our ABL Facility.

On November 30, 2011, our Board of Directors authorized a \$500 million common stock repurchase program, which was completed during the period ended November 2, 2012 as discussed below. The repurchase authorization had terms similar to the August 2012 authorization.

During the first three quarters of 2012, we repurchased approximately 7.1 million shares under the November 2011 authorization at a total cost of \$315.0 million, completing that authorization, including approximately 6.8 million shares purchased from Buck Holdings, L.P. for an aggregate purchase price of \$300.0 million; and approximately 5.6 million shares under the August 2012 authorization at a total cost of \$281.4 million, including approximately 4.9 million shares purchased from Buck Holdings, L.P. for an aggregate purchase price of \$250.0 million.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. In addition to the estimates presented below, there are other items within our financial statements that require estimation, but are not deemed critical as defined below. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

Management believes the following policies and estimates are critical because they involve significant judgments, assumptions, and estimates. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates.

Merchandise Inventories . Merchandise inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out (“LIFO”) method. Under our retail inventory method (“RIM”), the calculation of gross profit and the resulting valuation of inventories at cost are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. The RIM is an averaging method that has been widely used in the retail industry due to its practicality. Also, it is recognized that the use of the RIM will result in valuing inventories at the lower of cost or market (“LCM”) if markdowns are currently taken as a reduction of the retail value of inventories.

Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, initial markups, markdowns, and shrinkage, which significantly impact the gross profit calculation as well as the ending inventory valuation at cost. These significant estimates, coupled with the fact that the RIM is an averaging process, can, under certain circumstances, produce distorted cost figures. Factors that can lead to distortion in the calculation of the inventory balance include:

- applying the RIM to a group of products that is not fairly uniform in terms of its cost and selling price relationship and turnover;
- applying the RIM to transactions over a period of time that include different rates of gross profit, such as those relating to seasonal merchandise;

- inaccurate estimates of inventory shrinkage between the date of the last physical inventory at a store and the financial statement date; and
- inaccurate estimates of LCM and/or LIFO reserves.

Factors that reduce potential distortion include the use of historical experience in estimating the shrink provision (see discussion below) and an annual LIFO analysis whereby all SKUs are considered in the index formulation. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation/deflation for the year and are thus subject to adjustment in the final year-end LIFO inventory valuation. We also perform interim inventory analysis for determining obsolete inventory. Our policy is to write down inventory to an LCM value based on various management assumptions including estimated markdowns and sales required to liquidate such inventory in future periods. Inventory is reviewed on a quarterly basis and adjusted to reflect write-downs as appropriate.

Factors such as slower inventory turnover due to changes in competitors' practices, consumer preferences, consumer spending and unseasonable weather patterns, among other factors, could cause excess inventory requiring greater than estimated markdowns to entice consumer purchases, resulting in an unfavorable impact on our consolidated financial statements. Sales shortfalls due to the above factors could cause reduced purchases from vendors and associated vendor allowances that would also result in an unfavorable impact on our consolidated financial statements.

We calculate our shrink provision based on actual physical inventory results during the fiscal period and an accrual for estimated shrink occurring subsequent to a physical inventory through the end of the fiscal reporting period. This accrual is calculated as a percentage of sales at each retail store, at a department level, and is determined by dividing the book-to-physical inventory adjustments recorded during the previous twelve months by the related sales for the same period for each store. To the extent that subsequent physical inventories yield different results than this estimated accrual, our effective shrink rate for a given reporting period will include the impact of adjusting the estimated results to the actual results. Although we perform physical inventories in virtually all of our stores on an annual basis, the same stores do not necessarily get counted in the same reporting periods from year to year, which could impact comparability in a given reporting period.

We believe our estimates and assumptions related to merchandise inventories have generally been accurate in recent years and we do not currently anticipate material changes in these estimates and assumptions.

Goodwill and Other Intangible Assets. We amortize intangible assets over their estimated useful lives unless such lives are deemed indefinite. If impairment indicators are noted, amortizable intangible assets are tested for impairment based on projected undiscounted cash flows, and, if impaired, written down to fair value based on either discounted projected cash flows or appraised values. Future cash flow projections are based on management's projections. Significant judgments required in this testing process may include projecting future cash flows,

determining appropriate discount rates and other assumptions. Projections are based on management's best estimates given recent financial performance, market trends, strategic plans and other available information which in recent years have been materially accurate. Although not currently anticipated, changes in these estimates and assumptions could materially affect the determination of fair value or impairment. Future indicators of impairment could result in an asset impairment charge.

Under accounting standards for goodwill and other intangible assets, an entity has the option first to assess qualitative factors to determine whether events and circumstances indicate that it is more likely than not that the asset is impaired. If after such assessment an entity concludes that the asset is not impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to perform quantitative impairment tests as discussed further below.

We are required to test goodwill and indefinite-lived intangible assets for impairment annually, or more frequently if impairment indicators occur. The quantitative goodwill impairment test is a two-step process that requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of our reporting unit based on valuation techniques (including a discounted cash flow model using revenue and profit forecasts) and comparing that estimated fair value with the recorded carrying value, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment, if any, by determining an "implied fair value" of goodwill. The determination of the implied fair value of goodwill would require us to allocate the estimated fair value of our reporting unit to its assets and liabilities. Any unallocated fair value represents the implied fair value of goodwill, which would be compared to its corresponding carrying value.

The quantitative impairment test for indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Our most recent testing of our goodwill and indefinite lived trade name intangible assets was completed during the third quarter of 2012. No indicators of impairment were evident and no adjustment to these assets was required. We are not currently projecting a decline in cash flows that could be expected to have an adverse effect such as a violation of debt covenants or future impairment charges.

Property and Equipment . Property and equipment are recorded at cost. We group our assets into relatively homogeneous classes and generally provide for depreciation on a straight-line basis over the estimated average useful life of each asset class, except for leasehold improvements, which are amortized over the lesser of the applicable lease term or the estimated useful life of the asset. Certain store and warehouse fixtures, when fully depreciated, are removed from the cost and related accumulated depreciation and amortization accounts. The valuation and classification of these assets and the assignment of depreciable lives involves significant judgments and the use of estimates, which we believe have been materially accurate in recent years.

Impairment of Long-lived Assets. We review the carrying value of long-lived assets for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In accordance with accounting standards for impairment or disposal of long-lived assets, we review for impairment stores open for approximately two years or more for which recent cash flows from operations are negative. Impairment results when the carrying value of the assets exceeds the estimated undiscounted future cash flows over the life of the lease. Our estimate of undiscounted future cash flows over the lease term is based upon historical operations of the stores and estimates of future store profitability which encompasses many factors that are subject to variability and are difficult to predict. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon projected future cash flows (discounted at our credit adjusted risk-free rate) or other reasonable estimates of fair market value in accordance with U.S. GAAP.

Insurance Liabilities . We retain a significant portion of the risk for our workers' compensation, employee health, property loss, automobile and general liability. These represent significant costs primarily due to the large employee base and number of stores. Provisions are made for these liabilities on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed using actuarial methodologies based on historical claim trends, which have been and are anticipated to continue to be materially accurate. If future claim trends deviate from recent historical patterns, we may be required to record additional expenses or expense reductions, which could be material to our future financial results.

Contingent Liabilities — Income Taxes. Income tax reserves are determined using the methodology established by accounting standards relating to uncertainty in income taxes. These standards require companies to assess each income tax position taken using a two-step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If our determinations and estimates prove to be inaccurate, the resulting adjustments could be material to our future financial results.

Contingent Liabilities - Legal Matters . We are subject to legal, regulatory and other proceedings and claims. We establish liabilities as appropriate for these claims and proceedings based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in our financial statements and SEC filings, management's view of our exposure. We review outstanding claims and proceedings with external counsel to assess probability and estimates of loss. We re-evaluate these assessments on a quarterly basis or as new and significant information becomes available to determine whether a liability should be established or if any existing liability should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded liability. In addition, because it is not permissible under U.S. GAAP to establish a litigation liability until the loss is both probable and estimable, in some cases there may be insufficient time to establish a

liability prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement).

Lease Accounting and Excess Facilities . Many of our stores are subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of 10-15 years with multiple renewal options. We also have stores subject to shorter-term leases and many of these leases have renewal options. As of February 3, 2012, approximately 26% of our stores had provisions for contingent rentals based upon a percentage of defined sales volume. We recognize contingent rental expense when the achievement of specified sales targets is considered probable. We recognize rent expense over the term of the lease. We record minimum rental expense on a straight-line basis over the base, non-cancelable lease term commencing on the date that we take physical possession of the property from the landlord, which normally includes a period prior to store opening to make necessary leasehold improvements and install store fixtures. When a lease contains a predetermined fixed escalation of the minimum rent, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. Tenant allowances, to the extent received, are recorded as deferred incentive rent and amortized as a reduction to rent expense over the term of the lease. We reflect as a liability any difference between the calculated expense and the amounts actually paid. Improvements of leased properties are amortized over the shorter of the life of the applicable lease term or the estimated useful life of the asset.

For store closures (excluding those associated with a business combination) where a lease obligation still exists, we record the estimated future liability associated with the rental obligation on the date the store is closed in accordance with accounting standards for costs associated with exit or disposal activities. Based on an overall analysis of store performance and expected trends, management periodically evaluates the need to close underperforming stores. Liabilities are established at the point of closure for the present value of any remaining operating lease obligations, net of estimated sublease income, and at the communication date for severance and other exit costs. Key assumptions in calculating the liability include the timeframe expected to terminate lease agreements, estimates related to the sublease potential of closed locations, and estimation of other related exit costs. Historically, these estimates have not been materially inaccurate; however, if actual timing and potential termination costs or realization of sublease income differ from our estimates, the resulting liabilities could vary from recorded amounts. These liabilities are reviewed periodically and adjusted when necessary.

Share-Based Payments . Our share-based stock option awards are valued on an individual grant basis using the Black-Scholes-Merton closed form option pricing model. We believe that this model fairly estimates the value of our share-based awards. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the valuation of stock options, which affects compensation expense related to these options. These assumptions include the term that the options are expected to be outstanding, the historical volatility of our stock price, applicable interest rates and the dividend yield of our stock. Other factors involving judgments that affect the expensing of share-based payments include estimated forfeiture rates of share-based awards. Historically, these estimates have not been materially inaccurate; however, if our estimates differ materially from actual experience, we may be required to record additional expense or reductions of expense, which could be material to our future financial results.

Fair Value Measurements. We measure fair value of assets and liabilities in accordance with applicable accounting standards, which require that fair values be determined based on the assumptions that market participants would use in pricing the asset or liability. These standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Therefore, Level 3 inputs are typically based on an entity's own assumptions, as there is little, if any, related market activity, and thus require the use of significant judgment and estimates. Currently, we have no assets or liabilities that are valued based solely on Level 3 inputs.

Our fair value measurements are primarily associated with our derivative financial instruments, intangible assets, property and equipment, and to a lesser degree our investments. The values of our derivative financial instruments are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. In recent years, these methodologies have produced materially accurate valuations.

Derivative Financial Instruments. We account for our derivative instruments in accordance with accounting standards for derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities, as amended and interpreted, which establish accounting and reporting requirements for such instruments and activities. These standards require that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value, and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See "Fair Value Measurements" above for a discussion of derivative valuations. Special accounting for qualifying hedges allows a derivative's gains and losses to either offset related results on the hedged item in the statement of operations or be accumulated in other comprehensive income, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. We use derivative instruments to manage our exposure to changing interest rates, primarily with interest rate swaps.

In addition to making valuation estimates, we also bear the risk that certain derivative instruments that have been designated as hedges and currently meet the strict hedge accounting requirements may not qualify in the future as "highly effective," as defined, as well as the risk that hedged transactions in cash flow hedging relationships may no longer be considered probable to occur. Further, new interpretations and guidance related to these instruments may be issued in the future, and we cannot predict the possible impact that such guidance may have on our use of derivative instruments going forward.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

On May 9, 2012, we entered into interest rate swaps effective May 31, 2012, in order to mitigate an additional portion of the variable rate interest exposure under the Credit Facilities. These swaps are scheduled to mature on May 29, 2015. Under the terms of these agreements, we swapped one month LIBOR rates for fixed interest rates, which results in the payment of an all-in fixed rate of 3.34% on a notional amount of \$875.0 million.

ITEM 4. CONTROLS AND PROCEDURES.

(a) *Disclosure Controls and Procedures* . Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) *Changes in Internal Control Over Financial Reporting* . There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended November 2, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information contained in Note 8 to the unaudited condensed consolidated financial statements under the heading “Legal proceedings” contained in Part I, Item 1 of this Form 10-Q is incorporated herein by this reference.

ITEM 1A. RISK FACTORS.

There have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K for the fiscal year ended February 3, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table contains information regarding purchases of our common stock made during the quarter ended November 2, 2012 by or on behalf of Dollar General or any “affiliated purchaser,” as defined by Rule 10b-18(a)(3) of the Securities Exchange Act of 1934:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(b)</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(b)</u>
08/04/12-08/31/12	280(a)	\$ 28.45	—	\$ 515,000,000
09/01/12-09/30/12	927,145	\$ 50.08	927,145	\$ 468,565,000
10/01/12-11/02/12	4,929,508	\$ 50.72	4,929,508	\$ 218,565,000
Total	5,856,933	\$ 50.61	5,856,653	\$ 218,565,000

(a) Shares repurchased from employees pursuant to the terms of management stockholders’ agreements.

(b) On November 30, 2011, our Board of Directors approved a share repurchase program of up to \$500 million of outstanding shares of our common stock. Our Board of Directors approved an additional share repurchase program of up to \$500 million of outstanding shares of our common stock on August 29, 2012. Purchases may be made under the authorizations in the open market or in privately negotiated transactions from time to time subject to market conditions. Neither repurchase program has an expiration date, but repurchases under the November 2011 program were completed in the third quarter of 2012.

ITEM 6. EXHIBITS.

See the Exhibit Index immediately following the signature page hereto, which Exhibit Index is incorporated by reference as if fully set forth herein.

CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We include “forward-looking statements” within the meaning of the federal securities laws throughout this report, particularly under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Note 8. Commitments and Contingencies.” You can identify these statements because they are not limited to historical fact or they use words such as “may,” “will,” “should,” “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “objective,” “intend,” or “could,” and similar expressions that concern our strategy, plans, intentions or beliefs about future occurrences or results. For example, statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for future operations, growth or initiatives; and the expected outcome or effect of pending or threatened litigation or audits are forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that may change at any time, so our actual results may differ materially from those that we expected. We derive many of these statements from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the effect of known factors, and we cannot anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements include, without limitation:

- failure to successfully execute our growth strategy, including delays in store growth or in effecting store relocations or remodels, difficulties executing sales and operating profit margin initiatives and inventory shrinkage reduction;
- the failure of our new store base to achieve sales and operating levels consistent with our expectations;
- risks and challenges in connection with sourcing merchandise from domestic and foreign vendors, as well as trade restrictions;
- our level of success in gaining and maintaining broad market acceptance of our private brands and in achieving our other initiatives;
- unfavorable publicity or consumer perception of our products;
- economic conditions, including their effect on the financial and capital markets, our suppliers and business partners, employment levels, consumer demand, disposable income, credit availability and spending patterns, inflation, and the cost of goods;
- increases in commodity prices (including, without limitation, cotton, wheat, corn, sugar, oil, paper, nuts and resin);
- levels of inventory shrinkage;
- seasonality of our business;
- increases in costs of fuel or other energy, transportation or utilities costs and in the costs of labor, employment and health care;

- the impact of changes in or noncompliance with governmental laws and regulations (including, but not limited to, product safety, healthcare and unionization) and developments in or outcomes of legal proceedings, investigations or audits;
- disruptions, unanticipated expenses or operational failures in our supply chain including, without limitation, a decrease in transportation capacity for overseas shipments or work stoppages or other labor disruptions that could impede the receipt of merchandise;
- delays or unanticipated expenses in constructing or opening new distribution centers;
- a data security breach or other damage to or interruption of our information systems;
- changes in our competitive environment and the markets where we operate;
- natural disasters, unusual weather conditions, pandemic outbreaks, boycotts, war and geo-political events;
- incurrence of material uninsured losses, excessive insurance costs, or accident costs;
- our failure to protect our brand name;
- our loss of key personnel or our inability to hire additional qualified personnel;
- interest rate and currency exchange fluctuations;
- our debt levels and restrictions in our debt agreements;
- our failure to maintain effective internal controls;
- changes to income tax expense due to changes in or interpretation of tax laws or as a result of federal or state income tax examinations;
- changes to or new accounting guidance, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards;
- factors disclosed under “Risk Factors” in Part I, Item 1A of our Form 10-K for the fiscal year ended February 3, 2012; and
- factors disclosed elsewhere in this document (including, without limitation, in conjunction with the forward-looking statements themselves and under the heading “Critical Accounting Policies and Estimates”) and other factors.

All forward-looking statements are qualified in their entirety by these and other cautionary statements that we make from time to time in our other SEC filings and public communications. You should evaluate forward-looking statements in the context of these risks and uncertainties. These factors may not contain all of the material factors that are important to you. We cannot assure you that we will realize the results or developments we anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, both on behalf of the Registrant and in his capacity as principal financial and accounting officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: December 11, 2012

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

EXHIBIT INDEX

- 4.1 Second Amendment to Credit Agreement, dated as of October 9, 2012, among Dollar General Corporation, as Borrower, CitiCorp North America, Inc., as Administrative Agent, and the other financial institutions from time to time party thereto (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated October 9, 2012, filed with the SEC on October 12, 2012 (file no. 001-11421))
- 4.2 First Amendment to Credit Agreement, dated as of March 30, 2012, among Dollar General Corporation, as Borrower, CitiCorp North America, Inc., as Administrative Agent and Collateral Agent, Citigroup Global Markets Inc., as Joint Lead Arranger and Bookrunner, Goldman Sachs Lending Partner LLC and KKR Capital Markets LLC, each as Joint Lead Arrangers and Bookrunners for the Transactions, and the other credit parties and lenders party thereto
- 4.3 Amendment No. 1 to Amended and Restated Credit Agreement, dated as of October 9, 2012, among Dollar General Corporation and certain subsidiaries, as Borrowers, Wells Fargo Bank, National Association, as Administrative Agent, and the other financial institutions from time to time party thereto (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated October 9, 2012, filed with the SEC on October 12, 2012 (file no. 001-11421))
- 10.1 Share Repurchase Agreement, dated as of September 25, 2012, by and between Buck Holdings L.P. and Dollar General Corporation (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K dated September 25, 2012, filed with the SEC on September 27, 2012 (file no. 001-11421))
- 15 Letter re unaudited interim financial information
- 31 Certifications of CEO and CFO under Exchange Act Rule 13a-14(a)
- 32 Certifications of CEO and CFO under 18 U.S.C. 1350
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of March 30, 2012 (this “**Amendment**”), is entered into by Dollar General Corporation, a Tennessee corporation (the “**Borrower**”), the other Credit Parties (as defined in the Existing Credit Agreement), Citicorp North America, Inc., as Administrative Agent and Collateral Agent (in such capacities, the “**Agent**”), Citigroup Global Markets Inc. (in its capacity as a joint lead arranger and bookrunner, “**CGMI**”), Goldman Sachs Lending Partners LLC and KKR Capital Markets LLC, each in their capacities as joint lead arrangers and bookrunners for the Transactions (collectively, in such capacities, the “**Arrangers**”), and the Lenders party hereto.

RECITALS

A. Reference is hereby made to the Credit Agreement, dated as of July 6, 2007 (as amended, restated, supplemented or otherwise modified prior to the date hereof, and including all schedules and exhibits thereto, the “**Existing Credit Agreement**”; capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Existing Credit Agreement, and if not defined therein, shall have the meanings assigned to such terms in the Amended and Restated Credit Agreement (as defined below)), by and among the Borrower, the Lenders party thereto from time to time, the Agent and the other financial institutions identified therein.

B. Pursuant to the Existing Credit Agreement, the Lenders have extended credit to the Borrower in the form of Tranche B Term Loans under and as defined in the Existing Credit Agreement (collectively, the “**Existing Tranche B Term Loans**”).

C. Each of the Borrower and the other Credit Parties (collectively, the “**Reaffirming Parties**”) is party to one or more of the Security Documents, pursuant to which, among other things, the Credit Parties provided security for the Obligations.

D. The Borrower, the other Credit Parties and the Lenders party hereto desire to amend and restate the Existing Credit Agreement in the form of the Amended and Restated Credit Agreement attached hereto as Exhibit A (including the schedules and exhibits thereto, the “**Amended and Restated Credit Agreement**”), subject to the satisfaction of the conditions precedent to effectiveness referred to in Section 4 hereof.

E. (i) The Borrower has requested that (A) the Extending Lenders (as defined below) extend the scheduled final maturity date of all or a portion of their Existing Tranche B Term Loans by converting all or a portion of their Existing Tranche B Term Loans into Tranche C Term Loans (under and as defined in the Amended and Restated Credit Agreement) pursuant to the procedures described herein and in the Amended and Restated Credit Agreement and consent to the other amendments of the Existing Credit Agreement provided for herein and (B) the Consenting Non-Extending Lenders (as defined below) agree to the amendment and

restatement of the Existing Credit Agreement provided for herein, without agreeing to extend the scheduled final maturity date of any of their Existing Tranche B Term Loans and (ii) subject to the terms and conditions set forth herein and in the Amended and Restated Credit Agreement, (A) each of the Extending Lenders hereby agrees to such extension, such conversion and such other amendments and (B) each Consenting Non-Extending Lender hereby agrees to such amendment, in each case, as evidenced by, and to the extent set forth on each such Extending Lender's or, as applicable, such Consenting Non-Extending Lender's extension election and signature page to this Amendment. The transactions described in this paragraph are collectively referred to herein as the "**Transactions**."

F. Each Reaffirming Party expects to realize substantial direct and indirect benefits as a result of the Amended and Restated Credit Agreement becoming effective and the consummation of the transactions contemplated thereby and desires to reaffirm its obligations pursuant to the Security Documents to which it is a party.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment and Restatement of Existing Credit Agreement. The Borrower, the other Credit Parties, the Agent, the Lenders party hereto and the other parties hereto each agrees that on the Restatement Effective Date (as defined below), (a) the Existing Credit Agreement shall be amended and restated in the form of the Amended and Restated Credit Agreement and any term or provision of the Existing Credit Agreement which is different from that set forth in the Amended and Restated Credit Agreement shall be replaced and superseded in all respects by the terms and provisions of the Amended and Restated Credit Agreement and (b) the Administrative Agent is directed to execute and deliver the Amended and Restated Credit Agreement on behalf of the Lenders and Agents party hereto.

SECTION 2. Existing Tranche B Term Loan Maturity Date Extension; Consenting Non-Extending Lenders. Subject to the terms and conditions set forth in this Amendment and in the Amended and Restated Credit Agreement, as of the Restatement Effective Date:

(a) each Lender with Existing Tranche B Term Loans (each, an "**Existing Lender**") that executes and delivers a signature page to this Amendment specifically consenting to be an "Extending Lender" (each, an "**Extending Lender**") hereby (i) consents to the terms of this Amendment, (ii) irrevocably offers for conversion and reclassification as Tranche C Term Loans (under and as defined in the Amended and Restated Credit Agreement) an amount of the Tranche B-1 Term Loans and/or Tranche B-2 Term Loans each under and as defined in the Existing Credit Agreement held by such Lender on the Restatement Effective Date not to exceed the respective aggregate principal amounts of such Tranche B-1 Term Loans and/or Tranche B-2 Term Loans, as applicable, set forth on such Extending Lender's signature page to this Amendment (such amounts, the "**Tranche C Term Loan Amount**"), (iii) agrees that

its Existing Tranche B Term Loans will, to the extent of its Tranche C Term Loan Amount, be converted and reclassified as Tranche C Term Loans pursuant to the provisions of Section 2.1(a)(iii) of the Amended and Restated Credit Agreement and that it shall be a Tranche C Term Loan Lender for all purposes under the Amended and Restated Credit Agreement and the other Credit Documents (as amended hereby) and (iv) agrees that the remainder of its Existing Tranche B Term Loans will remain outstanding as Existing Tranche B Term Loans on the same terms as in existence prior to the Restatement Effective Date;

(b) each Existing Lender that executes and delivers a signature page to this Amendment solely as an Existing Lender by checking the “Consent Only” box on such signature page and not specifically as an Extending Lender (each, a “**Consenting Non-Extending Lender**”) hereby (i) consents to the terms of this Amendment and (ii) agrees that all of its Existing Tranche B Term Loans will remain outstanding and continue as Tranche B-1 Term Loans and/or Tranche B-2 Term Loans, as applicable, under and as defined in the Amended and Restated Credit Agreement on the same terms as in existence prior to the Restatement Effective Date; and

(c) on or prior to the Restatement Effective Date, the Borrower may, pursuant to and in accordance with the provisions of Section 13.7(b) of the Existing Credit Agreement, elect to replace any Existing Lender that is not an Extending Lender and has not otherwise consented to this Amendment and agreed to be an Extending Lender by requiring such Existing Lender to assign its Existing Tranche B Term Loans to one or more assignees reasonably acceptable to the Administrative Agent in accordance with Section 13.7(b) of the Existing Credit Agreement; provided that, to the extent such Existing Lender later consents to this Amendment (on or prior to the Restatement Effective Date) and agrees to be an Extending Lender, the Borrower agrees that such Lender shall not be replaced pursuant to Section 13.7(b) of the Existing Credit Agreement.

SECTION 3. Representations and Warranties. To induce the other parties hereto to enter into this Amendment, each Credit Party represents and warrants to the Lenders, the Arrangers and the Agent that, as of the date hereof:

(a) the representations and warranties set forth in Section 8 of the Amended and Restated Credit Agreement are true and correct in all material respects on and as of the date hereof to the same extent as if made on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date; provided that to the extent any such representation and warranty is already qualified by materiality or Material Adverse Effect, such representation and warranty shall be true and correct in all respects;

(b) each Credit Party has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of this Amendment and the Amended and Restated Credit Agreement (together, the “**Amendment**”

Documents ") to which it is a party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of the Amendment Documents to which it is a party. Each Credit Party has duly executed and delivered each Amendment Document to which it is a party and each such Amendment Document constitutes the legal, valid and binding obligation of such Credit Party enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity;

(c) neither the execution, delivery or performance by any Credit Party of the Amendment Documents to which it is a party nor compliance with the terms and provisions thereof nor the consummation of the transactions contemplated hereby or thereby will (i) contravene any applicable provision of any material law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality, (ii) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of such Credit Party or any of the Restricted Subsidiaries (other than Liens created under the Credit Documents or Liens subject to the Intercreditor Agreement) pursuant to, the terms of any Contractual Requirement to which such Credit Party or any of the Restricted Subsidiaries is a party or by which it or any of its property or assets is bound other than (A) any such breach, default or Lien that could not reasonably be expected to result in a Material Adverse Effect or (B) as disclosed on Schedule 8.3 to the Credit Agreement or (iii) violate any provision of the certificate of incorporation, by-laws or other organizational documents of such Credit Party or any of the Restricted Subsidiaries;

(d) the execution, delivery and performance of each Amendment Document do not require any consent or approval of, registration or filing with, or other action by, any Governmental Authority, except for (i) such as have been obtained or made and are in full force and effect and (ii) such licenses, approvals, authorizations or consents the failure of which to obtain or make could not reasonably be expected to have a Material Adverse Effect; and

(e) no Default or Event of Default has occurred and is continuing.

SECTION 4. Amendment Effectiveness. The effectiveness of this Amendment shall be subject to the following conditions precedent:

(a) CGMI and the Administrative Agent shall have received from (i)(A) the Borrower and each other Credit Party, (B) the Required Lenders, (C) the Required Tranche B-1 Term Loan Lenders and (D) the Required Tranche B-2 Term Loan Lenders, a duly executed and delivered counterpart of this Amendment signed on behalf of each such party and (ii)(A) the Borrower and (B) the Administrative Agent (on behalf of the Lenders and Agents party hereto) and the Collateral Agent, a duly executed and delivered counterpart of the Amended and Restated Credit Agreement signed on behalf of each such party;

(b) the Extending Lenders shall have committed to convert Existing Tranche B Term Loans in an aggregate principal amount of not less than \$500,000,000 (or such lesser amount as may be agreed by the Borrower and the Arrangers) to Tranche C Term Loans;

(c) CGMI and the Administrative Agent shall have received the executed legal opinions of (i) Simpson Thacher & Bartlett LLP, special New York counsel to the Borrower and (ii) local counsel to the Borrower and the Administrative Agent in the jurisdictions listed on Schedule 1 hereto, in each case in form and substance reasonably satisfactory to the Arrangers and the Administrative Agent. The Borrower and the other Credit Parties hereby instruct such counsel to deliver such legal opinions;

(d) the Administrative Agent shall have received a closing certificate from each Credit Party certifying as to (i) resolutions duly adopted by the board of directors (or equivalent governing body) of such Credit Party authorizing the execution, delivery and performance of the Amendment (and the Credit Documents as amended), (ii) copies of organizational documents, (iii) incumbency and specimen signature of each officer executing any Credit Document on behalf of such Credit Party and (iv) the good standing of such Credit Party;

(e) the representations and warranties of the Borrower and the other Credit Parties set forth in Section 3 hereof shall be true and correct on and as of the Restatement Effective Date and no Default or Event of Default shall have occurred and be continuing, and CGMI and the Administrative Agent shall have received a certificate, dated the Restatement Effective Date and signed by a Authorized Officer of the Borrower, certifying the accuracy of such representations and warranties and the absence of a Default or Event of Default;

(f) the Administrative Agent shall have received for its account or the account of each Lender entitled thereto all fees in connection with this Amendment agreed to prior to the Restatement Effective Date (including all fees agreed to pursuant to Section 5 below) and all amounts due and payable to the Administrative Agent and the Collateral Agent on or prior to the Restatement Effective Date pursuant to the Credit Documents, including, to the extent invoiced at least 2 Business Days prior to the Restatement Effective Date, reimbursement of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel) required to be reimbursed or paid by the Borrower or any other Credit Party hereunder or under any other Credit Document; and

(g) on the Restatement Effective Date, CGMI and the Administrative Agent shall have received a certificate from an Authorized Officer of the Borrower to the effect that after giving effect to the consummation of the Transactions, the Borrower on a consolidated basis with its Subsidiaries is Solvent (as defined in the Amended and Restated Credit Agreement).

The date on which such conditions have been satisfied (or waived) is referred to herein as the “ **Restatement Effective Date** .”

SECTION 5. Fees. The Borrower hereby covenants and agrees that, so long as the Restatement Effective Date occurs, it shall pay to each Lender that has consented to this Amendment and has executed and delivered a counterpart thereof to the Administrative Agent (or its designee) on or prior to 5:00 p.m. (New York City time) on the Restatement Effective Date:

(a) in the case of each Extending Lender and each Consenting Non-Extending Lender, a consent fee equal to 0.05% of the aggregate principal amount of such Lender's Existing Tranche B Term Loans immediately prior to the Restatement Effective Date; and

(b) in the case of each Extending Lender, an extension fee equal to 0.25% of the aggregate principal amount of such Lender's Existing Tranche B Term Loans converted and reclassified as Tranche C Term Loans on the Restatement Effective Date.

SECTION 6. Reaffirmation. Each Reaffirming Party (a) hereby confirms its guaranty of the Obligations pursuant to the Existing Credit Agreement as amended and restated by the Amended and Restated Credit Agreement and (b) hereby confirms its respective pledges and grants of security interests, as applicable, in each case, under and subject to the terms of each of the Security Documents to which it is party, and agrees that, notwithstanding the effectiveness of this Amendment and the Transactions, any such guaranty, pledges and grants of security interests, and the terms of each of the Security Documents to which it is a party, shall continue to be in full force and effect and shall secure and guarantee, among other things, all obligations under the Amended and Restated Credit Agreement. Each of the Reaffirming Parties acknowledges that Lenders that are making Tranche C Term Loans (under and as defined in the Amended and Restated Credit Agreement) on the Restatement Effective Date are "Lenders" and "Secured Parties" for all purposes under the Credit Documents.

SECTION 7. Effect of Amendment. On and after the Restatement Effective Date, each reference to the Existing Credit Agreement in any Credit Document (other than the Amended and Restated Credit Agreement) shall be deemed to be a reference to the Amended and Restated Credit Agreement. Except as expressly provided in this Amendment, nothing herein shall be deemed to entitle any Credit Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement, the Amended and Restated Credit Agreement or any other Credit Document in similar or different circumstances. On and after the Restatement Effective Date, this Amendment shall constitute a "Credit Document" for all purposes of the Amended and Restated Credit Agreement and the other Credit Documents. On and after the Restatement Effective Date, as used in the Amended and Restated Credit Agreement, the terms "Agreement," "this Agreement," "herein," "hereinafter," "hereto," "hereof," "hereunder" and words of similar import shall, unless the context otherwise requires, mean the Amended and Restated Credit Agreement. From and after the Restatement Effective Date, each Agent and Lender under the Existing Credit Agreement on the Restatement Effective Date shall be deemed to continue to be a party to the Amended and Restated Credit Agreement in such respective capacity until such Person ceases to be a party thereto in accordance with the terms of the Amended and Restated

Credit Agreement.

SECTION 8. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other customary means of electronic transmission (e.g., "pdf") shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 9. Execution of the Amended and Restated Credit Agreement. Pursuant to the terms hereof and subject to the satisfaction of the conditions set forth in Section 4 hereof, each of the Credit Parties, the Collateral Agent and each Lender party hereto hereby (a) authorizes the Administrative Agent to (i) determine all amounts, percentages and other information with respect to the Term Loans of each Lender after giving effect to this Amendment, which amounts, percentages and other information may be determined only upon receipt by the Administrative Agent of the signature pages of all Lenders party to this Amendment and (ii) enter and complete all such amounts, percentages and other information with respect to the Amended and Restated Credit Agreement, as appropriate and (b) directs and instructs the Administrative Agent to execute and deliver the Amended and Restated Credit Agreement (on behalf of the Lenders and Agents party hereto). The Administrative Agent's determination, entry and completion of any amounts pursuant to clause (a) above shall be conclusive and shall be conclusive evidence of the existence, amounts, percentages and other information with respect to the Obligations under the Amended and Restated Credit Agreement, in each case, absent clearly demonstrable error. For the avoidance of doubt, the provisions of Section 12 and Section 13.5 of each of the Existing Credit Agreement and the Amended and Restated Credit Agreement shall apply to any such determination, entry and completion made by the Administrative Agent pursuant to this Section 9.

SECTION 10. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 11. Submission to Jurisdiction: WAIVER OF JURY TRIAL. Section 13.13 of the Amended and Restated Credit Agreement is hereby incorporated by reference herein. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AMENDMENT, THE AMENDED AND RESTATED CREDIT AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 12. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers, all as of the date and year first above written.

DOLLAR GENERAL CORPORATION,
as the Borrower

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer

DG RETAIL, LLC, as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Secretary

DOLGENCORP, LLC, as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DOLGENCORP OF NEW YORK, INC.,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DOLGENCORP OF TEXAS, INC. ,
as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Assistant Secretary

Signature Page to Dollar General First Amendment

DG TRANSPORTATION, INC. ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DG LOGISTICS, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

SOUTH BOSTON HOLDINGS, INC. ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

SUN-DOLLAR, L.P. , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer of South Boston Holdings, Inc.,
its general partner

DG PROMOTIONS, INC. , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

Signature Page to Dollar General First Amendment

DOLLAR GENERAL PARTNERS ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer of Dollar
General Corporation, its general partner

DC FINANCIAL, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer of Dollar
General Corporation, its sole member

DG STRATEGIC I, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DG STRATEGIC II, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer of Dollar
General Corporation, its sole member

DOLGEN MIDWEST, LLC , as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Assistant Secretary

Signature Page to Dollar General First Amendment

DOLGEN I, INC. , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DOLGEN II, INC. , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

DOLGEN III, INC. , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

RETAIL RISK SOLUTIONS, LLC ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

SOUTH BOSTON FF&E, LLC ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Treasurer

Signature Page to Dollar General First Amendment

DOLGEN CALIFORNIA, LLC ,
as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Secretary

DG ECOMMERCE, LLC , as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Secretary

DG STRATEGIC VI, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer of Dollar
General Corporation, its sole member

DG STRATEGIC VII, LLC , as a Credit Party

By: /s/ Robert R. Stephenson
Robert R. Stephenson
Secretary

DG STRATEGIC VIII, LLC , as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer of Dollar
General Corporation, its sole member

Signature Page to Dollar General First Amendment

RETAIL PROPERTY INVESTMENTS, LLC ,
as a Credit Party

By: /s/ Wade Smith
Wade Smith
Vice President and Treasurer

CITICORP NORTH AMERICA, INC. ,
as Administrative Agent and Collateral Agent

By: /s/ David Leland
David Leland
Vice President

CITIGROUP GLOBAL MARKETS INC. ,
as a Joint Lead Arranger

By: /s/ David Leland
David Leland
Managing Director

**GOLDMAN SACHS LENDING PARTNERS
LLC ,** as a Joint Lead Arranger

By: /s/ Michelle Latzoni
Michelle Latzoni
Authorized Signatory

KKR CAPITAL MARKETS LLC ,
as a Joint Lead Arranger

By: /s/ Adam Smith
Adam Smith
Authorized Signatory

Signature Page to Dollar General First Amendment

Extension Election and Signature Page to First Amendment to Credit Agreement

The undersigned hereby:

(a) (i) evidences its consent to the amendments and acknowledgements reflected in this Amendment, (ii) agrees to extend or convert an amount of its Existing Tranche B Term Loans not to exceed the applicable amount set forth below by checking a box under Column B and/or Column C below, as applicable, into Tranche C Term Loans, in accordance with this Amendment and with Section 2.1(a)(iii) of the Amended and Restated Credit Agreement on the Restatement Effective Date and (iii) consents to be an Extending Lender for all purposes under this Amendment and a Tranche C Term Loan Lender for all purposes under the Amended and Restated Credit Agreement and the other Credit Documents; **or**

(b) evidences its consent to the amendments and acknowledgements reflected in this Amendment, without agreeing to extend or convert any of its Existing Tranche B Term Loans, by checking a box under Column A and consents to be a "Consenting Non-Extending Lender" for all purposes under this Amendment and to continue as a Tranche B-1 Term Loan Lender and/or a Tranche B-2 Term Loan Lender for all purposes under the Amended and Restated Credit Agreement and the other Credit Documents.

Indicate either A, B **or** C for all Tranche B-1 Term Loans and/or Tranche B-2 Term Loans, as applicable, held by the undersigned:

<u>Tranche</u>	<u>A. Consent ONLY</u>	<u>B. Consent and Extend and Convert ALL</u>	<u>C. Consent and Extend and Convert a PORTION</u>
Tranche B-1 Term Loans	<input type="checkbox"/>	<input type="checkbox"/> Extend all Tranche B-1 Term Loans, i.e. \$ _____	<input type="checkbox"/> Extend \$ _____ principal amount of Tranche B-1 Term Loans
Tranche B-2 Term Loans	<input type="checkbox"/>	<input type="checkbox"/> Extend all Tranche B-2 Term Loans, i.e. \$ _____	<input type="checkbox"/> Extend \$ _____ principal amount of Tranche B-2 Term Loans

Institution Contact information:

Contact Person: _____
 Phone: () - _____
 Date: _____

Name of Institution:

_____ As a Lender
 By: _____
 Name: _____
 Title: _____

If two signatures are required:

By: _____
Title: _____

Signature Page to Dollar General First Amendment

Schedule 1

Local Counsel Jurisdictions

Kentucky
Tennessee

Schedule 1-1

December 11, 2012

The Board of Directors and Shareholders
Dollar General Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-151047, 333-151049, 333-151655, 333-151661 and 333-163200 on Form S-8 and 333-165799 and 333-165800 on Form S-3) of Dollar General Corporation of our report dated December 11, 2012 relating to the unaudited condensed consolidated interim financial statements of Dollar General Corporation that are included in its Form 10-Q for the quarter ended November 2, 2012.

/s/ Ernst & Young LLP
Nashville, Tennessee

CERTIFICATIONS

I, Richard W. Dreiling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 11, 2012

/s/ Richard W. Dreiling

Richard W. Dreiling
Chief Executive Officer

I, David M. Tehle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 11, 2012

/s/ David M. Tehle
David M. Tehle
Chief Financial Officer

CERTIFICATIONS
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended November 2, 2012 of Dollar General Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard W. Dreiling

Name: Richard W. Dreiling
Title: Chief Executive Officer
Date: December 11, 2012

/s/ David M. Tehle

Name: David M. Tehle
Title: Chief Financial Officer
Date: December 11, 2012
