

# DOLLAR GENERAL CORP

## FORM 10-K (Annual Report)

Filed 03/19/03 for the Period Ending 01/31/03

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 31, 2003

Commission file number 0-4769

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 Number)

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

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

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

<u>Title of Each Class</u>	<u>Name of the Exchange on which Registered</u>
Common Stock	New York Stock Exchange
Series B Junior Participating Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 2, 2002, was \$4,551,126,040 based upon the last reported sale price on such date by the New York Stock Exchange.

The number of shares of common stock outstanding on February 28, 2003, was 333,340,749.

**Documents Incorporated by Reference**

The information required in Part III of this Form 10-K is incorporated by reference to the Registrant's definitive proxy statement to be filed for the Annual Meeting of Shareholders to be held on June 2, 2003.

*The following text contains references to years 2003, 2002, 2001, 2000, 1999, and 1998, which represent fiscal years ending or ended January 30, 2004, January 31, 2003, February 1, 2002, February 2, 2001, January 28, 2000, and January 29, 1999, respectively. This discussion and analysis should be read with, and is qualified in its entirety by, the consolidated financial statements and the notes thereto.*

**PART I**

**ITEM 1. BUSINESS**

**General**

Dollar General Corporation (the "Company" or "Dollar General") is a leading discount retailer of quality general merchandise at everyday low prices. Through conveniently located stores, the Company offers a focused assortment of consumable basic merchandise including health and beauty aids, packaged food products, home cleaning supplies, housewares, stationery, seasonal goods, basic clothing and domestics. Dollar General stores serve primarily low-, middle- and fixed-income families.

The Company opened its first dollar store in 1955, when the Company was first incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. The Company changed its name to Dollar General Corporation in 1968, and reincorporated as a Tennessee corporation in 1998. As of February 28, 2003, the Company operated 6,192 stores in 27 states, primarily in the southern, eastern and midwestern United States.

**Overall Business Strategy**

Dollar General's mission statement is "Serving Others." To carry out this mission, the Company has developed a business strategy of providing its customers with a focused assortment of fairly-priced, consumable basic merchandise in a convenient, small-store format.

*Our Customers* . The Company serves the consumable basics needs of customers primarily in the low- and middle-income brackets, and customers on fixed incomes. Research performed by an outside service on behalf of the Company in 2001 indicated that approximately 55% of its customers live in households earning less than \$30,000 a year, and approximately 36% earn less than \$20,000. The Company's merchandising and operating strategies are designed to meet the need for consumable basics of the consumers in this group.

*Our Stores* . The average Dollar General store has approximately 6,700 square feet of selling space and serves customers whose homes are usually located within three to five miles of the store. As of February 28, 2003, the Company had more than 3,900 stores serving communities with populations of 20,000 or less. The Company believes that its target customers prefer the convenience of a small, neighborhood store. As the discount store industry continues to move toward larger, "super-center" type stores, which are often built outside of towns, the Company believes that Dollar General's convenient discount store format will continue to attract customers and provide the Company with a competitive advantage.

*Our Merchandise* . The Company is committed to offering a focused assortment of quality, consumable basic merchandise in a number of core categories, such as health and beauty aids,

packaged food products, home cleaning supplies, housewares, stationery, seasonal goods, basic clothing and domestics. Because the Company offers a focused assortment of consumable basic merchandise, customers are able to shop at Dollar General stores for their everyday household needs. In 2002, the average customer purchase was \$8.50.

*Our Prices* . The Company distributes quality, consumable basic merchandise at everyday low prices. Its strategy of a low-cost operating structure and a focused assortment of merchandise allows the Company to offer quality merchandise at highly competitive prices. As part of this strategy, the Company emphasizes even-dollar price points. The majority of the Company's products are priced at \$10 or less, with approximately 33% of the products priced at \$1 or less. The most expensive items are generally priced around \$35.

*Our Cost Controls* . The Company emphasizes aggressive management of its overhead cost structure. Additionally, the Company seeks to locate stores in neighborhoods where rental and operating costs are relatively low. The Company attempts to control operating costs by implementing new technology where feasible. Examples of this strategy in 2002 and 2001 include the installation of new IBM registers designed to capture sales, inventory and payroll information, the implementation of a new merchandise planning system designed to assist our merchants with their purchasing and store allocation decisions, and the introduction of loss prevention software designed to identify unusual cash register transactions.

### Growth Strategy

The Company has experienced a rapid rate of expansion in recent years, increasing its number of stores from 2,059 as of January 31, 1995, to 6,192 as of February 28, 2003. In addition to growth from new store openings, the Company recorded same-store sales increases of 5.7%, 7.3% and 0.9% in 2002, 2001 and 2000, respectively. Same-store sales increases are calculated based on the comparable calendar weeks in the prior year. Same-store sales calculations include only those stores that were open both at the end of a fiscal year and at the beginning of the preceding fiscal year. Management will continue to seek to grow the Company's business. The Company believes this growth will come from a combination of new store openings, infrastructure investments and merchandising initiatives.

*New Store Growth* . Management believes that the Company's convenient, small-store format is adaptable to small towns and neighborhoods throughout the country. The majority of the Company's stores are located in communities with populations of 20,000 or less. In 2002, approximately 50% of the new stores were opened in small towns while the other 50% were opened in more densely populated areas. The Company expects a similar mix of new store openings between small towns and more densely populated areas in 2003. New store openings in 2003 will be limited to our existing market area where management believes the Company has the potential to expand its store base. By opening new stores in its existing market area, the Company takes advantage of brand awareness and maximizes its operating efficiencies.

In addition, the Company expects to explore the potential for expansion into new geographic markets as opportunities present themselves. Specifically, in 2001 the Company opened its first stores in New York and New Jersey. As of February 28, 2003, the Company had 124 stores in New York, and 20 stores in New Jersey. Consistent with its strategy, the Company is focusing its efforts on smaller communities in these states.

In 2002, 2001 and 2000, the Company opened 622, 602, and 758 new stores, and remodeled or relocated 73, 78 and 237 stores, respectively. The Company currently expects to open approximately 650 new stores, close 50 to 70 stores, and remodel or relocate approximately 145 stores in 2003.

*Infrastructure Investments* . In recent years, the Company has made significant investments in its distribution network and management information systems. In August 2000, the Company opened a 1.0 million square-foot distribution center ("DC") in Alachua, Florida, and in April 2001, the Company opened a 1.2 million square-foot DC in Zanesville, Ohio. These significant investments in the Company's distribution network were the result of the Company's strategy to reduce transportation expenses and effectively support the Company's growth. Each DC, on average, services approximately 885 stores with an average distance per delivery of approximately 226 miles.

Recent investments in technology include a new merchandise planning system designed to assist our merchants with their purchasing and store allocation decisions (2001 and 2002); satellite technology that improves communications between the stores and the corporate office and provides faster check authorization for our customers (2001 and 2002); new handheld store-ordering technology to improve the accuracy of store orders (2000 and 2001); new IBM registers that capture sales, inventory and payroll data (2000, 2001 and 2002); improvements to automated DC replenishment systems (2002 and 2003); the establishment of perpetual inventories in all stores (2002); a new order processing system (2002); new loss prevention software (2002); systems for a new import deconsolidation function (2002); the establishment of a business-to-business website for supply chain efficiencies (2002); and systems to enable automated store replenishment (2002).

*Merchandising Initiatives* . The Company's merchandising initiatives are designed to promote same-store sales increases. In recent years, the Company has increased its emphasis on the highly consumable category by adding items in the food, paper, household chemicals, and health and beauty aids categories. In 2001, the Company began offering perishable products. This perishable program, which includes a selection of dairy products, luncheon meats, frozen foods and ice cream, was expanded from 411 stores at the end of 2001 to 1,367 stores at the end of 2002. The Company will continue to evaluate the performance of its merchandise mix and make adjustments where appropriate.

### Merchandise

Dollar General stores offer a focused assortment of quality, consumable basic merchandise in a number of core categories. The Company separates its merchandise into the following four categories for internal reporting purposes: (1) highly consumable, (2) seasonal, (3) home products, and (4) basic clothing.

The percentage of total sales of each of the four categories tracked by the Company for the preceding three years is as follows:

	2002	2001	2000
Highly consumable	60.2%	58.0%	55.3%
Seasonal	16.3%	16.7%	15.5%
Home products	13.3%	14.4%	17.0%
Basic clothing	10.2%	10.9%	12.2%

Of the four categories, the seasonal category typically records the highest gross profit rate and the highly consumable category typically records the lowest gross profit rate.

The Company purchases its merchandise from a wide variety of suppliers. Approximately 11% of the Company's purchases in 2002 were made from Procter and Gamble. No other supplier accounted for more than 4% of the Company's purchases in 2002. Approximately 13% of the Company's retail receipts in 2002 were imported.

The Company does not run weekly advertising circulars but does advertise to support new store openings. Advertising expenses are less than 1% of sales.

The Company maintains approximately 4,075 core stock-keeping units ("SKUs") per store. The Company's average customer purchase in 2002 was \$8.50. The average number of items in each customer purchase was 5.7, and the average price of each purchased item was \$1.48.

The Company's business is modestly seasonal in nature. The only extended seasonal increase in business that the Company experiences is the Christmas selling season. During the Christmas selling season, the Company carries merchandise that it does not carry during the rest of the year, such as gift sets, trim-a-tree, certain baking items, and a broader assortment of toys and candy. In 2002, 2001 and 2000, the fourth quarter generated 29%, 30% and 32% of the Company's total annual revenues, respectively.

### The Dollar General Store

The typical Dollar General store has approximately 6,700 square feet of selling space and is operated by a manager, an assistant manager and two or more sales clerks. As of February 28, 2003, the Company had more than 3,900 stores serving communities with populations of 20,000 or less. Approximately 58% of the Company's stores are located in strip shopping centers, 39% are in freestanding buildings and 3% are in downtown buildings. The Company generally has not encountered difficulty locating suitable store sites in the past, and management does not currently anticipate experiencing material difficulty in finding suitable locations at favorable rents.

The Company's recent store growth is summarized in the following table:

Year	Stores at Beginning of Year	Stores Opened	Stores Closed	Net Store Increase	Stores at End of Year
2000	4,294	758	52	706	5,000
2001	5,000	602	62	540	5,540
2002	5,540	622	49	573	6,113

The Company currently expects to open approximately 650 new stores, close 50 to 70 stores, and remodel or relocate approximately 145 stores in 2003. As of February 28, 2003, the Company operated 6,192 retail stores.

#### Employees

As of February 28, 2003, the Company and its subsidiaries employed approximately 53,500 full-time and part-time employees, including divisional and regional managers, area managers, store managers, and DC and administrative personnel, compared with approximately 48,000 employees on March 15, 2002. Management believes the Company's relationship with its employees is generally good.

#### Competition

The Company is engaged in a highly competitive business with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. The Company competes with discount stores and with many other retailers, including mass merchandise, grocery, drug, convenience, variety and other specialty stores. Some of the nation's largest retail companies operate stores in areas where the Company operates. The Company's direct competitors in the dollar store retail category include Family Dollar, Dollar Tree, Fred's and various local, independent operators. Competitors from other retail categories include CVS, Rite Aid, Walgreens, Eckerd, Wal-Mart and Kmart. Some of the Company's competitors from outside the dollar store segment are better capitalized than the Company.

The dollar store category differentiates itself from other forms of retailing by offering consistently low prices in a convenient, small-store format. The Company's prices are competitive because of its low cost operating structure and the relatively limited assortment of products offered. Labor and marketing expenses are minimized by not using circulars, limiting price points and relying on simple merchandise presentation. Occupancy expenses are typically low because the Company attempts to locate in second tier locations, either in small towns or in the neighborhoods of urban areas where such expenses are relatively low. The Company believes that its limited assortment of products allows it to focus its purchasing efforts on fewer SKUs than other retailers, which helps keep its cost of goods relatively low.

#### Trademarks

The Company, through its affiliate, Dollar General Intellectual Property, L.P., has registered the trademarks Dollar General®, Clover Valley®, DG Guarantee® and the Dollar General price point designs, along with certain other trademarks, with the United States Patent and Trademark Office. The Company attempts to obtain registration of its trademarks whenever possible and to pursue vigorously any infringement of those marks.

#### Available Information

Our website address is [www.dollargeneral.com](http://www.dollargeneral.com). We make available through this address, without charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are electronically filed or furnished to the SEC.

#### ITEM 2. PROPERTIES

As of February 28, 2003, the Company operated 6,192 retail stores located in 27 states as follows:

State	Number of Stores	State	Number of Stores
Alabama	305	Missouri	273
Arkansas	196	Nebraska	75
Delaware	23	New Jersey	20
Florida	354	New York	124
Georgia	352	North Carolina	327
Illinois	260	Ohio	332
Indiana	249	Oklahoma	226
Iowa	136	Pennsylvania	341
Kansas	144	South Carolina	219
Kentucky	251	Tennessee	324
Louisiana	211	Texas	770
Maryland	63	Virginia	230
Michigan	91	West Virginia	115
Mississippi	181		

Substantially all of the Company's stores are located in leased premises. Individual store leases vary as to their terms, rental provisions and expiration dates. In 2002, the Company's aggregate store rental expense averaged \$5.34 per square foot of selling space. The majority of the Company's leases are low-cost, short-term leases (usually with initial or primary terms of three to five years) with multiple renewal options when available. The Company also has stores subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of between 7 and 10 years. In 2003, the Company expects approximately 250 to 300 of its new stores to be subject to these arrangements.

As of February 28, 2003, the Company had seven DCs serving Dollar General stores, as described in the following table:

Location	Year Opened	Approximate Square Footage	Approximate Number of Stores Served
Scottsville, Kentucky	1959	720,000	867
Ardmore, Oklahoma	1994	1,200,000	975
South Boston, Virginia	1997	1,210,000	971
Indianola, Mississippi	1998	820,000	696
Fulton, Missouri	1999	1,150,000	912
Alachua, Florida	2000	980,000	770
Zanesville, Ohio	2001	1,170,000	1,001

The Company owns the DCs located in Kentucky, Florida, and Ohio and leases the other four DCs. The Company's executive offices are located in approximately 302,000 square feet of owned space in Goodlettsville, Tennessee. During 2003, the Company will begin the process of identifying and selecting a site for its eighth DC, which will be targeted to open in late 2004 or early 2005.

### ITEM 3. LEGAL PROCEEDINGS

#### Restatement-Related Proceedings

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

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

As previously discussed in the Company's periodic reports filed with the Securities and Exchange Commission, the Company and the individual current and former Company director and officer defendants settled the lead shareholder derivative action relating to the restatement that had been filed in Tennessee State Court.

The settlement agreement provided for a payment to the Company from a portion of the proceeds of the Company's director and officer liability insurance policies as well as certain corporate governance and internal control enhancements. The terms of such agreement required that all of the derivative cases, including the federal derivative cases previously described in the Company's periodic reports filed with the Securities and Exchange Commission, be dismissed with prejudice by the courts in which they were pending in order for the settlement to be effective. Following confirmatory discovery, the settlement agreement received final approval by the Tennessee State Court on June 4, 2002. All other derivative cases pending in the Tennessee State Court were subsequently dismissed. The federal derivative actions were dismissed on September 3, 2002.

The settlement of the shareholder derivative lawsuits resulted in a net payment to the Company, after attorneys' fees payable to the plaintiffs' counsel, of approximately \$25.2 million in August 2002, which was recorded as income during the third quarter of 2002.

Also as previously discussed in the Company's periodic reports filed with the Securities and Exchange Commission, the Company settled the consolidated restatement-related class action lawsuit filed in the United States District Court for the Middle District of Tennessee on behalf of a class of persons who purchased or otherwise made an investment decision regarding the Company's securities and related derivative securities between March 5, 1997 and January 14, 2002. The \$162 million settlement was approved by the court on May 24, 2002 and was paid in the first half of 2002. This amount had been previously expensed by the Company in the fourth quarter of 2000. The Company received from its insurers \$4.5 million in respect of such settlement in July 2002, which was recorded as income during the second quarter of 2002. In connection with the settlement, plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the class settlement and may elect to pursue recovery against the Company individually. In the fourth quarter of 2002, the Company reached an agreement to settle, and paid, a claim by one such plaintiff and recognized an expense of \$0.2 million in respect of such agreement. To the Company's knowledge, no other litigation has yet been filed or threatened by parties who opted out of the class action settlement. The Company cannot predict whether any additional litigation will be filed or estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material effect on the Company's financial position or results of operations.

#### Other Litigation

On March 14, 2002, a complaint was filed in the United States District Court for the Northern District of Alabama to commence a purported collective action against the Company on behalf of current and former salaried store managers. The complaint alleges that these individuals were entitled to overtime pay and should not have been classified as exempt employees under the Fair Labor Standards Act ("FLSA"). Plaintiffs seek to recover overtime pay, liquidated damages, declaratory relief and attorneys' fees. This action is still in the initial discovery phase and the court has not found that the case should proceed as a collective action. The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that the action is not appropriate for collective action treatment. The Company intends to vigorously defend the action. However, no assurances can be given that the Company will be successful in defending this action on the merits or otherwise, and, if not, the resolution could have a material adverse effect on the Company's financial position or results of operations.

The Company is involved in other legal actions and claims arising in the ordinary course of business. The Company currently believes that such litigation and claims, both individually and in the aggregate, will be resolved without material effect on the Company's financial position or results of operations. 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 financial position or results of operations.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to shareholders during the fourth quarter of the fiscal year ended January 31, 2003.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange under the symbol "DG." The following table sets forth the range of the high and low sales prices of the Company's common stock during each quarter in 2002 and 2001, as reported on the New York Stock Exchange, together with dividends.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002				
High	\$ 17.25	\$ 19.95	\$ 17.55	\$ 14.80
Low	\$ 13.77	\$ 14.45	\$ 12.00	\$ 10.56
Dividends	\$ .032	\$ .032	\$ .032	\$ .032
2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	\$ 24.05	\$ 21.00	\$ 18.29	\$ 17.00
Low	\$ 14.80	\$ 15.70	\$ 10.50	\$ 13.00
Dividends	\$ .032	\$ .032	\$ .032	\$ .032

The Company's stock price at the close of the market on February 28, 2003, was \$10.39.

There were approximately 12,587 shareholders of record of the Company's common stock as of February 28, 2003. The Company has paid cash dividends on its common stock since 1975. The Board of Directors regularly reviews the Company's dividend plans to ensure that they are consistent with the Company's earnings performance, financial condition, need for capital and other relevant factors. Consistent with that review, on March 13, 2003, the Board of Directors authorized a dividend of \$0.035 for the first quarter of 2003.

### Equity Compensation Plan Information

Information about the Company's equity compensation plans approved by the Company's shareholders as of January 31, 2003 is set forth below. As of January 31, 2003, no equity securities

were reserved for issuance or could be granted pursuant to any equity compensation plan not approved by the Company's shareholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights) (b)
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Equity compensation plans approved by security holders(a)	26,916,571	\$15.73	6,160,342
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- (a) Consists of the 1998 Stock Incentive Plan, 1995 Employee Stock Incentive Plan, 1993 Employee Stock Incentive Plan, 1989 Employee Stock Incentive Plan, 1995 Outside Directors Stock Option Plan and 1993 Outside Directors Stock Option Plan.
- (b) Consists of 3,300,693 shares reserved for issuance pursuant to the 1998 Stock Incentive Plan, 631,691 shares reserved for issuance pursuant to the 1995 Employee Stock Incentive Plan and 2,227,958 shares reserved for issuance pursuant to the 1993 Employee Stock Incentive Plan.

## ITEM 6. SELECTED FINANCIAL DATA

(In thousands except per share and operating data)

	January 31, 2003	February 1, 2002	February 2, 2001 (53 week year)	January 28, 2000	January 29, 1999
<b>SUMMARY OF OPERATIONS:</b>					
Net sales	\$ 6,100,404	\$ 5,322,895	\$ 4,550,571	\$ 3,887,964	\$ 3,220,989
Gross profit	\$ 1,724,266	\$ 1,509,412	\$ 1,250,903	\$ 1,093,498	\$ 892,519
Litigation settlement expense and related proceeds	\$ (29,541)	\$ —	\$ 162,000	\$ —	\$ —
Income before income taxes	\$ 414,626	\$ 327,822	\$ 108,647	\$ 294,697	\$ 239,009
Net income	\$ 264,946	\$ 207,513	\$ 70,642	\$ 186,673	\$ 150,934
Net income as a % of sales	4.3%	3.9%	1.6%	4.8%	4.7%
<b>PER SHARE RESULTS (a):</b>					
Diluted earnings per share	\$ 0.79	\$ 0.62	\$ 0.21	\$ 0.55	\$ 0.45
Basic earnings per share	\$ 0.80	\$ 0.63	\$ 0.21	\$ 0.61	\$ 0.53
Cash dividends per share of common stock	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.10	\$ 0.08
Weighted average diluted shares	335,050	335,017	333,858	337,904	335,763
<b>FINANCIAL POSITION:</b>					
Assets	\$ 2,333,153	\$ 2,552,385	\$ 2,282,462	\$ 1,923,628	\$ 1,376,012
Long-term obligations	\$ 330,337	\$ 339,470	\$ 720,764	\$ 514,362	\$ 221,694
Shareholders' equity	\$ 1,288,068	\$ 1,041,718	\$ 861,763	\$ 845,353	\$ 674,406
Return on average assets	10.9%	8.7%	3.4%	11.3%	12.9%
Return on average equity	23.1%	22.2%	8.3%	24.6%	24.4%
<b>OPERATING DATA:</b>					
Retail stores at end of period	6,113	5,540	5,000	4,294	3,687
Year-end selling square feet	41,201,000	37,421,000	33,871,000	28,655,000	23,719,000
Highly consumable sales	60%	58%	55%	51%	42%
Seasonal sales	17%	17%	16%	17%	19%
Home products sales	13%	14%	17%	20%	27%
Basic clothing sales	10%	11%	12%	12%	12%

- (a) As adjusted to give retroactive effect to all common stock splits

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### General

**Accounting Periods** . The following text contains references to years 2003, 2002, 2001, and 2000, which represent fiscal years ending or ended January 30, 2004, January 31, 2003, February 1, 2002, and February 2, 2001, respectively. There were 53 weeks in the fiscal year ended February 2, 2001. There were 52 weeks in the fiscal years ended January 31, 2003 and February 1, 2002.

There will be 52 weeks in the fiscal year ended January 30, 2004. This discussion and analysis should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto included in Item 8. Please note that, by means of its Annual Report on Form 10-K for the fiscal year ended February 2, 2001 filed on January 14, 2002, the Company restated certain unaudited financial information for fiscal year 2000 that had been previously released by the Company. The following discussion reflects the results of that restatement.

*Overview of 2002.* During 2002, Dollar General increased its net sales by 14.6%, primarily as a result of its continued rapid pace of new store openings. From 2000 through 2002, the Company had a compounded annual net sales growth rate of 16.2%. Same-store sales increased 5.7% in 2002, as compared with increases of 7.3% and 0.9% in 2001 and 2000, respectively. Same-store sales increases are calculated based on the comparable calendar weeks in the prior year. Same-store sales calculations include only those stores that were open both at the end of a fiscal year and at the beginning of the preceding fiscal year.

The year 2002 marked the fifteenth consecutive year that the Company increased its total number of store units. The Company opened 622 new stores in 2002, compared with 602 in 2001 and 758 in 2000, and remodeled or relocated 73 stores, compared with 78 in 2001 and 237 in 2000. During the last three years, the Company has opened, remodeled or relocated 2,370 stores, accounting for approximately 39% of its total stores as of January 31, 2003. The Company ended 2002 with 6,113 stores.

In 2002, new stores, remodels and relocations, net of 49 closed stores, added an aggregate of approximately 3.8 million square feet of selling space to the Company's total sales space. As a result, the Company had an aggregate of approximately 41 million square feet of selling space at the end of the year. The average new store opened in 2002 and 2001 had approximately 6,500 selling square feet. Virtually all of the new stores opened in 2002 are subject to traditional operating lease arrangements.

The Company currently expects to open approximately 650 new stores in 2003 within its existing market area, close 50 to 70 stores, and remodel or relocate approximately 145 stores. The new store openings in 2003 are expected to be divided evenly between small towns and more densely populated areas and generally will be within 250 miles of existing distribution centers. The Company expects its new stores to be subject to traditional operating lease arrangements. Capital expenditures related to new store openings will be financed through a combination of cash flows from operations and existing credit facilities.

The Company focused on the following key initiatives in 2002: standardizing work processes to improve the execution of basic retail tasks; completing the roll-out of store perpetual inventories; executing an effective disposition program for certain excess inventory identified in the fourth quarter of 2000; and implementing the Arthur merchandise planning system to improve its merchandise planning process. The Company made substantial progress in 2002 on each of these initiatives. The Company launched the "seven habits of a highly effective Dollar General store," which is a program designed to improve store level execution in the areas of ordering, receiving, stocking, presentation, selling, support and staffing. As of January 31, 2003, all of the Company's stores are on a perpetual inventory system, which allows the Company to track store level inventory at the SKU level. During 2002, the Company liquidated all but approximately \$25 million (at cost) of the aforementioned excess inventory, and the Company implemented the product and location planning, channel clustering, demand forecasting, and performance analysis modules of the Arthur merchandise planning system.

### **Critical Accounting Policies**

*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 the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost-to-retail ratio to the retail value of inventories. 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 lower of cost or market 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 ending inventory valuation at cost as well as resulting gross margins. These significant estimates, coupled with the fact that the RIM is an averaging process, can, under certain circumstances, produce distorted or inaccurate 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 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
- inaccurate estimates of LIFO reserves

To reduce the potential of such distortions in the valuation of inventory from occurring, the Company's RIM utilizes 10 departments in which fairly homogenous classes of merchandise inventories having similar gross margins are grouped. The Company estimates its shrink provision based on historical experience and utilizes an outside statistician to assist in the LIFO sampling process and index formulation. On a periodic basis, the Company reviews and evaluates its inventory and records an adjustment, if necessary, to reflect its inventory at the lower of cost or market.

Management believes that the Company's RIM provides an inventory valuation which reasonably approximates cost and results in carrying inventory at the lower of cost or market.

As previously discussed, the Company collected SKU level inventory information at each of its stores during 2002 in connection with its establishment of an item-based perpetual inventory system. In conjunction with this undertaking, in an effort to improve inventory valuation and cost of goods sold estimates, the Company will be refining estimates of its retail ownership mix and expanding the number of departments it utilizes for its gross margin calculations. The Company has not established a date for these changes, which may result in an inventory adjustment and may also impact the RIM calculation results in the year of adoption and in subsequent years. The impact of such changes on the Company's Consolidated Financial Statements cannot currently be estimated.

The implementation of the item-based perpetual inventory system in 2002 has improved our ability to identify items where we are carrying more inventory than our sales information would suggest is necessary. The Company intends to evaluate such information on an ongoing basis and take periodic markdowns to ensure the salability of our inventory.

*Property and Equipment.* Property and equipment are recorded at cost. The Company provides for depreciation on a straight-line basis over the estimated useful lives of the assets. The valuation and classification of these assets and the assignment of useful depreciable lives involves significant judgments and the use of estimates. Property and equipment are reviewed for impairment periodically and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

*Self-Insurance Liability.* The Company retains a significant portion of the risk for its workers' compensation, employee health insurance, general liability, property loss and automobile coverage. These costs are significant primarily due to the large employee base and number of stores. Provisions are made to this insurance liability on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed by outside actuaries utilizing historical claim trends. If future claim trends deviate from recent historical patterns, the Company may be required to record additional expense or expense reductions which could be material to the Company's results of operations.

### **Results of Operations**

The following discussion of the Company's financial performance is based on the Consolidated Financial Statements set forth herein.

*Net Sales.* Net sales totaled \$6.10 billion for 2002, \$5.32 billion for 2001 and \$4.55 billion for 2000, representing annual increases of 14.6% in 2002, 17.0% in 2001 and 17.0% in 2000. The increases resulted primarily from 573 net new stores and a same-store sales increase of 5.7% in 2002; 540 net new stores and a same-store sales increase of 7.3% in 2001; and 706 net new stores and a same-store sales increase of 0.9% in 2000.

The Company tracks its sales internally by four major categories: highly consumable, seasonal, home products and basic clothing. Total sales in the highly consumable category increased by 19.1%, 22.5% and 26.1% in 2002, 2001 and 2000, respectively. Total sales in the seasonal category increased by 11.9%, 25.8% and 10.2% in 2002, 2001 and 2000, respectively. Total sales in the home products category experienced annual changes of 5.3%, (0.6%) and 0.5% in 2002, 2001 and 2000, respectively. Total sales in the basic clothing category increased by 7.0%, 5.0% and 14.9% in 2002, 2001 and 2000, respectively.

The Company's 2002 same-store sales increase of 5.7% was due to a number of factors, including but not limited to: the introduction of approximately 400 new items in the highly consumable category; a strong performance of seasonal merchandise in the first half of 2002 due in part to the introduction of new outdoor items and the staging of warm weather items in our stores earlier than in prior years; an increase in the number of stores offering perishable products from 411 at the end of 2001 to 1,367 at the end of 2002; and improved ordering practices by our store employees.

The Company attributes the 7.3% same-store sales increase that it achieved in 2001 to a number of factors, including but not limited to: an improved in-stock position; an increase in the number of stores offering perishable products from 20 in 2000 to 411 by the end of 2001; strong sales of seasonal merchandise resulting in part from additional floor space dedicated to such items as

part of the store reset program, described below, that was undertaken in 2000; and expanded offerings in certain highly consumable categories including home cleaning, paper products and pet supplies.

The Company believes that the lower same store sales increase in 2000 was due primarily to the disruptive effect of a comprehensive store reset program designed to improve the product mix and appearance of its stores, which affected the vast majority of the store base. Other factors that may have had an impact on the lower same store sales increase in 2000 include a change in store ordering procedures from a manual process to a new automated system relying on the scanning of shelf tags, which may have been an additional cause of the sporadic out-of-stock conditions experienced by the Company during this period, and a general softening of economic conditions.

*Gross Profit* . Gross profit for 2002 was \$1.72 billion, or 28.3% of sales, compared with \$1.51 billion, or 28.4% of sales, in 2001 and \$1.25 billion, or 27.5% of sales, in 2000.

The slight decline in the gross profit rate in 2002 as compared with 2001 is due primarily to an increase in the Company's shrinkage provision as further described below. The Company improved its initial margin on inventory purchases in all four of its major categories in 2002 as compared against 2001. However, the continued shift in the Company's sales mix to lower margin highly consumable items limited the year over year increase in the total initial margin rate to 7 basis points. The Company recorded an \$8.9 million adjustment and a \$3.5 million adjustment in the fourth quarters of 2002 and 2001, respectively, pertaining to its LIFO valuation, which had the effect of increasing gross profit in both years. These adjustments are primarily the result of the Company's ability to lower its product costs through effective purchasing methods and the general lack of inflation in the current economic environment.

The improvement in the gross profit rate in 2001 as compared to 2000 was due primarily to the \$21.5 million effect of a markdown recorded in 2000. As described in Note 3 to the Consolidated Financial Statements, the markdown in 2000 resulted from the identification by the Company of certain excess inventories that it believed would require a markdown to assist with their disposition by the conclusion of 2002. The Company also improved its initial margin on inventory purchases by 48 basis points in 2001 as compared against 2000. The Company was able to make particular improvements in its inventory margin in the housewares, seasonal and mens and boys clothing product lines.

Inventory shrinkage calculated at the retail value of the inventory, as a percentage of sales, was 3.52% in 2002, 2.90% in 2001, and 2.80% in 2000. Some of the actions taken by the Company in 2002 to combat shrink include the hiring of an asset protection professional, the development of an asset protection monthly scorecard, the installation of loss prevention software that identifies unusual cash register transactions, increasing the emphasis of shrink in the store bonus plan and the establishment of a multi-disciplinary shrink task force that has developed a comprehensive shrink reduction action plan. Some of the components of the action plan include increased use of closed circuit television monitors and burglar alarms, a specific high shrink store action plan, the creation of various shrink awareness tools and the production of various exception reports to identify high risk stores.

Distribution and transportation costs decreased by 13 basis points as a percentage of sales in 2002 as compared to 2001. The reduction in distribution and transportation costs as a percentage of sales was due primarily to freight, occupancy and depreciation expenses that grew at a rate less than the sales increase. Factors contributing to this result in 2002 include lower fuel costs during the first half of the year, an effective freight revenue sharing program whereby the Company picks up product directly from its vendors as opposed to having it shipped, and the fact that distribution center occupancy costs are relatively fixed in comparison with the growth in our sales base.

Distribution and transportation costs decreased by 35 basis points as a percentage of sales in 2001 as compared to 2000. The reduction in distribution and transportation costs as a percentage of sales in 2001 was due primarily to a relatively modest increase in transportation costs during a period of increased sales. Factors contributing to this result in 2001 included the opening of the Zanesville, Ohio DC, which supported continued expansion in the number of stores with only a modest increase in store delivery miles, increased trailer utilization as a result of improved routing, and lower fuel costs.

*Selling, General and Administrative Expense* . Total selling, general and administrative ("SG&A") expense as a percentage of net sales was 21.3% in 2002 and 2001 compared with 20.5% in 2000. SG&A expense in 2002 was \$1.30 billion, an increase of 14.2% compared to 2001. SG&A expense in 2001 was \$1.14 billion, an increase of 21.5% compared to 2000.

In 2002 the Company incurred \$6.4 million in expenses, primarily professional fees, related to the restatement of the Company's financial statements as described above in Item 3. The Company incurred \$28.4 million of such expenses in 2001. Excluding restatement-related expenses from both years, SG&A expenses in 2002 would have been \$1.29 billion, or 21.1% of sales, as compared with \$1.11 billion, or 20.8% of sales, in 2001, an increase of 16.5%. The increase in SG&A expense as a percentage of sales, excluding restatement expenses, in 2002 was due to a number of factors including but not limited to increases in the following expense categories that were in excess of the percentage increase in sales: store labor, workers' compensation claims, store occupancy and store repairs and maintenance.

The 80 basis point increase in SG&A expense as a percentage of net sales experienced in 2001 was due in part to the \$28.4 million in restatement-related expenses referred to above. There were no such expenses in 2000, and such expenses recorded in 2001 were in addition to the litigation settlement expense described below that was recorded in 2000. The increase in SG&A expense in 2001 was also attributable in part to a 19.4% increase in labor expenses at the Company's retail stores, which was in excess of the Company's sales increase of 17.0%. The increased labor expenses incurred in 2001 resulted from a decision by the Company's management to spend additional funds in this area in order to attract and retain the talented employees necessary to improve store conditions. The restatement-related expenses and the increased store labor costs together accounted for a 69 basis point increase in SG&A expense. Excluding the restatement-related expenses, SG&A expense in 2001 would have increased 18.4% over the prior year.

*Litigation Settlement Expense and Related Proceeds* . The Company recorded \$29.5 million in net restatement litigation proceeds during 2002, which amount included \$29.7 million in insurance proceeds associated with the settlement of the restatement-related class action and shareholder derivative litigation offset by a \$0.2 million settlement of a shareholder class action opt-out claim related to the Company's restatement. No litigation settlement expense was recorded in 2001. The Company recorded \$162.0 million of expense in 2000 for the settlement of the restatement-related shareholder class action litigation. (See Item 3).

*Interest Expense* . In 2002, interest expense was \$42.6 million, compared with \$45.8 million in 2001 and \$45.4 million in 2000. The decrease in interest expense in 2002 as compared to 2001 is due primarily to debt reduction achieved during 2002.

The average daily total debt outstanding in 2002 was \$575.7 million at an average interest rate of 6.6%. The average daily total debt outstanding in 2001 was \$738.8 million at an average interest rate of 6.3%. The average daily total debt outstanding in 2000 was \$710.3 million at an average interest rate of 7.2%.

*Provision for Taxes on Income* . The effective income tax rates for 2002, 2001 and 2000 were 36.1%, 36.7% and 35.0%, respectively. The lower effective tax rate in 2002 was primarily due to recording higher work opportunity tax credits than in 2001 and the favorable resolution of certain state tax related items during 2002. The lower effective tax rate in 2000 was due to the 38.9% marginal tax rate applied against the litigation settlement expense. Excluding the tax impact of the litigation settlement expense, the effective tax rate in 2000 was 37.3%.

*Net income* . Net income in 2002 was \$264.9 million, or 4.3% of sales, versus \$207.5 million, or 3.9% of sales, in 2001, and \$70.6 million, or 1.6% of sales in 2000. Diluted earnings per share in 2002 were \$0.79 versus \$0.62 in 2001 and \$0.21 in 2000. Excluding the restatement-related expenses and the litigation settlement expense and related proceeds noted above, diluted earnings per share in 2002 were \$0.75 versus \$0.67 in 2001 and \$0.51 in 2000.

## **Liquidity and Capital Resources**

*Current Financial Condition / Recent Developments* . At January 31, 2003, the Company's total debt (including the current portion of long-term obligations and short-term borrowings) was \$346.5 million, and the Company had \$121.3 million of cash and cash equivalents and \$1.29 billion of shareholders' equity, compared to \$735.1 million of total debt, \$261.5 million of cash and cash equivalents and \$1.04 billion of shareholders' equity at February 1, 2002.

The Company has a \$450 million revolving credit facility consisting of a \$300 million three-year revolving credit facility and a \$150 million 364-day revolving credit facility (the "Credit Facilities"). The Company pays interest on funds borrowed under the Credit Facilities at rates that are subject to change based upon the rating of the Company's senior debt by independent agencies. The Company has two interest rate options, base rate (which is usually equal to prime rate) and LIBOR. At the Company's current ratings, the facility fees are 37.5 basis points and 32.5 basis points on the two facilities, respectively. The all-in drawn margin under the LIBOR option is LIBOR plus 237.5 basis points on both facilities. The all-in drawn margin under the base rate option is the base rate plus 125 basis points and the base rate plus 120 basis points on the two facilities, respectively. The Credit Facilities are secured by approximately 400 of the Company's retail stores, its headquarters and two of its DCs. As of January 31, 2003, the Company had no outstanding borrowings and \$15 million of standby letters of credit under the Credit Facilities. The standby letters of credit reduce the borrowing capacity of the Credit Facilities. The Credit Facilities contain financial covenants which include the ratio of debt to cash flow, fixed charge coverage, asset coverage, minimum allowable consolidated net worth and maximum allowable capital expenditures. As of January 31, 2003, the Company was in compliance with all of these covenants. See Note 7 to the Consolidated Financial Statements for further discussion of the Credit Facilities.

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

The Company received waivers during 2001 and 2002 with respect to the leases of its DCs in Indianola, Mississippi and Fulton, Missouri. These waivers cured any alleged default of covenants under the leases as a result of the Company's representations regarding its previous audited financial statements and the restatement of such financial statements. The Company reached agreement with all relevant parties to effect such waivers and in 2002 incorporated certain amendments in the lease documents, as a material inducement to obtain such waivers. The amendments to the leases involve the Company's agreeing to comply with all obligations under its revolving credit agreements, as in effect from time to time, including, without limitation, all affirmative and financial covenants and to not violate any negative covenants set forth in such agreements.

In 2002, the Company disbursed \$162 million in settlement of the restatement-related class action litigation. The \$162 million was accrued as an expense in the Company's 2000 Consolidated Financial Statements. In July of 2002, the Company received from its insurers \$4.5 million pursuant to the settlement of the restatement-related class action lawsuits. In August of 2002, the Company received \$25.2 million in insurance settlement proceeds pursuant to the settlement of the restatement-related shareholder derivative litigation. The Company recognized income of \$4.5 million in the second quarter of 2002 and \$25.2 million in the third quarter of 2002 to reflect the receipt of these proceeds. See Note 9 to the Company's Consolidated Financial Statements.

The Company believes that its existing cash balances, cash flows from operations, the Credit Facilities and its ongoing access to the capital markets will provide sufficient financing to meet the Company's currently foreseeable liquidity and capital resource needs.

In July 2002, the Company filed amended federal income tax returns for 1998 and 1999. In October of 2002 the Company filed its federal income tax returns for 2000 and 2001. The Internal Revenue Service is currently conducting a normal examination of the Company's 1998 and 1999 federal income tax returns. The results of the examination, and any other issues discussed with the IRS in the course of the examination, may result in changes to the Company's future tax liability.

The Company plans to open approximately 650 stores during the fiscal year ending January 30, 2004. The Company anticipates funding the costs associated with such openings by cash flows from operations and/or by existing credit facilities.

On March 13, 2003, the Board of Directors authorized the Company to repurchase up to 12 million shares of its outstanding common stock. Purchases may be made in the open market or in privately negotiated transactions from time to time subject to market conditions. This authorization expires March 13, 2005.

*Cash flows provided by operating activities* . Net cash provided by operating activities for fiscal 2002 was \$434.0 million, as compared to \$265.6 million for fiscal 2001 and \$215.5 million for fiscal 2000. Cash flow from operations for fiscal 2002 compared to fiscal 2001 increased by \$168.4 million due principally to the increase in net income described above and improved inventory productivity. Inventory turns, calculated using the retail value of the inventory, improved in 2002 to 3.55 times from 3.24 times in 2001. As a result, the change in inventory in 2002 was an \$8.0 million source of cash as compared against a \$118.8 million use of cash in 2001. In 2002, the Company paid \$162.0 million in settlement of the restatement-related class action lawsuit (see Note 9 to the Consolidated Financial Statements). Partially offsetting this cash outflow were tax benefits totaling approximately \$139.3 million, of which approximately \$121 million either directly or indirectly related to the Company's financial restatement and subsequent litigation settlement. These tax benefits consist of approximately \$57 million, reflecting the 2002 deduction for the \$162 million litigation settlement expense recorded in the Company's 2000 income statement, and approximately \$64 million resulting from the deferral of our 2002 estimated federal income taxes until early 2003. Cash flow from operations for 2001 compared to 2000 increased by \$50.1 million due principally to the improvement in operating performance in 2001 as described above (see "Results of Operations—Net Sales").

*Cash flows used in investing activities* . Net cash used in investing activities equaled \$133.8 million in 2002, versus \$124.1 million in 2001 and \$119.0 million in 2000. Capital expenditures for 2002 totaled \$134.3 million, compared with \$125.4 million for 2001 and \$216.6 million for 2000. The Company opened 622 new stores and relocated or remodeled 73 stores at a cost of \$50.9 million in 2002. The Company opened 602 new stores and relocated or remodeled 78 stores at a cost of \$55.8 million in 2001. In 2000, the Company opened 758 new stores and relocated or remodeled 237 stores at a cost of \$112.7 million. The decline in store-related capital expenditures in 2002 and 2001 as compared to 2000 was due to the smaller number of projects completed in 2002 and 2001 and the construction of approximately 72 Company-owned stores in 2000 versus no such construction in 2002 and 2001.

The Company spent approximately \$30.2 million on systems-related capital projects in 2002 including \$15.0 million for satellite technology and \$3.0 million for point-of-sale cash registers. In 2001, the Company spent approximately \$31.7 million on systems-related capital projects including \$10.0 million for satellite technology and \$8.3 million for new point-of-sale cash registers. Systems-related capital projects totaled \$7.4 million in 2000.

The Company spent approximately \$21.3 million on distribution and transportation-related capital expenditures in 2002 as compared to \$6.6 million in 2001 and \$58.1 million in 2000. The 2002 expenditures consisted in part of \$8.3 million for the purchase of new trailers and \$5.0 million related to the installation of a dual sortation system in the Fulton, Missouri DC. The 2000 expenditures related primarily to costs associated with the DCs in Alachua, Florida, and Zanesville, Ohio.

Capital expenditures during 2003 are projected to be approximately \$165 million. The Company anticipates funding its 2003 capital requirements with cash flows from operations and its existing credit facilities.

*Cash flows provided by (used in) financing activities* . Net cash provided by (used in) financing activities was \$(440.4) million, \$(42.3) million and \$11.0 million in 2002, 2001 and 2000, respectively. The use of cash in 2002 reflects the net repayment of \$397.1 million in outstanding debt and the payment of \$42.6 million of cash dividends. The net repayment of debt was accomplished by utilizing cash flow from operations and existing cash balances. Cash used in 2001 for financing activities primarily reflected the payment of \$42.5 million of cash dividends. Cash provided in 2000 from financing activities reflected the \$200 million of notes issued in June 2000 and \$34.1 million of proceeds from the exercise of stock options, partially offset by the payment of \$42.2 million of cash dividends, the repurchase of \$63.0 million of common stock, and the repayment of \$112.3 million of long-term obligations related primarily to two of the Company's DCs.

The following table summarizes the Company's significant contractual obligations as of January 31, 2003, which excludes the effect of imputed interest (in thousands):

Contractual obligations	Payments Due by Period				
	Total	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs
Long-term debt (a)	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Capital lease obligations	61,799	18,498	30,938	9,506	2,857
Financing obligations	203,029	9,283	18,566	18,848	156,332
Operating leases	791,461	178,094	277,402	135,990	199,975
Total contractual cash obligations	\$1,256,289	\$ 205,875	\$ 326,906	\$ 164,344	\$ 559,164

(a) As discussed above, the holders of these notes may elect to have their notes repaid in 2005, which could result in the acceleration of all or a portion of these payments due.

See Notes 2, 7 and 9 to the Consolidated Financial Statements for discussions of amounts outstanding under commercial letters of credit and significant terms of debt obligations.

#### Effects of Inflation and Changing Prices

The Company believes that inflation and/or deflation had a minimal impact on its overall operations during 2002, 2001 and 2000.

#### Accounting Pronouncements

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

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company adopted this statement on February 2, 2002. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS No. 144 did

not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds both SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS No. 4, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Generally, under SFAS No. 145, gains and losses from debt extinguishments will no longer be classified as extraordinary items. The Company adopted the provisions of SFAS No. 145 on February 1, 2003 and believes the adoption of SFAS No. 145 will not have a material effect on the Company's financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF 94-3 had recognized the liability at the commitment date to an exit plan. The Company was required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." SFAS No. 148 is an amendment of SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees." As allowed by SFAS No. 123, the Company has elected to continue to utilize the accounting method prescribed by APB Opinion No. 25 and has adopted the disclosure requirements of SFAS No. 148 as of January 31, 2003. The adoption of SFAS No. 148 did not have a material impact on the Company's financial position or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16"). EITF 02-16 addresses the accounting and income statement classification for consideration given by a vendor to a retailer in connection with the sale of the vendor's products or for the promotion of sales of the vendor's products. The EITF concluded that such consideration received from vendors should be reflected as a decrease in prices paid for inventory and recognized in cost of sales as the related inventory is sold, unless specific criteria are met qualifying the consideration for treatment as reimbursement of specific, identifiable incremental costs. As clarified by the EITF in January 2003, this issue is effective for arrangements with vendors initiated on or after January 1, 2003. The provisions of this consensus have been applied prospectively and are consistent with the Company's existing accounting policy. Accordingly, the adoption of EITF 02-16 did not and will not have a material impact on the Company's financial position or results of operations.

FASB Interpretation No. 46, "Accounting for Variable Interest Entities" ("FIN 46"), expands upon current guidance relating to when a company should include in its financial statements the assets, liabilities and activities of a variable interest entity. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply for "older" entities in the first fiscal year or interim period beginning after June 15, 2003, which would apply for the Company beginning in the third quarter of 2003. The Company is currently evaluating the impact that the adoption of FIN 46 will have on its financial position and results of operations when adopted in 2003.

#### **Forward Looking Statements / Risk Factors**

Some of the statements in this Form 10-K and in the documents incorporated by reference into this Form 10-K are forward-looking statements. For example, some statements may express or imply projections of revenues or expenditures, statements of plans and objectives for future operations or statements of future economic performance. Also, the words "believe," "anticipate," "project," "plan," "expect," "estimate," "objective," "forecast," "goal," "intend," "will likely result," or "will continue" and similar expressions generally identify forward-looking statements. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors which may cause the actual performance of the Company to differ materially from those expressed or implied by these statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements. The factors and risks that may result in actual results differing from such forward-looking information include, but are not limited to:

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

The SEC is conducting an investigation into the circumstances that gave rise to the Company's April 30, 2001 announcement. The Company is cooperating with this investigation by providing documents, testimony and other information to the SEC. At this time, the Company is unable to predict the outcome of this investigation and the ultimate effects on the Company, if any. In addition, the publicity surrounding the SEC investigation could affect the Company's reputation and have an impact on its financial condition.

*The Company's business is modestly seasonal with the highest sales occurring during the fourth quarter. Adverse events during the fourth quarter could, therefore, affect the Company's financial condition and results of operations.* The Company realizes a larger portion of its net sales and net income during the Christmas selling season. In anticipation of the holidays, the Company purchases substantial amounts of seasonal inventory and hires many temporary employees. If for any reason the Company's net sales during the Christmas selling season were to fall below seasonal norms, a seasonal merchandise inventory imbalance could result. If such an imbalance were to occur, markdowns might be required to minimize this imbalance. The Company's profitability and operating results could be adversely affected by unbudgeted markdowns.

Adverse weather conditions or other disruptions, especially during the peak Christmas season, could also adversely affect the Company's net sales and could make it more difficult for the Company to obtain sufficient quantities of merchandise from its suppliers.

*Competition in the retail industry could limit the Company's growth opportunities and reduce its profitability.* The Company competes in the discount retail merchandise business, which is highly competitive. This competitive environment subjects the Company to the risk of reduced profitability resulting from reduced margins required to maintain the Company's competitive position.

The Company competes with discount stores and with many other retailers, including mass merchandise, grocery, drug, convenience, variety and other specialty stores. Some of the nation's largest retail companies operate stores in areas where the Company operates. The Company's direct competitors in the dollar store retail category include Family Dollar, Dollar Tree, Fred's, and various local, independent operators. Competitors from other retail categories include CVS, Rite Aid, Walgreens, Eckerd, Wal-Mart and Kmart. The discount retail merchandise business is subject to excess capacity and some of the Company's competitors are much larger and have substantially greater resources than the Company. The competition for customers has intensified in recent years as larger competitors, such as Wal-Mart, have moved into the Company's geographic markets. The Company remains vulnerable to the marketing power and high level of consumer recognition of these major national discount chains, and to the risk that these chains or others could venture into the "dollar store" industry in a significant way. Generally, the Company expects an increase in competition.

*The Company's financial performance is sensitive to changes in overall economic conditions that may impact consumer spending.* A general slowdown in the United States economy may adversely affect the spending of the Company's consumers, which would likely result in lower net sales than expected on a quarterly or annual basis. Future economic conditions affecting disposable consumer income, such as employment levels, business conditions, fuel and energy costs, interest rates, and tax rates, could also adversely affect the Company's business by reducing consumer spending or causing consumers to shift their spending to other products.

*Possibility of war, acts of terrorism and rising fuel costs could adversely impact the Company.* The involvement of the United States in a war in the Middle East or elsewhere or a significant act of terrorism on U.S. soil or elsewhere could have an adverse impact on the Company by, among other things, disrupting its information or distribution systems, causing dramatic increases in fuel prices thereby increasing the costs of doing business, or impeding the flow of imports or domestic products to the Company.

*The Company's business is dependent on its vendors.* The Company believes that it has generally good relations with its vendors and that it is generally able to obtain attractive pricing and other terms from vendors. If the Company fails to maintain good relations with its vendors, it may not be able to obtain attractive pricing with the consequence that its net sales or profit margins would be reduced. The Company may also face difficulty in obtaining needed inventory from its vendors because of interruptions in production or for other reasons, which would adversely affect the Company's business.

*The efficient operation of the Company's business is heavily dependent on its information systems.* The Company depends on a variety of information technology systems for the efficient functioning of its business. The Company relies on certain software vendors to maintain and periodically upgrade many of these systems so that they can continue to support the Company's business. The software programs supporting many of the Company's systems were licensed to the Company by independent software developers. The inability of these developers or the Company to continue

to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of the Company's operations if it were unable to convert to alternate systems in an efficient and timely manner. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology could also disrupt or reduce the efficiency of the Company's operations.

*The Company is subject to interest rate risk .* The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing and cash management activities. The Company may utilize a credit facility to fund working capital requirements, which is comprised of variable rate debt. See "Item 7A – Quantitative and Qualitative Disclosures About Market Risk."

*The Company is dependent upon the smooth functioning of its distribution network .* The Company relies upon the ability to replenish depleted inventory through deliveries to its DCs from vendors, and from the DCs to its stores by various means of transportation, including shipments by air, sea and truck on the roads and highways of the United States. Long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of service would adversely affect the Company's business. Moreover, to facilitate its expected growth, the Company will need additional DCs in the coming years. If the Company were unable to locate sites for the new DCs, the Company's ability to achieve the expected growth could be inhibited.

*Our success depends to a significant extent upon the abilities of our senior management.* The loss of services of any of the members of our senior management or of certain other key employees could negatively impact our business. In addition, our future performance will depend upon our ability to attract, retain and motivate qualified employees to keep pace with our expansion schedule. Our inability to do so may limit our ability to effectively penetrate new market areas. Also, as previously announced, Cal Turner, who has served as our Chief Executive Officer since 1977 and as our Chairman of the Board since 1989, stepped down as CEO in 2002. Any difficulties in transitioning under new management could negatively impact our business.

*If we cannot open new stores on schedule, our growth will be impeded.* Delays in store openings could adversely affect our future operations by slowing new store growth, which may in turn reduce our revenue growth. Our ability to timely open new stores will depend in part on the following factors: the availability of attractive store locations; our ability to negotiate favorable lease terms; our ability to hire and train new personnel, especially store managers; our ability to identify customer demand in different geographic areas; general economic conditions; and the availability of sufficient funds for expansion. Many of these factors are beyond our control.

*Rising insurance costs could negatively impact profitability .* The costs of insurance (workers' compensation insurance, general liability insurance, health insurance and directors' and officers' liability insurance) have risen in recent years. If such increases continue, they could have a negative impact on our profitability.

*The Company is dependent on the continued availability of capital to support its business.* A decline in the Company's generation of cash flow or the inability of the Company to obtain financing from third parties would have a material adverse effect on the Company.

On April 10, 2002, Moody's Investors Service, Inc. lowered the Company's senior unsecured credit rating, from Ba1 to Ba2, which rating is on review for further possible downgrades. On April 12, 2002, Standard & Poor's lowered the Company's corporate credit, senior unsecured debt and senior unsecured bank loan ratings from BBB- to BB+; as of the date hereof, these ratings remain on CreditWatch with negative implications. Credit ratings are generally used by investors to assess the ability of a company to meet its obligations. The downgrade in the Company's credit ratings may affect the Company's ability to obtain financing in the future, and will also affect the terms of any such financing.

*Caution should be taken not to place undue reliance on forward-looking statements made herein, since the statements speak only as of the date they are made. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are cautioned, however, to consult any further disclosures the Company may make on related subjects in its documents filed with or furnished to the SEC or in its other public disclosures.*

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Financial Risk Management

The Company is exposed to market risk primarily from adverse changes in interest rates. To minimize such risk, the Company may periodically use financial instruments, including derivatives. As a matter of policy, the Company does not buy or sell financial instruments for speculative or trading purposes and all financial instrument transactions must be authorized and executed pursuant to Board of Directors approval. All financial instrument positions taken by the Company are used to reduce risk by hedging an underlying economic exposure. Because of high correlation between the financial instrument and the underlying exposure being hedged, fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure. The financial instruments used by the Company are straightforward instruments with liquid markets.

The Company has cash flow exposure relating to variable interest rates associated with its revolving line of credit, and may periodically seek to manage this risk through the use of interest rate derivatives. The primary interest rate exposure on variable rate obligations is based on the London Interbank Offered Rate ("LIBOR").

At January 31, 2003 and February 1, 2002, the fair value of the Company's debt, excluding capital lease obligations, was estimated at approximately \$287.0 million and \$268.5 million, respectively, based on the estimated market value of the debt at those dates. Such fair value is less than the carrying value of the debt at January 31, 2003 and February 1, 2002, by approximately \$7.4 million and \$27.1 million, respectively.

At February 1, 2002, the Company was party to an interest rate swap agreement with a notional amount of \$100 million. The Company designated this agreement as a hedge of its floating rate commitments relating to a portion of its synthetic lease agreements. Under the terms of the agreement, the Company paid a fixed rate of 5.60% and received a floating rate (LIBOR) on the \$100 million notional amount through September 1, 2002. The fair value of the interest rate swap agreement was \$(2.6) million at February 1, 2002. The counterparty to the Company's interest rate swap agreement was a major financial institution. The interest rate swap agreement expired on September 1, 2002 and, as of January 31, 2003, the Company was not party to any interest rate derivatives.

In 2002 and 2001, as required by SFAS No. 133, the Company recorded the fair value of the interest rate swap in the balance sheet, with the offsetting, effective portion of the change in fair value recorded in Other Comprehensive Loss, a separate component of Shareholders' Equity in the Consolidated Financial Statements. Amounts recorded in Other Comprehensive Loss were reclassified into earnings, as an adjustment to interest expense, in the same period during which the hedged synthetic lease agreements affected earnings. In fiscal 2000, as required by the accounting literature for derivatives and hedging instruments in effect at that time, the Company recognized any differences paid or received on interest rate swap agreements as adjustments to interest expense.

Based upon the Company's variable rate borrowing levels, a 1% change in interest rates would have resulted in a pre-tax loss in earnings and cash flows of approximately \$1.7 million and \$2.8 million, including the effects of interest rate swaps, in 2002 and 2001, respectively. In 2003, the Company does not anticipate the potential loss due to a 1% change in interest rates to vary materially from the estimated impact in 2002.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### CONSOLIDATED BALANCE SHEETS (Dollars in thousands except per share amounts)

	January 31, 2003	February 1, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 121,318	\$ 261,525
Merchandise inventories	1,123,031	1,131,023
Deferred income taxes	33,860	105,091
Other current assets	45,699	58,408

Total current assets	<b>1,323,908</b>	1,556,047
Net property and equipment	<b>993,822</b>	988,915
Other assets, net	<b>15,423</b>	7,423
Total assets	<b>\$ 2,333,153</b>	\$ 2,552,385

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

Current portion of long-term obligations	<b>\$ 16,209</b>	\$ 395,675
Accounts payable	<b>341,303</b>	322,463
Accrued expenses and other	<b>239,898</b>	242,780
Litigation settlement payable	<b>-</b>	162,000
Income taxes payable	<b>67,091</b>	10,633
Total current liabilities	<b>664,501</b>	1,133,551
Long-term obligations	<b>330,337</b>	339,470
Deferred income taxes	<b>50,247</b>	37,646

##### Commitments and contingencies

##### Shareholders' equity:

Series B junior participating preferred stock, stated value \$0.50 per share; Shares authorized: 10,000,000; Issued: None	<b>-</b>	-
Common stock, par value \$0.50 per share; Shares authorized: 500,000,000; Issued: 2002-333,340,000; 2001-332,718,000	<b>166,670</b>	166,359
Additional paid-in capital	<b>313,269</b>	301,848
Retained earnings	<b>812,220</b>	579,265
Accumulated other comprehensive loss	<b>(1,349)</b>	(3,228)
	<b>1,290,810</b>	1,044,244
Less common stock purchased by employee deferred compensation trust: 2002-140,000; 2001-112,000	<b>2,742</b>	2,395
Less unearned compensation related to outstanding restricted stock	<b>-</b>	131
Total shareholders' equity	<b>1,288,068</b>	1,041,718
Total liabilities and shareholders' equity	<b>\$ 2,333,153</b>	\$ 2,552,385

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

#### CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

	For the years ended					
	January 31, 2003		February 1, 2002		February 2, 2001	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	<b>\$ 6,100,404</b>	<b>100.00%</b>	\$ 5,322,895	100.00%	\$ 4,550,571	100.00%
Cost of goods sold	<b>4,376,138</b>	<b>71.74</b>	3,813,483	71.64	3,299,668	72.51
Gross profit	<b>1,724,266</b>	<b>28.26</b>	1,509,412	28.36	1,250,903	27.49
Selling, general and administrative	<b>1,296,542</b>	<b>21.25</b>	1,135,801	21.34	934,899	20.54
Litigation settlement expense and related proceeds	<b>(29,541)</b>	<b>(0.49)</b>	-	-	162,000	3.56
Operating profit	<b>457,265</b>	<b>7.50</b>	373,611	7.02	154,004	3.39
Interest expense	<b>42,639</b>	<b>0.70</b>	45,789	0.86	45,357	1.00
Income before taxes on income	<b>414,626</b>	<b>6.80</b>	327,822	6.16	108,647	2.39
Provisions for taxes on income	<b>149,680</b>	<b>2.46</b>	120,309	2.26	38,005	0.84
Net income	<b>\$ 264,946</b>	<b>4.34%</b>	\$ 207,513	3.90%	\$ 70,642	1.55%
Diluted earnings per share	<b>\$ 0.79</b>		\$ 0.62		\$ 0.21	
Weighted average diluted shares (000s)	<b>335,050</b>		335,017		333,858	
Basic earnings per						

share	\$ 0.80	\$ 0.63	\$ 0.21
Weighted average basic shares (000s)	<b>333,055</b>	332,263	329,741

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

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
For the years ended January 31, 2003, February 1, 2002, and February 2, 2001  
(Dollars in thousands except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held in Trust	Unearned Compensation	Total
Balances, January 28, 2000	\$ 165,411	\$ 229,906	\$ 450,036	\$ -	\$ -	\$ -	\$ 845,353
Net income	-	-	70,642	-	-	-	70,642
Cash dividends, \$0.12 per common share	-	-	(42,266)	-	-	-	(42,266)
Issuance of common stock under stock incentive plans (4,103,000 shares)	2,052	32,078	-	-	-	-	34,130
Tax benefit from exercise of options	-	19,018	-	-	-	-	19,018
Repurchase of common stock, net (3,634,000 shares)	(1,817)	2,923	(64,094)	-	-	-	(62,988)
Purchase of common stock by employee deferred compensation trust, net (94,000 shares)	-	-	-	-	(2,126)	-	(2,126)
Balances, February 2, 2001	\$ 165,646	\$ 283,925	\$ 414,318	\$ -	\$ (2,126)	\$ -	\$ 861,763
Comprehensive income:							
Net income	-	-	207,513	-	-	-	207,513
Cumulative effect of SFAS No. 133	-	-	-	(2,044)	-	-	(2,044)
Net change in fair value of derivatives	-	-	-	(2,285)	-	-	(2,285)
Reclassification of net loss on derivatives	-	-	-	1,101	-	-	1,101
Comprehensive income							204,285
Cash dividends, \$0.13 per common share	-	-	(42,566)	-	-	-	(42,566)
Issuance of common stock under stock incentive plans (1,395,000 shares)	697	11,571	-	-	-	-	12,268
Tax benefit from exercise of options	-	5,819	-	-	-	-	5,819
Purchase of common stock by employee deferred compensation trust, net (19,000 shares)	-	-	-	-	(269)	-	(269)
Issuance of restricted stock (32,000 shares)	16	533	-	-	-	(549)	-
Amortization of restricted stock	-	-	-	-	-	418	418
Balances, February 1, 2002	\$ 166,359	\$ 301,848	\$ 579,265	\$ (3,228)	\$ (2,395)	\$ (131)	\$1,041,718
Comprehensive income:							
Net income	-	-	264,946	-	-	-	264,946
Net change in fair value of derivatives	-	-	-	277	-	-	277
Reclassification of net loss on derivatives	-	-	-	1,602	-	-	1,602
Comprehensive income							266,825
Cash dividends, \$0.13 per common share, net of accruals (see Note 5)	-	-	(31,991)	-	-	-	(31,991)
Issuance of common stock under stock incentive plans (710,000 shares)	355	4,666	-	-	-	-	5,021
Tax benefit from exercise of options	-	2,372	-	-	-	-	2,372
Purchase of common stock by employee deferred compensation trust, net (27,000 shares)	-	(98)	-	-	(347)	-	(445)
Amortization of restricted stock	-	-	-	-	-	131	131
Contribution of capital (see Note 13)	-	6,031	-	-	-	-	6,031

Other equity transactions	(44)	(1,550)	-	-	-	-	(1,594)
<b>Balances, January 31, 2003</b>	<b>\$ 166,670</b>	<b>\$ 313,269</b>	<b>\$ 812,220</b>	<b>\$ (1,349)</b>	<b>\$ (2,742)</b>	<b>\$ -</b>	<b>\$1,288,068</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For the years ended		
	January 31, 2003	February 1, 2002	February 2, 2001
<i>Cash flows from operating activities:</i>			
Net income	\$ 264,946	\$ 207,513	\$ 70,642
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	134,959	122,967	111,399
Deferred income taxes	82,867	7,743	(77,942)
Tax benefit from stock option exercises	2,372	5,819	19,018
Litigation settlement	(162,000)	-	162,000
Change in operating assets and liabilities:			
Merchandise inventories	7,992	(118,788)	(59,803)
Other current assets	12,566	(13,540)	4,650
Accounts payable	18,840	25,201	(47,336)
Accrued expenses and other	14,610	25,907	39,391
Income taxes	56,458	(5,907)	(9,545)
Other	430	8,713	3,031
<b>Net cash provided by operating activities</b>	<b>434,040</b>	<b>265,628</b>	<b>215,505</b>
<i>Cash flows from investing activities:</i>			
Purchase of property and equipment	(134,315)	(125,365)	(216,584)
Proceeds from sale of property and equipment	481	1,293	97,612
<b>Net cash used in investing activities</b>	<b>(133,834)</b>	<b>(124,072)</b>	<b>(118,972)</b>
<i>Cash flows from financing activities:</i>			
Issuance of long-term obligations	-	-	199,595
Repayments of long-term obligations	(397,094)	(11,823)	(112,276)
Payment of cash dividends	(42,638)	(42,517)	(42,237)
Proceeds from exercise of stock options	5,021	12,268	34,130
Repurchase of common stock, net	-	-	(62,988)
Other financing activities	(5,702)	(269)	(5,189)
<b>Net cash provided by (used in) financing activities</b>	<b>(440,413)</b>	<b>(42,341)</b>	<b>11,035</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(140,207)</b>	<b>99,215</b>	<b>107,568</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>261,525</b>	<b>162,310</b>	<b>54,742</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 121,318</b>	<b>\$ 261,525</b>	<b>\$ 162,310</b>
<i>Supplemental cash flow information:</i>			
Cash paid during year for:			
Interest	\$ 41,605	\$ 50,297	\$ 50,027
Income taxes	\$ 1,834	\$ 110,944	\$ 104,311
<i>Supplemental schedule of noncash investing and financing activities:</i>			
Purchase of property and equipment under capital lease obligations	\$ 8,453	\$ 17,169	\$ 126,290

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of presentation and accounting policies

#### Basis of presentation

These notes contain references to the years 2003, 2002, 2001 and 2000, which represent fiscal years ending or ended January 30, 2004, January 31, 2003, February 1, 2002 and February 2, 2001, respectively. The Company's fiscal year ends on the Friday closest to January 31. There will be 52 weeks in the fiscal year ending January 30, 2004, and there were 52 weeks in the fiscal years ended January 31, 2003 and February 1, 2002. There were 53 weeks in the fiscal year ended February 2, 2001. The consolidated financial statements include all subsidiaries, except for its not-for-profit subsidiary whose assets and revenues are not material. Intercompany transactions have been eliminated.

The Company sells general merchandise on a retail basis through 6,113 stores (as of January 31, 2003) located predominantly in small towns in the southern, eastern and midwestern United States. The Company has distribution centers ("DCs") in Scottsville, Kentucky; Ardmore, Oklahoma; South Boston, Virginia; Indianola, Mississippi; Fulton, Missouri; Alachua, Florida and Zanesville, Ohio.

The Company purchases its merchandise from a wide variety of suppliers. Approximately 11% of the Company's purchases in 2002 were made from Procter and Gamble. No other supplier accounted for more than 4% of the Company's purchases in 2002.

All share and per share data reflect the effect of common stock splits.

## Restatement

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

## Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased.

## Merchandise inventories

Inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out ("LIFO") method. The excess of current cost over LIFO cost was approximately \$5.9 million at January 31, 2003, \$14.8 million at February 1, 2002 and \$18.3 million at February 2, 2001. Current cost is determined using the retail first-in first-out method. LIFO reserves decreased \$8.9 million, \$3.5 million and \$0.4 million in 2002, 2001 and 2000, respectively. Costs directly associated with warehousing and distribution are capitalized into inventory.

## Pre-opening costs

Pre-opening costs for new stores are expensed as incurred.

## Property and equipment

Property and equipment are recorded at cost. The Company provides for depreciation on a straight-line basis over the following estimated useful lives:

Land improvements	20
Buildings	39-40
Leasehold improvements	8
Furniture, fixtures and equipment	3-10

## Impairment of long-lived assets

When indicators of impairment are present, the Company evaluates the carrying value of long-lived assets, other than goodwill, in relation to the operating performance and future undiscounted cash flows of the underlying assets. The Company adjusts the net book value of the underlying assets if the sum of expected future cash flows is less than the book value. Assets to be disposed of are adjusted to the fair value less the cost to sell if less than the book value. The Company recorded impairment charges of approximately \$1.1 million and \$3.6 million in 2001 and 2000, respectively, to reduce the carrying value of the Homerville, Georgia DC (which was closed in fiscal 2000). These charges were included in Selling, general and administrative ("SG&A") expense.

## Other assets

Other assets consist primarily of debt issuance costs which are amortized over the life of the related obligations, security deposits and goodwill.

## Vendor rebates

The Company records vendor rebates, primarily consisting of new store allowances and volume purchase rebates, when realized. The rebates are recorded as a reduction to inventory purchases, at cost, which has the effect of reducing cost of goods sold, as prescribed by Emerging Issues Task Force ("EITF") Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16").

## Operating leases

*Contingent rentals*. The Company recognizes contingent rental expense when the achievement of specified sales targets are considered probable, in accordance with EITF Issue No. 98-9, "Accounting for Contingent Rent." The amount expensed but not paid as of January 31, 2003 and February 1, 2002 was approximately \$9.0 million and \$7.9 million, respectively, and is included in Accrued expenses and other in the accompanying consolidated balance sheets. (See Notes 5 and 9 for further discussion).

*Deferred rent*. The Company records rental expense on a straight-line basis over the base, non-cancellable lease term. Any difference between the calculated expense and the amounts actually paid are reflected as a liability in Accrued expenses and other in the accompanying consolidated balance sheets and totaled approximately \$3.5 million and \$3.0 million at January 31, 2003 and February 1, 2002, respectively.

## Insurance claims provisions

The Company retains a significant portion of risk for its workers' compensation, employee health, general liability, property and automobile claim exposures. Accordingly, provisions are made for the Company's estimates of such risks. Actuaries are utilized to determine the undiscounted future claim costs for the workers' compensation, general liability, and health claim risks. To the extent that subsequent claim costs vary from those estimates, future results of operations will be affected. The Greater Cumberland Insurance Company ("GCIC"), a Vermont-based wholly-owned captive insurance subsidiary of the Company, charges the operating subsidiary companies premiums to insure the retained workers' compensation and non-property general liability exposures. GCIC currently insures no unrelated third-party risk.

## Fair value of financial instruments

The carrying amounts reflected in the consolidated balance sheets for cash, cash equivalents, receivables and payables approximate their respective fair values. At January 31, 2003 and February 1, 2002, the fair value of the Company's debt, excluding capital lease obligations, was approximately \$287.0 million and \$268.5 million, respectively, based upon the estimated market value of the debt at those dates. Such fair value is less than the carrying value of the debt at January 31, 2003 and February 1, 2002, by approximately \$7.4 million and \$27.1 million, respectively. Fair values are based primarily on quoted prices for those or similar instruments. A discussion of the carrying value and fair value of the Company's derivative financial instruments is included in the section entitled "Derivative financial instruments" below.

## Derivative financial instruments

Effective February 3, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138 and interpreted by numerous Financial Accounting Standards Board ("FASB") Issues. These statements require the Company to recognize all derivative instruments on the balance sheet at fair value. These statements also established new accounting rules for hedging instruments, which depend on the nature of the hedge relationship. For 2002 and 2001, the consolidated financial statements include the provisions required by SFAS No. 133, while the 2000 consolidated financial statements were prepared in accordance with the applicable professional literature for derivatives and hedging instruments in effect at that time. The adoption of the provisions of SFAS No. 133 at the beginning of 2001 was immaterial to the Company's financial position and results of operations.

The Company uses derivative financial instruments primarily to reduce its exposure to adverse fluctuations in interest rates and, to a much lesser extent, other market exposures. When entered into, the Company formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the value or cash flows of the underlying exposures being hedged. Derivatives are recorded in the consolidated balance sheets at fair value in either Other assets, net or Accrued expenses and other, depending on whether the amount is an asset or liability.

The fair values of derivatives used to hedge or modify the Company's risks fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions and other exposures and to the overall reduction in the Company's risk relating to adverse fluctuations in interest rates and other market factors. In addition, the earnings impact resulting from the Company's derivative instruments is recorded in the same line item within the consolidated statements of income as the underlying exposure being hedged. The Company also formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at

offsetting changes in either the fair value or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in the results of operations.

The Company primarily executes derivative transactions with major financial institutions. These counterparties expose the Company to credit risk in the event of non-performance. The amount of such exposure is limited to the unpaid portion of amounts due to the Company pursuant to the terms of the derivative financial instruments, if any. Although there are no collateral requirements if a downgrade in the credit rating of these counterparties occur, management believes that this exposure is mitigated by provisions in the derivative agreements which allow for the legal right of offset of any amounts due to the Company from the counterparties with any amounts payable to the counterparties by the Company. As a result, management considers the risk of counterparty default to be minimal.

At February 1, 2002, the Company was party to an interest rate swap agreement with a notional amount of \$100 million. The Company designated this agreement as a hedge of the floating rate commitments relating to a portion of its synthetic lease agreements (see Note 7). Under the terms of the agreement, the Company paid a fixed rate of 5.60% and received a floating rate (LIBOR) on the \$100 million notional amount through September 1, 2002. This interest rate swap matured in September 2002, and, as of January 31, 2003, the Company was party to no outstanding derivative financial instruments. During 2002 and 2001 this derivative was 100% effective in hedging the floating rate commitments relating to the underlying exposure being hedged. Accordingly, no hedge ineffectiveness was recognized by the Company relating to this hedging relationship.

During 2002, the Company recorded a \$1.9 million decrease to Other comprehensive loss, net of both income taxes and reclassifications to earnings, primarily related to recognized net losses on its interest rate swap agreement, which generally offset cash flow gains relating to the underlying synthetic lease agreements being hedged during the year. The Company did not discontinue any hedging relationships during 2002.

The following table summarizes activity in Other comprehensive loss related to derivatives held by the Company during the period from February 2, 2002, through January 31, 2003 (in thousands):

	Before-Tax Amount	Income Tax	After-Tax Amount
Accumulated net losses as of February 1, 2002	\$ (5,100)	\$ 1,872	\$ (3,228)
Net change in fair value of derivatives	437	(160)	277
Net losses reclassified from Other comprehensive loss into earnings	2,530	(928)	1,602
Accumulated net losses as of January 31, 2003	<u>\$ (2,133)</u>	<u>\$ 784</u>	<u>\$ (1,349)</u>

The balance remaining in Other comprehensive loss at January 31, 2003 relates solely to deferred losses realized in June 2000 on the settlement of an interest rate derivative that was designated and effective as a cash flow hedge of the Company's forecasted issuance of its \$200 million of fixed rate notes in June 2000 (see Note 7). This amount will be reclassified into earnings as an adjustment to the effective interest expense on the fixed rate notes through their maturity date in June 2010. The Company estimates that it will reclassify into earnings during the next twelve months approximately \$0.2 million of the net amount recorded in Other comprehensive loss as of January 31, 2003.

#### Stock-based compensation

The Company grants stock options having a fixed number of shares and an exercise price equal to the fair value of the stock on the date of grant to certain executive officers, directors and key employees. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations because the Company believes the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, compensation expense is generally not recognized for plans in which the exercise price of the stock options equals the market price of the underlying stock on the date of grant and the number of shares subject to exercise is fixed. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant date for awards under these plans consistent with the methodology prescribed under SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated in the following table.

<i>(Amounts in thousands except per share data)</i>	2002	2001	2000
Net income – as reported	\$ <b>264,946</b>	\$ 207,513	\$ 70,642
Less pro forma effect of stock option grants	<b>15,217</b>	11,461	19,837
<b>Net income – pro forma</b>	<b>\$ 249,729</b>	\$ 196,052	\$ 50,805
Earnings per share – as reported			
Basic	\$ <b>0.80</b>	\$ 0.63	\$ 0.21
Diluted	\$ <b>0.79</b>	\$ 0.62	\$ 0.21
Earnings per share – pro forma			
Basic	\$ <b>0.75</b>	\$ 0.59	\$ 0.15
Diluted	\$ <b>0.75</b>	\$ 0.59	\$ 0.15

The pro forma effects on net income for 2002, 2001 and 2000 are not representative of the pro forma effect on net income in future years because they do not take into consideration pro forma compensation expense related to grants made prior to 1995.

The Company has historically permitted employees to use shares acquired through the exercise of stock options to satisfy tax-withholding requirements in excess of minimum employer statutory withholding rates. The Company recognizes compensation expense for such stock option exercises and grants in accordance with the provisions of EITF 87-6, "Adjustments Relating to Stock Compensation Plans," and FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation – An Interpretation of APB 25," as applicable. On December 17, 2001, the Company modified its personnel policies to eliminate the employee excess tax-withholding option.

During 2001, the Company modified its stock incentive plans to extend the exercise period for outstanding stock option grants from one to three years for estates of deceased employees, to the extent that the stock options were fully vested at the date of death. However, this modification did not extend the ten-year maximum contractual exercise term following the date of grant. In accordance with the provisions of APB No. 25, as interpreted, this modification has resulted in the recording of compensation expense, using the intrinsic-value based method of accounting, only for those vested stock options held by estates of employees which would benefit from the extended exercise period. On the modification date, the Company could not estimate whether and to what extent estates of deceased employees would benefit from this modification and, accordingly, no compensation expense was recorded during 2001. However, in subsequent periods, the Company has recognized and will continue to recognize compensation expense for those estates of deceased employees that benefit from the extended exercise period, and, it is possible that such compensation expense could materially affect future consolidated financial statements. The Company recognized compensation expense relating to its stock option plans of approximately \$0.1 million and \$1.9 million in 2001 and 2000, respectively. There was no such expense in 2002.

The Company also periodically awards restricted stock having a fixed number of shares at a purchase price that is set by the Compensation Committee of the Company's Board of Directors, which purchase price may be set at zero, to certain executive officers, directors and key employees. The Company also accounts for restricted stock grants in accordance with APB No. 25 and related interpretations. Under APB No. 25, the Company calculates compensation expense as the difference between the market price of the underlying stock on the date of grant and the purchase price, if any, and recognizes such amount on a straight-line basis over the period in which the restricted stock award is earned by the recipient. The Company recognized compensation expense relating to its restricted stock awards of approximately \$0.1 million, \$0.4 million, and \$-0- in 2002, 2001, and 2000, respectively. (See Note 12 for further disclosure relating to stock incentive plans).

#### Revenue and gain recognition

The Company recognizes sales at the time the sale is made to the customer. The Company records gain contingencies when realized.

#### Advertising costs

Advertising costs are expensed as incurred and were \$7.1 million, \$6.6 million, and \$7.0 million in 2002, 2001, and 2000, respectively.

## Interest during construction

To assure that interest costs properly reflect only that portion relating to current operations, interest on borrowed funds during the construction of property and equipment is capitalized. Interest costs capitalized were approximately \$0.1 million, \$1.3 million and \$6.7 million in 2002, 2001 and 2000, respectively.

## Income taxes

The Company reports income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, the asset and liability method is used for computing future income tax consequences of events, which have been recognized in the Company's consolidated financial statements or income tax returns. Deferred income tax expense or benefit is the net change during the year in the Company's deferred income tax assets and liabilities.

## Management estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

## Accounting pronouncements

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

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

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds both SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS No. 4, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Generally, under SFAS No. 145, gains and losses from debt extinguishments will no longer be classified as extraordinary items. The Company adopted the provisions of SFAS No. 145 on February 1, 2003 and believes the adoption of SFAS No. 145 will not have a material effect on the Company's financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF 94-3 had recognized the liability at the commitment date to an exit plan. The Company was required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 is an amendment of SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25. As allowed by SFAS No. 123, the Company has elected to continue to utilize the accounting method prescribed by APB Opinion No. 25 and has adopted the disclosure requirements of SFAS No. 148 as of January 31, 2003. The adoption of SFAS No. 148 did not have a material impact on the Company's financial position or results of operations.

In November 2002, the EITF reached a consensus on EITF 02-16, which addresses the accounting and income statement classification for consideration given by a vendor to a retailer in connection with the sale of the vendor's products or for the promotion of sales of the vendor's products. The EITF concluded that such consideration received from vendors should be reflected as a decrease in prices paid for inventory and recognized in cost of sales as the related inventory is sold, unless specific criteria are met qualifying the consideration for treatment as reimbursement of specific, identifiable incremental costs. As clarified by the EITF in January 2003, this issue is effective for arrangements with vendors initiated on or after January 1, 2003. The provisions of this consensus have been applied prospectively and are consistent with the Company's existing accounting policy. Accordingly, the adoption of EITF 02-16 did not and will not have a material impact on the Company's financial position or results of operations.

FASB Interpretation No. 46, "Accounting for Variable Interest Entities" ("FIN 46"), expands upon current guidance relating to when a company should include in its financial statements the assets, liabilities and activities of a variable interest entity. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply for "older" entities in the first fiscal year or interim period beginning after June 15, 2003, which would apply for the Company beginning in the third quarter of 2003. The Company is currently evaluating the impact that the adoption of FIN 46 will have on its financial position and results of operations when adopted in 2003.

## Reclassifications

Certain reclassifications of the 2001 and 2000 amounts have been made to conform to the 2002 presentation.

## 2. Cash and short-term borrowings

The Company's cash management system provides for daily investment of available balances and the funding of outstanding checks when presented for payment. Outstanding but unpresented checks totaling approximately \$91.3 million and \$74.6 million at January 31, 2003 and February 1, 2002, respectively, have been included in Accounts payable in the accompanying consolidated balance sheets. Upon presentation for payment, they will be funded through available cash balances or the Company's existing credit facilities.

The Company closed on a new revolving credit facility in June 2002, which included a \$150 million, 364-day revolving credit facility. There were no amounts outstanding under this facility during 2002. Borrowings under this facility, if any, are subject to restrictive covenants. As a result of the new facility, the Company terminated a \$175 million revolving credit facility that was scheduled to expire in September 2002. There were no borrowings outstanding under the \$175 million facility at February 1, 2002 (see Note 7).

The weighted average interest rate for all short-term borrowings was 4.0% in 2001.

At January 31, 2003 and February 1, 2002, the Company had commercial letter of credit facilities totaling \$150.0 million and \$210.0 million, respectively, of which \$85.3 million and \$72.9 million, respectively, were outstanding for the funding of imported merchandise purchases.

## 3. Inventory markdown

In the fourth quarter of 2000, the Company determined that it had certain excess inventory that would require a markdown to assist with its disposition. Accordingly, the Company recorded a markdown that had the impact of reducing inventory at cost at February 2, 2001 and increasing cost of goods sold in the fourth quarter of 2000 by approximately \$21.5 million. The Company recorded an additional markdown relating to this inventory in the second half of 2002 which increased cost of goods sold and decreased inventory by approximately \$3 million. Approximately \$25 million (at cost) of this inventory remains on hand at January 31, 2003. The Company anticipates that any further markdowns required to assist with the disposition of the remaining inventory identified as excess in the fourth quarter of 2000 will be immaterial to its future financial position and results of operations.

## 4. Property and equipment

Property and equipment is recorded at cost and summarized as follows:

<i>(In thousands)</i>	2002	2001
Land and land improvements	\$ 145,508	\$ 144,490
Buildings	333,764	331,795
Leasehold improvements	157,014	140,893
Furniture, fixtures and equipment	940,323	847,181
Construction in progress	1,214	9,334
	1,577,823	1,473,693
Less accumulated depreciation and amortization	584,001	484,778
Net property and equipment	\$ 993,822	\$ 988,915

Depreciation expense related to property and equipment was approximately \$135.3 million, \$122.3 million and \$110.9 million in 2002, 2001 and 2000, respectively. Amortization of capital lease assets is included in depreciation expense.

#### 5. Accrued expenses and other

Accrued expenses and other consist of the following:

<i>(In thousands)</i>	2002	2001
Compensation and benefits	\$ 63,868	\$ 69,100
Insurance	73,528	58,007
Taxes (other than taxes on income)	29,695	26,313
Dividends	-	10,647
Freight	7,809	7,768
Other	64,998	70,945
	\$ 239,898	\$ 242,780

#### 6. Income taxes

The provision for taxes on income consists of the following:

<i>(In thousands)</i>	2002	2001	2000
Current:			
Federal	\$ 55,646	\$ 103,988	\$ 103,158
State	11,167	8,578	12,789
	66,813	112,566	115,947
Deferred:			
Federal	83,138	5,823	(66,781)
State	(271)	1,920	(11,161)
	82,867	7,743	(77,942)
	\$ 149,680	\$ 120,309	\$ 38,005

A reconciliation between actual income taxes and amounts computed by applying the federal statutory rate to income before income taxes is summarized as follows:

<i>(In thousands)</i>	2002		2001		2000	
U.S. federal statutory rate on earnings before income taxes	\$145,119	35.0%	\$114,735	35.0%	\$38,026	35.0%
State income taxes, net of federal income tax benefit	6,620	1.6%	6,590	2.0%	402	0.4%
Jobs credits, net of federal income taxes	(2,745)	(0.7)%	(1,480)	(0.5)%	(1,123)	(0.9)%
Increase in valuation allowance	463	0.1%	233	0.1%	657	0.5%
Other	223	0.1%	231	0.1%	43	0.0%
	\$149,680	36.1%	\$120,309	36.7%	\$38,005	35.0%

Sources of deferred tax assets and deferred tax liabilities are as follows:

<i>(In thousands)</i>	2002	2001
Deferred tax assets:		
Deferred compensation expense	\$ 14,098	\$ 17,698
Accrued expenses and other	4,526	9,431
Workers compensation-related insurance liabilities	6,905	5,592
Deferred gain on sale/leasebacks	2,922	3,067
Litigation settlement	-	63,000
Other	5,011	4,010
State tax net operating loss carryforwards	10,020	2,277
State tax credit carryforwards	1,437	625
	44,919	105,700
Less valuation allowance	(2,813)	(2,350)
Total deferred tax assets	42,106	103,350

Deferred tax liabilities:		
Property and equipment	(54,885)	(33,758)
Inventories	(2,855)	(1,191)
Other	(753)	(956)
<b>Total deferred tax liabilities</b>	<b>(58,493)</b>	<b>(35,905)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>\$ (16,387)</b>	<b>\$ 67,445</b>

State net operating loss carryforwards as of January 31, 2003, totaled approximately \$245.9 million and will expire between 2003 and 2023. The valuation allowance has been provided for certain state loss carryforwards and state tax credits. The change in the valuation allowance was \$0.5 million, \$0.2 million, and \$0.7 million in 2002, 2001, and 2000, respectively. Based upon expected future income, management believes that it is more likely than not that the results of operations will generate sufficient taxable income to realize the deferred tax assets after giving consideration to the valuation allowance.

## 7. Long-term obligations

Long-term obligations consist of the following:

<i>(In thousands)</i>	<b>January 31, 2003</b>	February 1, 2002
8 5/8% Notes due June 15, 2010, net of discount of \$319 and \$362, at January 31, 2003 and February 1, 2002, respectively	\$ 199,681	\$ 199,638
Capital lease obligations	52,086	439,476
Financing obligations (see Note 9)	94,779	95,979
Other	-	52
	<b>346,546</b>	735,145
Less: current portion	(16,209)	(395,675)
<b>Long-term portion</b>	<b>\$ 330,337</b>	<b>\$ 339,470</b>

The Company closed on a \$450 million revolving credit facility (the "Credit Facilities") in June 2002, pursuant to which SunTrust Bank is serving as Administrative Agent, Credit Suisse First Boston is the Syndication Agent and KeyBank N.A. and U.S. Bank N.A. are Co-Documentation Agents. The Company used the Credit Facilities (i) to replace a \$175 million revolving credit agreement (the "Old Credit Facility"), under which no amounts were outstanding at February 1, 2002, and to refinance \$383 million outstanding under two synthetic lease facilities (the "Synthetic Lease Facilities"), which were scheduled to expire and mature, respectively, in September 2002, and (ii) for working capital and other general corporate purposes. The Credit Facilities are comprised of a \$300 million three-year revolving credit facility, and a \$150 million 364-day revolving credit facility. The Company pays interest on funds borrowed under the Credit Facilities at rates that are subject to change based upon the rating of the Company's senior debt by independent agencies. The Company has two interest rate options, base rate (which is usually equal to prime rate) and LIBOR. At the Company's current ratings, the facility fees are 37.5 basis points and 32.5 basis points on the two facilities, respectively. The all-in drawn margin under the LIBOR option is LIBOR plus 237.5 basis points on both facilities. The all-in drawn margin under the base rate option is the base rate plus 125 basis points and the base rate plus 120 basis points on the two facilities, respectively. The Credit Facilities are collateralized by the same real estate assets that served as collateral for the Synthetic Lease Facilities: approximately 400 of the Company's retail stores, its headquarters and two of its DCs. As of January 31, 2003, the Company had no outstanding borrowings and \$15 million of standby letters of credit under the Credit Facilities. The standby letters of credit reduce the borrowing capacity of the Credit Facilities. The Credit Facilities contain financial covenants which include the ratio of debt to cash flow, fixed charge coverage, asset coverage, minimum allowable consolidated net worth (approximately \$1.08 billion as of January 31, 2003) and maximum allowable capital expenditures. As of January 31, 2003, the Company was in compliance with all of these covenants.

On June 21, 2000, the Company sold \$200 million principal amount of 8 5/8% Notes due June 2010 (the "Old Notes") in a private offering under Rule 144A of the Securities Act of 1933. Subsequent to the offering, the Company and its guarantor subsidiaries filed a registration statement on Form S-4 enabling the Company to exchange its 8 5/8% Exchange Notes due June 2010 (the "New Notes" and, together with the Old Notes, the "Notes") for all outstanding Old Notes.

The Notes require semi-annual interest payments in June and December of each year through June 15, 2010, at which time the entire balance becomes due and payable. In addition, the Notes may be redeemed by the holders thereof at 100% of the principal amount, plus accrued and unpaid interest, on June 15, 2005. The Notes contain certain restrictive covenants. At January 31, 2003, the Company was in compliance with all such covenants.

In June 2000, DCs in Indianola, Mississippi and Fulton, Missouri were purchased by the Company and subsequently sold in sale-leaseback transactions resulting in twenty-two year, triple net leases with renewal options for an additional thirty years. These properties were refinanced to bolster liquidity and diversify sources of funds.

The Company received waivers during 2001 and 2002 with respect to the leases of its DCs in Indianola, Mississippi and Fulton, Missouri. These waivers cured any alleged default of covenants under the leases as a result of the Company's representations regarding its previous audited financial statements and the restatement of such financial statements. The Company reached agreement with all relevant parties to effect such waivers and in 2002 incorporated certain amendments in the lease documents, as a material inducement to obtain such waivers. The amendments to the leases involve the Company's agreeing to comply with all obligations under its revolving credit agreements, as in effect from time to time, including, without limitation, all affirmative and financial covenants and to not violate any negative covenants set forth in such agreements.

Throughout 2001, the Company obtained waivers from its lenders to extend the requirement to deliver its audited 2000 financial statements, and unaudited 2001 quarterly financial statements, as a result of delays related to its restated financial statements (see Note 1). The Company executed waivers with its various lenders during 2001, certain of which prohibited the Company from repurchasing its shares, limited its capital expenditures, increased its cost of borrowing and accelerated the maturity of one of the Synthetic Lease Facilities. The Company paid a total of approximately \$1.6 million in fees during 2001 for all of the waivers and amendments, which are included in SG&A expenses.

## 8. Earnings per share

The amounts reflected below are in thousands except per share data.

	<b>2002</b>		
	<b>Income</b>	<b>Shares</b>	<b>Per Share Amount</b>
<b>Net income</b>	<b>\$ 264,946</b>	<b>333,055</b>	<b>\$ 0.80</b>
<b>Effect of dilutive stock options</b>		<b>1,995</b>	
<b>Diluted earnings per share</b>	<b>\$ 264,946</b>	<b>335,050</b>	<b>\$ 0.79</b>
	<b>2001</b>		
	<b>Income</b>	<b>Shares</b>	<b>Per Share Amount</b>
<b>Net income</b>	<b>\$ 207,513</b>	<b>332,263</b>	<b>\$ 0.63</b>
<b>Effect of dilutive stock options</b>		<b>2,754</b>	
<b>Diluted earnings per share</b>	<b>\$ 207,513</b>	<b>335,017</b>	<b>\$ 0.62</b>

2000			
	Income	Shares	Per Share Amount
Net income	\$ 70,642	329,741	\$ 0.21
Effect of dilutive stock options		4,117	
<b>Diluted earnings per share</b>	<b>\$ 70,642</b>	<b>333,858</b>	<b>\$ 0.21</b>

Basic earnings per share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share was 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 fiscal year but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares were 18.3 million, 14.4 million and 10.2 million in 2002, 2001 and 2000, respectively.

## 9. Commitments and contingencies

### Leases

As of January 31, 2003, the Company was committed under capital and operating lease agreements and financing obligations for most of its retail stores, four of its DCs, and certain of its furniture, fixtures and equipment. Most of the stores are operated under traditional operating leases that include renewal options for periods ranging from two to five years. Approximately half of the stores have provisions for contingent rentals based upon a percentage of defined sales volume. Certain leases contain restrictive covenants. As of January 31, 2003, the Company was in compliance with such covenants.

In January 1999 and April 1997, the Company sold its DCs located in Ardmore, Oklahoma and South Boston, Virginia, respectively, for 100% cash consideration. Concurrent with the sale transactions, the Company leased the properties back for periods of 23 and 25 years, respectively. The transactions have been recorded as financing obligations rather than sales as a result of, among other things, the lessor's ability to put the properties back to the Company under certain circumstances. The property and equipment, along with the related lease obligations, associated with these transactions are recorded in the accompanying consolidated balance sheets.

Future minimum payments as of January 31, 2003, for capital leases, operating leases and financing obligations, are as follows:

<i>(In thousands)</i>	<b>Capital leases</b>	<b>Financing obligations</b>	<b>Operating leases</b>
2003	\$ 18,498	\$ 9,283	\$ 178,094
2004	18,392	9,283	158,876
2005	12,546	9,283	118,526
2006	6,134	9,283	80,692
2007	3,372	9,565	55,298
Thereafter	2,857	156,332	199,975
Total minimum payments	61,799	203,029	<u>\$ 791,461</u>
Less: Imputed interest	(9,713)	(108,250)	
Present value of net minimum lease payments	52,086	94,779	
Less: current portion	(14,605)	(1,604)	
Long-term portion	<u>\$ 37,481</u>	<u>\$ 93,175</u>	

Capital leases were discounted at an effective interest rate of approximately 8.4% at January 31, 2003. The gross amount of property and equipment recorded under capital leases or financing obligations at January 31, 2003 and February 1, 2002, was \$184.3 million and \$556.9 million, respectively.

Rent expense under all operating leases was as follows:

<i>(In thousands)</i>	<b>2002</b>	2001	2000
Minimum rentals	<b>\$ 200,724</b>	\$ 173,060	\$ 141,627
Contingent rentals	<b>15,621</b>	12,774	12,584
	<b>\$ 216,345</b>	\$ 185,834	\$ 154,211

### Legal proceedings

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

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

As previously discussed in the Company's periodic reports filed with the Securities and Exchange Commission, the Company and the individual current and former Company director and officer defendants settled the lead shareholder derivative action relating to the restatement that had been filed in Tennessee State Court. The settlement agreement provided for a payment to the Company from a portion of the proceeds of the Company's director and officer liability insurance policies as well as certain corporate governance and internal control enhancements. The terms of such agreement required that all of the derivative cases, including the federal derivative cases previously described in the Company's periodic reports filed with the Securities and Exchange Commission, be dismissed with prejudice by the courts in which they were pending in order for the settlement to be effective. Following confirmatory discovery, the settlement agreement received final approval by the Tennessee State Court on June 4, 2002. All other derivative cases pending in the Tennessee State Court were subsequently dismissed. The federal derivative actions were

dismissed on September 3, 2002.

The settlement of the shareholder derivative lawsuits resulted in a net payment to the Company, after attorneys' fees payable to the plaintiffs' counsel, of approximately \$25.2 million in August 2002, which was recorded as income during the third quarter of 2002.

Also as previously discussed in the Company's periodic reports filed with the Securities and Exchange Commission, the Company settled the consolidated restatement-related class action lawsuit filed in the United States District Court for the Middle District of Tennessee on behalf of a class of persons who purchased or otherwise made an investment decision regarding the Company's securities and related derivative securities between March 5, 1997 and January 14, 2002. The \$162 million settlement was approved by the court on May 24, 2002 and was paid in the first half of 2002. This amount had been previously expensed by the Company in the fourth quarter of 2000. The Company received from its insurers \$4.5 million in respect of such settlement in July 2002, which was recorded as income during the second quarter of 2002. In connection with the settlement, plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the class settlement and may elect to pursue recovery against the Company individually. In the fourth quarter of 2002, the Company reached an agreement to settle, and paid, a claim by one such plaintiff and recognized an expense of \$0.2 million in respect of such agreement. To the Company's knowledge, no other litigation has yet been filed or threatened by parties who opted out of the class action settlement. The Company cannot predict whether any additional litigation will be filed or estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material adverse effect on the Company's financial position or results of operations.

*Other Litigation* . On March 14, 2002, a complaint was filed in the United States District Court for the Northern District of Alabama to commence a purported collective action against the Company on behalf of current and former salaried store managers. The complaint alleges that these individuals were entitled to overtime pay and should not have been classified as exempt employees under the Fair Labor Standards Act ("FLSA"). Plaintiffs seek to recover overtime pay, liquidated damages, declaratory relief and attorneys' fees. This action is still in the initial discovery phase and the court has not found that the case should proceed as a collective action. The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that the action is not appropriate for collective action treatment. The Company intends to vigorously defend the action. However, no assurances can be given that the Company will be successful in defending this action on the merits or otherwise, and, if not, the resolution could have a material adverse effect on the Company's financial position or results of operations.

The Company is involved in other legal actions and claims arising in the ordinary course of business. The Company currently believes that such litigation and claims, both individually and in the aggregate, will be resolved without material effect on the Company's financial position or results of operations. 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 financial position or results of operations.

#### **Other matters**

In July of 2002 the Company filed amended federal income tax returns for 1998 and 1999. In October of 2002 the Company filed its federal income tax returns for 2000 and 2001. The Internal Revenue Service is currently conducting a normal examination of the Company's 1998 and 1999 federal income tax returns. The results of the examination, and any other issues discussed with the IRS in the course of the examination, may result in changes to the Company's future tax liability.

#### **10. Employee benefits**

Effective January 1, 1998, the Company established a 401(k) savings and retirement plan. All employees who had completed 12 months of service, worked 1,000 hours per year, and were at least 21 years of age were eligible to participate in the plan. Employee contributions, up to 6% of annual compensation, were matched by the Company at the rate of \$0.50 on the dollar. The Company also contributed a discretionary amount annually to the plan equal to 2% of each employee's annual compensation.

Effective January 1, 2003, the Company's 401(k) savings and retirement plan was amended to allow all employees to participate in the plan and contribute up to 25% of pay from their date of hire. After employees complete 12 months of service, including 1,000 hours of service, the Company will match employee contributions at a rate of \$1.00 for each \$1.00 contributed, up to 5% of annual compensation. Expense for this plan was approximately \$5.9 million in 2002, \$7.4 million in 2001, and \$7.2 million in 2000.

Effective January 1, 1998, the Company also established a supplemental retirement plan and a compensation deferral plan for a select group of management and highly compensated employees. The supplemental retirement plan is a noncontributory defined contribution plan with annual Company contributions ranging from 2% to 12% of base pay plus bonus depending upon age plus years of service and salary level. Under the compensation deferral plan, participants may defer up to 65% of base pay and 100% of bonus pay. Effective January 1, 2000, both the supplemental retirement plan and compensation deferral plan were amended and restated so that such plans were combined into one master plan document. Effective January 1, 2003, the plan document was amended to clarify certain provisions and to mirror the 401(k) plan employer contribution provisions that became effective on January 1, 2003, as described above. An employee may be designated for participation in one or both of the plans, according to the eligibility requirements of the plans. Compensation expense for these plans was approximately \$0.2 million in 2002, \$0.1 million in 2001, and \$0.1 million in 2000.

In September 2000, the supplemental retirement plan and compensation deferral plan assets were invested in Company stock and mutual funds as designated by the plan participants and placed in a rabbi trust. The mutual funds are stated at fair market value, which is based on quoted market prices, and are included in Other current assets. In accordance with EITF 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested," the Company's stock is recorded at historical cost and classified as Common stock held in trust. Pursuant to the terms of the plan, a participant's account balance will be paid in cash by (a) lump sum, (b) monthly installments over a 5, 10 or 15 year period or (c) a combination of lump sum and installments. The deferred compensation liability is recorded at the fair value of the investments held in the trust and is included in Accrued expenses and other in the accompanying consolidated balance sheets.

#### **11. Capital stock**

The Company has a Shareholder Rights Plan (the "Plan") under which Series B Junior Participating Preferred Stock Purchase Rights (the "Rights") were issued for each outstanding share of common stock. The Rights were attached to all common stock outstanding as of March 10, 2000, and will be attached to all additional shares of common stock issued prior to the Plan's expiration on February 28, 2010, or such earlier termination, if applicable. The Rights entitle the holders to purchase from the Company one one-hundredth of a share (a "Unit") of Series B Junior Participating Preferred Stock (the "Preferred Stock"), no par value, at a purchase price of \$100 per Unit, subject to adjustment. Initially, the Rights will attach to all certificates representing shares of outstanding common stock, and no separate Rights Certificates will be distributed. The Rights will become exercisable upon the occurrence of a triggering event as defined in the Plan.

On March 13, 2003, the Company was granted the authority by its Board of Directors to repurchase up to 12 million shares of its outstanding common stock. This authorization expires March 13, 2005.

#### **12. Stock incentive plans**

The Company has established a stock incentive plan under which restricted stock awards and stock options to purchase common stock may be granted to executive officers, directors and key employees.

In 2001, the Company awarded a total of 32,000 shares of restricted stock to certain executive officers at a weighted average fair value of \$17.20 per share. The difference between the market price of the underlying stock and the purchase price, which was set as zero for all restricted stock awards in 2001, on the date of grant was recorded as a reduction of shareholders' equity as unearned compensation expense and has been amortized to expense on a straight-line basis over the restriction period, which was set at one year for all restricted stock awards in 2001. Under the terms of the Company's 1998 Stock Incentive Plan, recipients are entitled to receive cash dividends and to vote their respective shares, but are prohibited from selling or transferring shares prior to vesting. In addition, the maximum number of shares eligible for issuance under the terms of the Company's restricted stock award plans has been capped at 100,000. At January 31, 2003, 68,000 shares were available for grant under the Company's restricted stock award plan.

All stock options granted in 2002, 2001 and 2000 under the 1998 Stock Incentive Plan were non-qualified stock options issued at a price equal to the fair market value of the Company's common stock on the date of grant. Non-qualified options granted under these plans have expiration dates no later than 10 years following the date of grant.

Under the plan, stock option grants are made to key management employees including executive officers, as well as other employees, as prescribed by the Compensation Committee of the Board of Directors. The number of options granted is directly linked to the employee's job classification. Beginning in 2002, vesting provisions for options granted under the plan changed from a combination of Company performance-based vesting and time-based vesting to time-based vesting only. All options granted in 2002 under the plan vest ratably over a four-year period.

The plans also provide for annual stock option grants to non-employee directors according to a non-discretionary formula. The number of shares granted is dependent upon current director compensation levels and the fair market value of the stock on the grant date.

Pro forma information regarding net income and earnings per share, as disclosed in Note 1, has been determined as if the Company had accounted for its employee stock-based compensation

plans under the fair value method of SFAS No. 123. The fair value of options granted during 2002, 2001 and 2000 was \$6.15, \$6.77 and \$10.76, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black- Scholes option pricing model with the following assumptions:

	2002	2001	2000
Expected dividend yield	0.8%	0.8%	0.7%
Expected stock price volatility	35.3%	35.3%	49.0%
Weighted average risk-free interest rate	3.9%	4.8%	6.2%
Expected life of options (years)	6.5	6.0	6.8

The Black-Scholes option model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

A summary of the balances and activity for all of the Company's stock option awards for the last three fiscal years is presented below:

	Shares Under Plans	Weighted Average Exercise Price
Balance, January 28, 2000	22,665,909	\$ 12.62
Granted	5,795,360	19.75
Exercised	(4,102,739)	7.17
Canceled	(2,267,402)	17.30
Balance, February 2, 2001	22,091,128	15.02
Granted	7,201,728	17.20
Exercised	(1,322,511)	9.75
Canceled	(1,999,583)	18.07
Balance, February 1, 2002	25,970,762	15.65
Granted	4,146,986	15.83
Exercised	(690,515)	6.90
Canceled	(2,510,662)	17.35
<b>Balance, January 31, 2003</b>	<b>26,916,571</b>	<b>\$ 15.73</b>

The following table summarizes information about stock options outstanding at January 31, 2003:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 2.66-\$10.00	3,624,819	2.1	\$ 5.41	2,713,185	\$ 5.89
\$10.01-\$17.00	13,394,423	7.1	14.98	7,825,784	14.53
\$17.01-\$23.90	9,897,329	6.4	20.52	6,447,389	20.49
\$ 2.66-\$23.90	26,916,571	6.2	\$ 15.73	16,986,358	\$ 15.41

At January 31, 2003, there were approximately 6.2 million shares available for granting of stock options under the Company's stock option plans.

### 13. Related party transactions

In July and August of 2002, Cal Turner, the Company's Chairman and then Chief Executive Officer, made voluntary payments to the Company totaling approximately \$6.8 million in cash. Of such amount, approximately \$6.0 million represented the value on April 10, 2002 of stock Mr. Turner acquired on April 7, 1999 and April 20, 2000 upon the exercise of stock options (net of the strike price of such options), which stock Mr. Turner continues to own, and approximately \$0.8 million represented the value of performance-based bonuses received by Mr. Turner in April 1999 and April 2000. Mr. Turner voluntarily paid such amounts to the Company because the options vested and the performance bonuses were paid based on performance measures that were attained under the Company's originally reported financial results for the period covered by the Company's restatement. Those measures would not have been attained under the subsequently restated results. The Company recorded the approximately \$6.0 million receipt as a contribution of capital, which was recorded as an increase in Additional paid-in capital in the accompanying consolidated balance sheet as of January 31, 2003. The Company recorded the approximately \$0.8 million receipt as a reduction of SG&A expenses during the third quarter of 2002.

### 14. Segment reporting

The Company manages its business on the basis of one reportable segment. See Note 1 for a brief description of the Company's business. As of January 31, 2003, all of the Company's operations were located within the United States. The following data is presented in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

(In thousands)	2002	2001	2000
Classes of similar products:			
Net sales:			
Highly consumable	\$ 3,674,929	\$ 3,085,112	\$ 2,518,052
Seasonal	994,250	888,263	706,140

Home products	808,518	767,720	772,262
Basic clothing	622,707	581,800	554,117
	<b>\$ 6,100,404</b>	<b>\$ 5,322,895</b>	<b>\$ 4,550,571</b>

#### 15. Quarterly financial data (unaudited)

The following is selected unaudited quarterly financial data for the fiscal years ended January 31, 2003 and February 1, 2002. Amounts are in thousands except per share data.

Quarter	First	Second	Third	Fourth
<b>2002:</b>				
Net sales	\$ 1,389,412	\$ 1,453,727	\$ 1,497,702	\$ 1,759,563
Gross profit	380,292	387,427	428,583	527,964
Net income	45,928	42,362	68,570	108,086
Diluted earnings per share	\$ 0.14	\$ 0.13	\$ 0.20	\$ 0.32
Basic earnings per share	\$ 0.14	\$ 0.13	\$ 0.21	\$ 0.32
<b>2001:</b>				
Net sales	\$ 1,202,504	\$ 1,225,254	\$ 1,309,125	\$ 1,586,012
Gross profit	321,425	331,283	381,181	475,523
Net income	36,233	27,100	46,737	97,443
Diluted earnings per share	\$ 0.11	\$ 0.08	\$ 0.14	\$ 0.29
Basic earnings per share	\$ 0.11	\$ 0.08	\$ 0.14	\$ 0.29

The third quarter 2002 net income and related per share amounts above include pretax insurance proceeds of \$25.2 million related to the settlement of the Company's shareholder derivative litigation (see Note 9). The fourth quarter 2002 and 2001 gross profit and net income and related per share amounts include pretax LIFO adjustments of \$8.9 million and \$3.5 million, respectively (see Note 1).

#### 16. Guarantor subsidiaries

All of the Company's subsidiaries, except for its not-for-profit subsidiary whose assets and revenues are not material (the "Guarantors"), have fully and unconditionally guaranteed on a joint and several basis the Company's obligations under the Notes described in Note 7. Each of the Guarantors is a direct or indirect wholly owned subsidiary of the Company. In order to participate as a subsidiary guarantor on certain of the Company's financing arrangements, a subsidiary of the Company has entered into a letter agreement with certain state regulatory agencies to maintain stockholders' equity of at least \$250 million.

The following consolidating schedules present condensed financial information on a combined basis. Dollar amounts are in thousands.

	As of January 31, 2003			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
<b>BALANCE SHEET:</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 72,799	\$ 48,519	\$ -	\$ 121,318
Merchandise inventories	-	1,123,031	-	1,123,031
Deferred income taxes	8,937	24,923	-	33,860
Other current assets	19,004	1,328,417	(1,301,722)	45,699
Total current assets	100,740	2,524,890	(1,301,722)	1,323,908
Property and equipment, at cost	169,551	1,408,272	-	1,577,823
Less accumulated depreciation and amortization	65,677	518,324	-	584,001
Net property and equipment	103,874	889,948	-	993,822
Other assets, net	2,786,977	38,949	(2,810,503)	15,423
Total assets	\$ 2,991,591	\$ 3,453,787	\$ (4,112,225)	\$ 2,333,153
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Current portion of long-term obligations	\$ 8,202	\$ 8,007	\$ -	\$ 16,209
Accounts payable	1,412,008	230,273	(1,300,978)	341,303
Accrued expenses and other	32,642	208,000	(744)	239,898
Income taxes payable	-	67,091	-	67,091

Total current liabilities	1,452,852	513,371	(1,301,722)	664,501
Long-term obligations	249,748	937,473	(856,884)	330,337
Deferred income taxes	923	49,324	-	50,247
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	166,670	23,853	(23,853)	166,670
Additional paid-in capital	313,269	1,247,279	(1,247,279)	313,269
Retained earnings	812,220	682,487	(682,487)	812,220
Accumulated other comprehensive loss	(1,349)	-	-	(1,349)
	1,290,810	1,953,619	(1,953,619)	1,290,810
Less common stock purchased by employee deferred compensation trust	2,742	-	-	2,742
Total shareholders' equity	1,288,068	1,953,619	(1,953,619)	1,288,068
Total liabilities and shareholders' equity	\$ 2,991,591	\$ 3,453,787	\$ (4,112,225)	\$ 2,333,153

As of  
February 1, 2002

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
<b>BALANCE SHEET:</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 217,539	\$ 43,986	\$ -	\$ 261,525
Merchandise inventories	-	1,131,023	-	1,131,023
Deferred income taxes	79,203	25,888	-	105,091
Other current assets	15,406	913,082	(870,080)	58,408
Total current assets	312,148	2,113,979	(870,080)	1,556,047
Property and equipment, at cost	158,347	1,315,346	-	1,473,693
Less accumulated depreciation and amortization	51,832	432,946	-	484,778
Net property and equipment	106,515	882,400	-	988,915
Other assets, net	2,079,572	2,022	(2,074,171)	7,423
Total assets	\$ 2,498,235	\$ 2,998,401	\$ (2,944,251)	\$ 2,552,385

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:				
Current portion of long-term obligations	\$ 65,682	\$ 329,993	\$ -	\$ 395,675
Accounts payable	944,830	247,713	(870,080)	322,463
Accrued expenses and other	66,033	176,747	-	242,780
Litigation settlement payable	162,000	-	-	162,000
Income taxes payable	10,493	140	-	10,633
Total current liabilities	1,249,038	754,593	(870,080)	1,133,551
Long-term obligations	200,460	830,881	(691,871)	339,470
Deferred income taxes	7,019	30,627	-	37,646
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	166,359	23,853	(23,853)	166,359
Additional paid-in capital	301,848	929,680	(929,680)	301,848
Retained earnings	579,265	428,767	(428,767)	579,265
Accumulated other comprehensive loss	(3,228)	-	-	(3,228)
	1,044,244	1,382,300	(1,382,300)	1,044,244
Less common stock purchased by employee deferred compensation trust	2,395	-	-	2,395
Less unearned compensation related to outstanding restricted stock	131	-	-	131
Total shareholders' equity	1,041,718	1,382,300	(1,382,300)	1,041,718
Total liabilities and shareholders' equity	\$ 2,498,235	\$ 2,998,401	\$ (2,944,251)	\$ 2,552,385

For the year ended  
January 31, 2003

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
<b>STATEMENTS OF INCOME:</b>				
Net sales	\$ 130,152	\$ 6,100,404	\$ (130,152)	\$ 6,100,404
Cost of goods sold	-	4,376,138	-	4,376,138
Gross profit	130,152	1,724,266	(130,152)	1,724,266
Selling, general and administrative	114,903	1,311,791	(130,152)	1,296,542
Litigation settlement expense and related proceeds	(29,541)	-	-	(29,541)

Operating profit	44,790	412,475	-	457,265
Interest expense	26,930	15,709	-	42,639
Income before taxes on income	17,860	396,766	-	414,626
Provisions for taxes on income	6,634	143,046	-	149,680
Equity in subsidiaries' earnings, net of taxes	253,720	-	(253,720)	-
Net income	\$ 264,946	\$ 253,720	\$ (253,720)	\$ 264,946

**For the year ended  
February 1, 2002**

	<b>DOLLAR GENERAL CORPORATION</b>	<b>GUARANTOR SUBSIDIARIES</b>	<b>ELIMINATIONS</b>	<b>CONSOLIDATED TOTAL</b>
<b>STATEMENTS OF INCOME:</b>				
Net sales	\$ 173,070	\$ 5,322,895	\$ (173,070)	\$ 5,322,895
Cost of goods sold	-	3,813,483	-	3,813,483
Gross profit	173,070	1,509,412	(173,070)	1,509,412
Selling, general and administrative	154,362	1,154,509	(173,070)	1,135,801
Operating profit	18,708	354,903	-	373,611
Interest expense	18,913	26,876	-	45,789
Income (loss) before taxes on income	(205)	328,027	-	327,822
Provisions (benefit) for taxes on income	(26)	120,335	-	120,309
Equity in subsidiaries' earnings, net of taxes	207,692	-	(207,692)	-
Net income	\$ 207,513	\$ 207,692	\$ (207,692)	\$ 207,513

**For the year ended  
February 2, 2001**

	<b>DOLLAR GENERAL CORPORATION</b>	<b>GUARANTOR SUBSIDIARIES</b>	<b>ELIMINATIONS</b>	<b>CONSOLIDATED TOTAL</b>
<b>STATEMENTS OF INCOME:</b>				
Net sales	\$ 150,932	\$ 4,550,571	\$ (150,932)	\$ 4,550,571
Cost of goods sold	-	3,299,668	-	3,299,668
Gross profit	150,932	1,250,903	(150,932)	1,250,903
Selling, general and administrative	101,906	983,925	(150,932)	934,899
Litigation settlement expense	162,000	-	-	162,000
Operating profit (loss)	(112,974)	266,978	-	154,004
Interest expense	18,372	26,985	-	45,357
Income (loss) before taxes on income	(131,346)	239,993	-	108,647
Provisions (benefit) for taxes on income	(51,562)	89,567	-	38,005
Equity in subsidiaries' earnings, net of taxes	150,426	-	(150,426)	-
Net income	\$ 70,642	\$ 150,426	\$ (150,426)	\$ 70,642

**For the year ended  
January 31, 2003**

	<b>DOLLAR GENERAL CORPORATION</b>	<b>GUARANTOR SUBSIDIARIES</b>	<b>ELIMINATIONS</b>	<b>CONSOLIDATED TOTAL</b>
<b>STATEMENTS OF CASH FLOWS:</b>				
<i>Cash flows from operating activities:</i>				
Net income	\$ 264,946	\$ 253,720	\$ (253,720)	\$ 264,946
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	15,222	119,737	-	134,959
Deferred income taxes	63,204	19,663	-	82,867
Tax benefit from stock option exercises	2,372	-	-	2,372
Litigation settlement	(162,000)	-	-	(162,000)
Equity in subsidiaries' earnings, net	(253,720)	-	253,720	-
Change in operating assets and liabilities:				
Merchandise inventories	-	7,992	-	7,992
Other current assets	(5,605)	(350,209)	368,380	12,566
Accounts payable	532,305	(147,694)	(365,771)	18,840
Accrued expenses and other	(20,113)	35,467	(744)	14,610
Income taxes	(10,493)	66,951	-	56,458
Other	6,255	(3,960)	(1,865)	430
Net cash provided by operating activities	432,373	1,667	-	434,040
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(12,949)	(121,366)	-	(134,315)
Proceeds from sale of property and equipment	270	211	-	481
Issuance of long-term notes receivable	(130,152)	-	130,152	-
Contribution of capital	(317,602)	-	317,602	-
Net cash used in investing activities	(460,433)	(121,155)	447,754	(133,834)
<i>Cash flows from financing activities:</i>				
Issuance of long-term obligations	-	130,152	(130,152)	-
Repayments of long-term obligations	(73,361)	(323,733)	-	(397,094)
Payment of cash dividends	(42,638)	-	-	(42,638)
Proceeds from exercise of stock options	5,021	-	-	5,021
Other financing activities	(5,702)	-	-	(5,702)
Issuance of common stock, net	-	317,602	(317,602)	-
Net cash provided by (used in) financing activities	(116,680)	124,021	(447,754)	(440,413)
Net increase (decrease) in cash and cash equivalents	(144,740)	4,533	-	(140,207)
Cash and cash equivalents, beginning of year	217,539	43,986	-	261,525
Cash and cash equivalents, end of year	\$ 72,799	\$ 48,519	\$ -	\$ 121,318

For the year ended  
February 1, 2002

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
<b>STATEMENTS OF CASH FLOWS:</b>				
<i>Cash flows from operating activities:</i>				
Net income	\$ 207,513	\$ 207,692	\$ (207,692)	\$ 207,513
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	14,968	107,999	-	122,967
Deferred income taxes	(6,892)	14,635	-	7,743
Tax benefit from stock option exercises	5,819	-	-	5,819
Equity in subsidiaries' earnings, net	(207,692)	-	207,692	-
Change in operating assets and liabilities:				
Merchandise inventories	-	(118,788)	-	(118,788)
Other current assets	250	(307,082)	293,292	(13,540)
Accounts payable	281,457	37,036	(293,292)	25,201
Accrued expenses and other	9,063	16,844	-	25,907
Income taxes	4,524	(10,431)	-	(5,907)
Other	5,704	3,009	-	8,713
Net cash provided by (used in) operating activities	314,714	(49,086)	-	265,628
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(14,098)	(111,267)	-	(125,365)
Proceeds from sale of property and equipment	925	368	-	1,293
Issuance of long-term notes receivable	(173,070)	-	173,070	-
Net cash used in investing activities	(186,243)	(110,899)	173,070	(124,072)
<i>Cash flows from financing activities:</i>				
Issuance of long-term obligations	-	173,070	(173,070)	-
Repayments of long-term obligations	(1,057)	(10,766)	-	(11,823)
Payment of cash dividends	(42,517)	-	-	(42,517)
Proceeds from exercise of stock options	12,268	-	-	12,268
Other financing activities	(269)	-	-	(269)
Net cash provided by (used in) financing activities	(31,575)	162,304	(173,070)	(42,341)
Net increase in cash and cash equivalents	96,896	2,319	-	99,215
Cash and cash equivalents, beginning of year	120,643	41,667	-	162,310
Cash and cash equivalents, end of year	\$ 217,539	\$ 43,986	\$ -	\$ 261,525

For the year ended  
February 2, 2001

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
<b>STATEMENTS OF CASH FLOWS:</b>				
<i>Cash flows from operating activities:</i>				
Net income	\$ 70,642	\$ 150,426	\$ (150,426)	\$ 70,642
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	13,144	98,255	-	111,399
Deferred income taxes	(63,911)	(14,031)	-	(77,942)
Tax benefit from stock option exercises	19,018	-	-	19,018
Litigation settlement	162,000	-	-	162,000
Equity in subsidiaries' earnings, net	(150,426)	-	150,426	-
Change in operating assets and liabilities:				
Merchandise inventories	-	(59,803)	-	(59,803)
Other current assets	12,206	236,946	(244,502)	4,650
Accounts payable	(286,541)	(5,297)	244,502	(47,336)
Accrued expenses and other	4,562	34,829	-	39,391
Income taxes	2,485	(12,030)	-	(9,545)
Other	(4,124)	7,155	-	3,031
Net cash provided by (used in) operating activities	(220,945)	436,450	-	215,505
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(15,035)	(201,549)	-	(216,584)
Proceeds from sale of property and equipment	165	97,447	-	97,612
Issuance of long-term notes receivable	(150,932)	-	150,932	-
Receipt of dividends	343,515	-	(343,515)	-
Contribution of capital	(873)	-	873	-
Net cash provided by (used in) investing activities	176,840	(104,102)	(191,710)	(118,972)
<i>Cash flows from financing activities:</i>				
Issuance of long-term obligations	199,595	150,932	(150,932)	199,595
Repayments of long-term obligations	(1,251)	(111,025)	-	(112,276)
Payment of cash dividends	(42,237)	(343,515)	343,515	(42,237)
Proceeds from exercise of stock options	34,130	-	-	34,130
Repurchase of common stock, net	(62,988)	-	-	(62,988)
Issuance of common stock, net	-	873	(873)	-
Other financing activities	(5,189)	-	-	(5,189)
Net cash provided by (used in) financing activities	122,060	(302,735)	191,710	11,035
Net increase in cash and cash equivalents	77,955	29,613	-	107,568
Cash and cash equivalents, beginning of year	42,688	12,054	-	54,742
Cash and cash equivalents, end of year	\$ 120,643	\$ 41,667	\$ -	\$ 162,310

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Shareholders of  
Dollar General Corporation  
Goodlettsville, Tennessee

We have audited the accompanying consolidated balance sheets of Dollar General Corporation and subsidiaries as of January 31, 2003 and February 1, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dollar General Corporation and subsidiaries as of January 31, 2003 and February 1, 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2003, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Nashville, Tennessee  
March 13, 2003

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE**

Not Applicable.

## **PART III**

### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by Item 10 is contained under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Registrant's definitive Proxy Statement to be filed for its 2003 Annual Meeting of Shareholders to be held on June 2, 2003 ("2003 Proxy Statement"), which information under such captions is incorporated herein by reference.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is contained under the captions "Election of Directors," "Executive Compensation," "Options Granted in Last Fiscal Year," "Aggregated Option Exercises in the Last Fiscal Year and Year-End Values," "Employee Retirement Plan," "Other Executive Benefits," "Report of the Compensation Committee" in the 2003 Proxy Statement, which information under such captions is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 is contained under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership by Officers and Directors" in the 2003 Proxy Statement, and under the caption "Equity Compensation Plan Information" under Item 5 of this Form 10-K, which information under such captions is incorporated herein by reference.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by Item 13 is contained under the caption "Transactions with Management and Others" in the 2003 Proxy Statement, which information under such caption is incorporated herein by reference.

### **ITEM 14. CONTROLS AND PROCEDURES**

(a) As of a date within 90 days prior to the filing of this annual report on Form 10-K, the Company, under the supervision and with the participation of the Company's management, including the Acting Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the Company's management, including the Acting Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-14(c).

(b) There have been no significant changes (including corrective actions with regard to significant deficiencies and material weaknesses) in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation.

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

- (a)
- (1) Consolidated Financial Statements (See Item 8) .
  - (2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related

instructions, are inapplicable or the information is included in the Consolidated Financial Statements and, therefore, have been omitted.

- (3) Exhibits: See Exhibit Index immediately following the certifications pages.
- (b) (1) A Current Report on Form 8-K, dated November 7, 2002, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding October sales results, the November sales outlook, and the conference call regarding third quarter earnings.
- (2) A Current Report on Form 8-K, dated November 11, 2002, was filed with the SEC pursuant to Item 5 in connection with an announcement of the appointment of Donald S. Shaffer as the Company's Acting Chief Executive Officer.
- (3) A Current Report on Form 8-K, dated November 26, 2002, was furnished to the SEC pursuant to Item 9 in connection with a news release and a conference call with respect to earnings for the third quarter of fiscal 2002.
- (4) A Current Report on Form 8-K, dated November 27, 2002, was furnished to the SEC pursuant to Item 9 regarding officer certifications with respect to the Quarterly Report on Form 10-Q for the third quarter of fiscal 2002.
- (5) A Current Report on Form 8-K, dated December 5, 2002, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding November sales results and the December sales outlook.
- (6) A Current Report on Form 8-K, dated January 9, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding December sales results, the January sales outlook and earnings guidance.

#### **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOLLAR GENERAL CORPORATION

Date: March 18, 2003

By: /s/ Donald S. Shaffer  
Donald S. Shaffer, Acting Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Date</u></b>
<u>/s/ Donald S. Shaffer</u> DONALD S. SHAFFER	Acting Chief Executive Officer and President (Principal Executive Officer)	March 18, 2003
<u>/s/ James J. Hagan</u> JAMES J. HAGAN	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 18, 2003
<u>/s/ David L. Bere</u> DAVID L. BERE	Director	March 18, 2003
<u>/s/ Dennis C. Bottorff</u> DENNIS C. BOTTORFF	Director	March 18, 2003
<u>/s/ Barbara L. Bowles</u> BARBARA L. BOWLES	Director	March 18, 2003
<u>/s/ James L. Clayton</u> JAMES L. CLAYTON	Director	March 18, 2003
<u>/s/ Reginald D. Dickson</u> REGINALD D. DICKSON	Director	March 18, 2003
<u>/s/ E. Gordon Gee</u> E. GORDON GEE	Director	March 18, 2003
<u>/s/ John B. Holland</u> JOHN B. HOLLAND	Director	March 18, 2003
<u>/s/ Barbara M. Knuckles</u> BARBARA M. KNUCKLES	Director	March 18, 2003
<u>/s/ James D. Robbins</u> JAMES D. ROBBINS	Director	March 18, 2003
<u>/s/ Cal Turner, Jr.</u> CAL TURNER, JR.	Chairman	March 18, 2003
<u>/s/ David M. Wilds</u> DAVID M. WILDS	Director	March 18, 2003
<u>/s/ William S. Wire, II</u> WILLIAM S. WIRE, II	Director	March 18, 2003

#### **CERTIFICATIONS**

I, Donald S. Shaffer, certify that:

1. I have reviewed this annual report on Form 10-K of Dollar General Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) Designed such disclosure controls and procedures 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 annual report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ Donald S. Shaffer  
 Donald S. Shaffer  
 Acting Chief Executive Officer, President and Chief Operating Officer

I, James J. Hagan, certify that:

1. I have reviewed this annual report on Form 10-K of Dollar General Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) Designed such disclosure controls and procedures 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 annual report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2003

/s/ James J. Hagan  
 James J. Hagan  
 Executive Vice President and  
 Chief Financial Officer

#### EXHIBIT INDEX

- 3.1 Restated Charter (incorporated by reference to the Company's Current Report on Form 8-K filed February 29, 2000).
- 3.2 Bylaws (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2002, filed August 28, 2002).
- 4.1 Sections 7, 8, 9, 10 and 12 of the Company's Restated Charter (included in Exhibit 3.1).
- 4.2 Rights Agreement dated as of February 29, 2000, between Dollar General Corporation and Registrar and Transfer Company (incorporated by reference to the Company's Current Report on Form 8-K filed February 29, 2000).
- 4.3 Indenture, dated as of June 21, 2000, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee (incorporated by reference to the Company's Registration Statement on Form S-4 filed August 1, 2000).

- 4.4 First Supplemental Indenture, dated as of July 28, 2000, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.
- 4.5 Second Supplemental Indenture, dated as of June 18, 2001, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.
- 4.6 Third Supplemental Indenture, dated as of June 20, 2002, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.
- 4.7 Fourth Supplemental Indenture, dated as of December 11, 2002, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (formerly known as First Union National Bank), as trustee.
- 10.1 3-Year Revolving Credit Agreement, dated as of June 21, 2002, by and among Dollar General Corporation, Suntrust Bank, Credit Suisse First Boston, KeyBank National Association, U.S. Bank National Association, and the lenders from time to time party thereto (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2002, filed August 28, 2002).
- 10.2 364-day Revolving Credit Agreement, dated as of June 21, 2002, by and among Dollar General Corporation, Suntrust Bank, Credit Suisse First Boston, KeyBank National Association, U.S. Bank National Association, and the lenders from time to time party thereto (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2002, filed August 28, 2002).
- 10.3 Dollar General Corporation 1989 Employee Stock Incentive Plan, as amended (incorporated by reference to the Company's Proxy Statement for the June 13, 1989, Annual Meeting of Stockholders).
- 10.4 1993 Employee Stock Incentive Plan (incorporated by reference to the Company's Proxy Statement for the June 7, 1993, Annual Meeting of Stockholders).
- 10.5 1993 Outside Directors Stock Option Plan (incorporated by reference to the Company's Proxy Statement for the June 7, 1993, Annual Meeting of Stockholders).
- 10.6 1995 Employee Stock Incentive Plan (incorporated by reference to the Company's Proxy Statement for the June 5, 1995, Annual Meeting of Stockholders).
- 10.7 1995 Outside Directors Stock Option Plan (incorporated by reference to the Company's Proxy Statement for the June 5, 1995, Annual Meeting of Stockholders).
- 10.8 1998 Stock Incentive Plan (incorporated by reference to the Company's Proxy Statement for the June 5, 2000, Annual Meeting of Shareholders).
- 10.9 Dollar General Corporation Supplemental Executive Retirement Plan and Compensation Deferral Plan, as amended and restated effective as of January 1, 2003.
- 10.10 Dollar General Corporation Deferred Compensation Plan for Non-Employee Directors as amended and restated effective November 6, 2000 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 2, 2001, filed January 14, 2002).
- 10.11 Sale and Purchase Agreement, dated as of June 1, 2000, among Dollar General Corporation as Lessee and Seller, FU/DG Fulton, LLC, as Lessor, and First Union Commercial Corporation, as Head Lessor (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 2, 2001, filed January 14, 2002).
- 10.12 Sale and Purchase Agreement, dated as of June 1, 2000, among Dollar General Corporation as Lessee and Seller, FU/DG Indianola, LLC, as Lessor, and First Union Commercial Corporation, as Head Lessor (incorporated by reference to the Company's Report on Form 10-K for the year ended February 2, 2001, filed January 14, 2002).
- 10.13 Lease Agreement, dated as of June 1, 2000, between FU/DG Fulton LLC, as Lessor and Dollar General Corporation, as Lessee (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 2, 2001, filed January 14, 2002).
- 10.14 First Amendment to Lease Agreement dated as of November 22, 2002, between Townsend Fulton, LLC, as Lessor, and Dollar General Corporation, as Lessee.
- 10.15 Lease Agreement, dated as of June 1, 2000, between FU/DG Indianola, LLC, as Lessor and Dollar General Corporation, as Lessee (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 2, 2001, filed January 14, 2002).
- 10.16 First Amendment to Lease Agreement dated as of November 22, 2002, between Indianola DG Property, LLC, as Lessor, and Dollar General Corporation, as Lessee.
- 10.17 Employment Offer Letter, dated February 8, 2001, between Cal Turner, Jr., Chairman and Chief Executive Officer of Dollar General Corporation, and James J. Hagan, as amended (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended February 1, 2002, filed April 2, 2002).
- 10.18 Executive Employment Agreement by and between Dollar General Corporation and Donald S. Shaffer dated as of November 12, 2002 (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended November 1, 2002, filed November 27, 2002).
- 21 Subsidiaries of the Registrant
- 23 Consent of Independent Auditor

## FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of July 28, 2000 among: Dollar General Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; and Dollar General Intellectual Property, L.P., a Vermont limited partnership (collectively, the "Existing Guarantors"); The Greater Cumberland Insurance Company, a Vermont corporation (the "Additional Guarantor" and, together with the Existing Guarantors, the "Guarantors"); and First Union National Bank, a national banking association, as trustee (the "Trustee").

## WITNESSETH

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 21, 2000, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the "Notes");

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee. The Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. The Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. This Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. This Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

THE GREATER CUMBERLAND INSURANCE COMPANY

By: /s/ Robert C. Layne  
 Name: Robert C. Layne  
 Title: Secretary

DOLLAR GENERAL CORPORATION

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

DOLGENCORP, INC.

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

DOLGENCORP OF TEXAS, INC.

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

DG LOGISTICS, LLC

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

DADE LEASE MANAGEMENT, INC.

By: /s/ Wade Smith  
 Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL PARTNERS

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

DOLLAR GENERAL FINANCIAL, INC.

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

NATIONS TITLE COMPANY, INC.

By: /s/ Robert C. Layne  
Name: Robert C. Layne  
Title: Secretary

DOLLAR GENERAL INTELLECTUAL PROPERTY, L.P.

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

FIRST UNION NATIONAL BANK,  
as Trustee

By: /s/ Susan K. Baker  
Name: Susan K. Baker  
Title: Vice President

## SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 18, 2001 among: Dollar General Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; Dollar General Intellectual Property, L.P., a Vermont limited partnership; and The Greater Cumberland Insurance Company, a Vermont corporation (collectively, the "Existing Guarantors"); Dolgencorp of New York, Inc., a Kentucky corporation and Dollar General Stores, Ltd., a Kentucky limited partnership (collectively, the "Additional Guarantors") and, together with the Existing Guarantors, the "Guarantors"); and First Union National Bank, a national banking association, as trustee (the "Trustee").

## WITNESSETH:

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 21, 2000, as amended by that certain First Supplemental Indenture dated as of July 28, 2000, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the "Notes");

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee. Each Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. Each Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. Each such Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. Each such Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor making the Guarantee as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by each Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**DOLGENCORP OF NEW YORK, INC.**

By: /s/ Larry K. Wilcher  
 Name: Larry K. Wilcher  
 Title: Secretary

**DOLLAR GENERAL STORES, LTD.**

By: Dolgencorp, Inc., its general partner

By: /s/ Larry K. Wilcher  
 Name: Larry K. Wilcher  
 Title: Secretary

**DOLLAR GENERAL CORPORATION**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DOLGENCORP, INC.**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DOLGENCORP OF TEXAS, INC.**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DG LOGISTICS, LLC**

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith

Name: Wade Smith  
Title: Treasurer

**DADE LEASE MANAGEMENT, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL PARTNERS**

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL FINANCIAL, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**NATIONS TITLE COMPANY, INC.**

By: /s/ Larry K. Wilcher  
Name: Larry K. Wilcher  
Title: Secretary

**DOLLAR GENERAL INTELLECTUAL PROPERTY, L.P.**

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**THE GREATER CUMBERLAND INSURANCE COMPANY**

By: /s/ Larry K. Wilcher  
Name: Larry K. Wilcher  
Title: Secretary

**FIRST UNION NATIONAL BANK ,  
as Trustee**

By: /s/ Greta Wright  
Name: Greta Wright  
Title: Vice President

**THIRD SUPPLEMENTAL INDENTURE**

THIRD SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of June 20, 2002 among: Dollar General Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; Dollar General Intellectual Property, L.P., a Vermont limited partnership; The Greater Cumberland Insurance Company, a Vermont corporation; Dolgencorp of New York, Inc., a Kentucky corporation and Dollar General Stores, Ltd., a Kentucky limited partnership (collectively, the "Existing Guarantors"); DGC Properties LLC, a Delaware limited liability company; DGC Properties of Kentucky LLC, a Delaware limited liability company; and Dollar General Investment, Inc., a Delaware corporation (collectively, the "Additional Guarantors" and, together with the Existing Guarantors, the "Guarantors"); and Wachovia Bank, National Association, (formerly known as First Union National Bank), a national banking association, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 21, 2000, as amended by that certain First Supplemental Indenture dated as of July 28, 2000, and as further amended by that certain Second Supplemental Indenture dated as of June 18, 2001, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the "Notes");

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee. Each Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. Each Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. Each such Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. Each such Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor making the Guarantee as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by each Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**DGC PROPERTIES LLC**

By: Dolgencorp, Inc., Sole Member

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DGC PROPERTIES OF KENTUCKY LLC**

By: Dollar General Partners  
A Kentucky general partnership, Sole Member

By: Dolgencorp, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dade Lease Management, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dollar General Financial, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL INVESTMENT, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL CORPORATION**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLGENCORP, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLGENCORP OF TEXAS, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DG LOGISTICS, LLC**

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DADE LEASE MANAGEMENT, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL PARTNERS**

By: Dolgencorp, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dade Lease Management, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dollar General Financial, Inc.,  
General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL FINANCIAL, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**NATIONS TITLE COMPANY, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL INTELLECTUAL PROPERTY, L.P.**

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**THE GREATER CUMBERLAND INSURANCE COMPANY**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLGENCORP OF NEW YORK, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL STORES, LTD.**

By: Dolgencorp, Inc., its General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**WACHOVIA BANK, NATIONAL ASSOCIATION,**  
as Trustee

By: /s/ Susan K. Baker  
Name: Susan K. Baker  
Title: Vice President

## FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of December 11, 2002 among: Dollar General Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; Dollar General Intellectual Property, L.P., a Vermont limited partnership; The Greater Cumberland Insurance Company, a Vermont corporation; Dolgencorp of New York, Inc., a Kentucky corporation and Dollar General Stores, Ltd., a Kentucky limited partnership; DGC Properties, LLC, a Delaware limited liability company; DGC Properties of Kentucky, LLC, a Delaware limited liability company; Dollar General Investment, Inc., a Delaware corporation (collectively, the "Existing Guarantors"); and Lonestar Administrative Services, Inc., a Tennessee corporation (the "Additional Guarantor," and, together with the Existing Guarantors, the "Guarantors"); and Wachovia Bank, National Association, [formerly known as First Union National Bank] a national banking association, as trustee (the "Trustee").

## WITNESSETH

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 21, 2000, as amended by that certain First Supplemental Indenture dated as of July 28, 2000, that certain Second Supplemental Indenture dated as of June 18, 2001, and that certain Third Supplemental Indenture dated as of June 20, 2002, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the "Notes");

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee. The Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. The Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. This Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. This Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor making the Guarantee as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**LONESTAR ADMINISTRATIVE SERVICES, INC.**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DOLLAR GENERAL CORPORATION**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DOLGENCORP, INC.**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DOLGENCORP OF TEXAS, INC.**

By: /s/ Wade Smith  
 Name: Wade Smith  
 Title: Treasurer

**DG LOGISTICS, LLC**

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DADE LEASE MANAGEMENT, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL PARTNERS**

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL FINANCIAL, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**NATIONS TITLE COMPANY, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL INTELLECTUAL  
PROPERTY, L.P.**

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**THE GREATER CUMBERLAND INSURANCE  
COMPANY**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLGENCORP OF NEW YORK, INC.**

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DOLLAR GENERAL STORES, LTD.**

By: Dolgencorp, Inc., its general partner

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DGC PROPERTIES, LLC**

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

**DGC PROPERTIES OF KENTUCKY, LLC**

By: Dollar General Partners, its Managing Member

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**DOLLAR GENERAL INVESTMENT, INC.**

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**WACHOVIA BANK, NATIONAL ASSOCIATION,  
TRUSTEE**

By: /s/ Greta Wright

Name: GRETA WRIGHT

Title: VICE PRESIDENT

**DOLLAR GENERAL CORPORATION  
CDP/SERP PLAN DOCUMENT**

**ARTICLE I**

**Purpose and Adoption of Plans**

1.1 **“Introduction”** Dollar General Corporation (the “Company”) previously established and maintained the Dollar General Corporation Supplemental Executive Retirement Plan (the “SERP”) and the Dollar General Corporation Compensation Deferral Plan (the “CDP”) as separate plans. Effective as of January 1, 2000, the Company amended, restated, and consolidated the SERP and CDP plans, so that such plans were combined into one plan with one master plan document. Effective as of January 1, 2003, the Company hereby amends and restates the master plan document.

The separate provisions of both the SERP and CDP are contained in this one plan document as separate portions of the combined plan document. Nevertheless, the terms of the SERP and CDP portions of the Plan independently govern participation in, and benefits provided hereunder. Accordingly, an employee may be designated for participation in one or both portions of this Plan, as determined by the terms of each portion of the Plan.

1.2 **“Rights of Employees”** The rights and benefits, if any, of an Employee whose employment terminated before the effective date of this amendment and restatement shall be determined in accordance with the provisions of the Plan that were in effect on the Employee’s employment termination date.

1.3 **“Purpose of SERP”** The SERP is designed to permit a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Company and the Subsidiaries additional benefits and in such amounts as the Company shall determine in its sole discretion. Employees who previously participated in the SERP prior to January 1, 2000 were credited with an initial benefit under the restated CDP/SERP master document equal to the present value of their benefit under the SERP as of December 31, 1999. Such present value of each Participant’s SERP benefit was credited to that Participant’s SERP Account described in Section 2.1 hereof as of January 1, 2000.

1.4 **“Purpose of CDP”** The CDP is designed to permit a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of the Company and the Subsidiaries to elect to defer a portion of their compensation until their death, disability, retirement or termination of employment with the Company or the Subsidiaries. The CDP also provides additional benefits, in the form of CDP Company Matching Credits and CDP Company Discretionary Credits, that are, or may be, credited pursuant to Article V.

**ARTICLE II**

**Definitions**

For purposes of the Plan, the following terms shall have the following meanings unless a different meaning is plainly required by the context. The words in the masculine gender shall include the feminine and neuter genders and words in the singular shall include the plural and words in the plural shall include the singular.

2.1 **“Accounts”** shall mean the accounts established and maintained by the Plan Committee for bookkeeping purposes to reflect the interest of a Participant in the SERP and/or CDP portions of the Plan, as described below. The Accounts shall be bookkeeping entries only and shall be utilized solely as devices for the measurement and determination of the amounts to be paid to a Participant or Beneficiary under the Plan.

(a) **CDP Accounts** shall consist of a CDP Participant’s Company Match Account, Discretionary Credit Account, and Optional Deferral Account.

(b) **SERP Account** shall mean the account established to reflect the interest of a SERP Participant in SERP benefits that may be payable under this Plan.

2.2 **“Base Pay”** shall mean with respect to each CDP Participant, the Participant’s base wages or salary determined prior to any deferrals under Article IV hereof and determined without regard to any qualified plan limits under Code Section 401(a)(17), exclusive of bonuses or other amounts paid in excess of the Participant’s stated base wages or salary, but inclusive of amounts deferred as Elective Deferrals under the Dollar General Corporation 401(k) Savings and Retirement Plan and any amounts contributed on a pre-tax basis under a cafeteria plan maintained by the Company under Code Section 125, all as determined in the sole discretion of the Plan Committee or its delegate.

2.3 **“Beneficiary”** shall mean any person, estate, trust or organization entitled to receive any payment under the Plan upon the death of a Participant. The Participant shall designate his beneficiary on a form provided by the Plan Committee.

2.4 **“Board”** shall mean the Board of Directors of the Company.

2.5 **“Change in Control”** means the happening of any of the following:

(a) any person or entity, other than the Company, a wholly-owned subsidiary of the Company, or a benefit plan for employees of the Company or any trustee, agent or other fiduciary for any such plan acting in such person’s capacity as such fiduciary, becoming the beneficial owner of the Company’s securities having 35% or more of the combined voting power of the then outstanding securities that may be cast for the election of directors;

(b) in connection with a cash tender, exchange offer, merger or other business combination, sale of assets or contested election, less than a majority of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors being held in aggregate by the holders of the Company’s securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction; or

(c) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board ceasing to constitute at least a majority thereof, unless the election of each director first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of the period.

2.6 **“Code”** shall mean the Internal Revenue Code of 1986, as amended.

2.7 **“Company”** shall mean Dollar General Corporation, a Tennessee corporation with principal offices at Goodlettsville, Tennessee.

2.8 **“Company Match Account”** shall mean a CDP Account that is maintained to reflect any CDP Company Matching Credits credited on a CDP Participant’s behalf pursuant to Article V.

2.9 **“Deferral Election”** shall mean a CDP Participant’s written election under the CDP to defer a portion of his Base Pay and/or his bonus pursuant to Article IV.

2.10 **“Discretionary Credit Account”** shall mean a CDP Account that is maintained to reflect any CDP Company Discretionary Credits credited on a CDP Participant’s behalf pursuant to Article V (including amounts attributable to the Automatic Contribution Account for periods prior to January 1, 2003).

2.11 **“Effective Date”** shall mean the January 1 next following or coinciding with the date on which an Employee is designated by the Plan Committee as eligible for participation in the CDP or SERP, as provided by the terms of each plan.

2.12 **“Eligible SERP Compensation”** shall mean a SERP Participant’s base wages or salary and bonuses, determined prior to any CDP deferrals under Article IV, and inclusive of amounts deferred as Elective Deferrals under the Dollar General Corporation 401(k) Savings and Retirement Plan and any amounts contributed on a pre-tax basis under a cafeteria plan maintained by the Company under Code Section 125, all as determined in the sole discretion of the Plan Committee or its delegate.

2.13 **“Employee”** shall mean any common law employee who is actively employed by the Company. For this purpose, an Employee receiving severance pay shall not be considered

"actively employed" by the Company. If an individual is not considered to be an "Employee" of the Company in accordance with this Section for a Plan Year, a subsequent determination by the Company, any governmental agency or court that the individual is a common law employee of the Company, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.14 "**Enrollment Date**" shall mean January 1 of each Plan Year.

2.15 "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.16 "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

2.17 "**Investment Request**" shall mean a Participant's written request to have his Accounts deemed to be invested pursuant to Article VII.

2.18 "**Leave of Absence**" shall mean a Participant's leave of absence from his employment on account of military service, Total and Permanent Disability, or any other reason and which is authorized, in writing, by the Company.

2.19 "**Optional Deferral Account**" shall mean a CDP Account that is maintained to reflect a CDP Participant's elective deferrals, and earnings thereon, made pursuant to Article IV.

2.20 "**Participant**" shall have the following meanings, depending upon whether participation is in the CDP or the SERP:

(a) for purposes of the CDP, a "**CDP Participant**" shall mean an Employee or former Employee who meets all of the conditions of eligibility under Section 3.2 and who participates in the CDP portion of the Plan in accordance with Article IV.

(b) for purposes of the SERP, a "**SERP Participant**" shall mean an Employee or former Employee who meets all of the conditions of eligibility under Section 3.1 and who participates in the SERP portion of the Plan.

2.21 "**Plan**" shall mean this Dollar General Corporation CDP/SERP Plan, as reflected in this Plan document.

2.22 "**Plan Committee**" shall mean the Compensation Committee of the Board or another committee that is appointed by the Compensation Committee to serve as the Plan Committee, subject to the provisions of Section 10.1.

2.23 "**Plan Year**" shall mean the twelve (12) consecutive month period commencing each January 1st and ending on the last day of December next following.

2.24 "**Retirement Eligibility**" shall mean, with respect to a Participant, the earlier of the Participant's attainment of age 50 or the date such Participant is credited with ten (10) Years of Service under this Plan.

2.25 "**SERP Company Credit**" shall mean amounts credited to a SERP Participant's Account under Article V of the Plan.

2.26 "**Subsidiary**" shall mean any corporation, the majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company.

2.27 "**Total and Permanent Disability**" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of continuous and indefinite duration, as evidenced by qualification for disability income benefits under the federal Social Security system.

2.28 "**Year of Service**" shall mean each one-year period of time, including time before a Participant's Effective Date, commencing on the date on which the Participant was first employed by the Company or a Subsidiary and each anniversary thereof during which the Participant was an Employee of the Company or a Subsidiary or on a Leave of Absence for the entire year. The Plan Committee, in its discretion, shall develop policies and procedures to determine Years of Service for purposes of this Plan and that address the determination of Years of Service for Participants who terminate employment and are later rehired by the Company or a Subsidiary.

### ARTICLE III

#### Eligibility

3.1 "**SERP Eligibility Rules**" The Plan Committee shall establish, and amend as necessary, rules to determine which individuals or groups of employees shall be eligible to participate in the SERP.

3.2 "**CDP Eligibility Rules**" The Plan Committee shall establish, and amend as necessary, rules to determine which individuals or groups of employees shall be eligible to participate in the CDP.

### ARTICLE IV

#### Deferral of Compensation under CDP

4.1 "**Compensation Which May Be Deferred**"

(a) Subject to Section 4.1(b), a CDP Participant may elect to defer amounts under this Plan as follows:

(i) A CDP Participant who has elected to make the maximum pre-tax elective deferral, as permitted under the Dollar General Corporation 401(k) Savings and Retirement Plan may elect to defer from his Base Pay otherwise payable to him during each payroll period after his Effective Date any whole percentage from 1% to 65% of his Base Pay. The amount of any elective deferral made under this Section 4.1(a) shall be credited to a CDP Participant's Optional Deferral Account; and

(ii) A CDP Participant may elect to defer from any bonus otherwise payable to him by the Company any whole percentage from 1% to 100% of such bonus. The amount of any elective deferral under this Section 4.1(b) shall be credited to a CDP Participant's Optional Deferral Account. The Plan Committee shall determine, in its sole discretion, the bonus type that is eligible for deferrals under this Plan.

(b) Notwithstanding the provisions of Section 4.1(a), the Plan Committee or its delegate may establish lower deferral limits for any CDP Participant (or Participants) as it deems necessary or advisable from time to time. Any affected CDP Participants will be notified of such lower deferral limits by the Plan Committee (or its delegate).

4.2 "**Establishment of Optional Deferral Account**" An Optional Deferral Account shall be established for each CDP Participant by the Plan Committee as of the Effective Date of such Participant's initial Deferral Election. The Participant's Optional Deferral Account shall be credited at least monthly with amounts that a CDP Participant has deferred under Section 4.1.

4.3 "**Deferral Election Form**" A CDP Participant shall complete a Deferral Election form, which shall be made in writing on a form prescribed by the Plan Committee. The initial Deferral Election form shall state:

(a) That the CDP Participant wishes to make an election to defer the receipt of a portion of his Base Pay and/or bonus pay;

(b) The percentage of such elective deferral, consistent with the provisions of Section 4.1;

(c) Subject to the provisions of Article VIII, the form of any distribution from the Plan;

(d) That the deferral is to termination of employment or a specified date no sooner than 5 years after the end of the year in which amounts are deferred (provided, however, that upon the Participant's termination of employment, for any reason, death, or Total and Permanent Disability, all amounts deferred to a date certain are accelerated and paid as provided in Article VIII); and

(e) Such other information that the Plan Committee, in its discretion determines to be necessary or advisable to administer deferral elections hereunder.

4.4 “**Making and Modifying Deferral Elections**.” The Deferral Election form of a new CDP Participant shall be made by a signed written notice, in a form acceptable to the Plan Committee, that is delivered to the Plan Committee no later than thirty (30) days after the CDP Participant’s Effective Date. A CDP Participant shall complete a Deferral Election form annually thereafter at a date established by the Plan Committee, but no later than the first day of the Plan Year to which such election relates, unless the Plan Committee in its sole discretion waives the requirement for an annual election form. A CDP Participant who desires to modify or revoke a Deferral Election for a subsequent Plan Year must provide the Plan Committee with a signed written notice no later than such date as the Plan Committee may determine in its sole discretion, but not later than the day immediately prior to the first day of the Plan Year to which such modification or revocation relates. Subject to the provisions of this Section 4.4, any modification or revocation shall be effective on the first day of the Plan Year to which such modification or revocation relates. The termination of participation in the CDP shall not affect amounts previously deferred by the CDP Participant under the Plan.

4.5 “**In-Service Distributions and Election Form Procedures**.” A CDP Participant may elect to receive an in-service lump sum distribution of amounts credited to his CDP Accounts, provided that the date of distribution is a date that is no sooner than 5 years after the end of the year in which amounts are deferred. Notwithstanding anything to the contrary, any amounts deferred to a date certain pursuant to this Section 4.5 shall be accelerated and paid as soon as practicable after the Participant’s termination of employment, death or Total and Permanent Disability, subject to the further provisions of Article VIII. A SERP Participant may not elect to receive an in-service distribution of vested amounts credited to his SERP Account after attainment of Retirement Eligibility; any vested amounts credited to a Participant’s SERP Account are only distributable after the Participant’s termination of employment, death or Total and Permanent Disability. If a CDP Participant elects an in-service distribution, payment of benefits shall generally be made in the form of a lump sum distribution. With the approval of the Plan Committee, a CDP Participant may amend the timing of his in-service benefit distribution date while actively employed by the Company or a Subsidiary. Any such amendment must be made on a signed written form that is acceptable to the Plan Committee and must be provided to the Plan Committee not earlier than the 395th day nor later than the 365th day before the CDP Participant’s in-service distribution date as stated on the Participant’s most recent validly completed election form. A CDP Participant that completes an amendment to his in-service benefit distribution date in accordance with this Section 4.5 may defer distribution of his Accounts to a date after the date selected in his most recent validly completed form or until his termination of employment, attainment of Retirement Eligibility, or Total and Permanent Disability. A CDP Participant may only complete one amendment with respect to his in-service benefit distribution date, unless the Plan Committee in its sole discretion waives this rule with respect to the CDP Participant. A CDP Participant may not elect to have distributions paid to him prior to termination of employment in any form of distribution other than a single lump sum payment at the elected date of distribution.

4.6 “**Amending the Deferral Election to Change Form of Distribution at Retirement or Termination of Service**.” A Participant may change the form of the distribution of his entire Account (including the CDP and SERP portions of the Plan) otherwise to be made at retirement or termination of employment by submitting an amended Deferral Election on a form acceptable to the Plan Committee, which modified Deferral Election form is received by the Plan Committee at least 365 days before the Participant’s actual retirement or termination of employment. Any such amended Deferral Election shall apply to all deferrals from all prior years which are payable at the Participant’s retirement or termination of employment. If such amended form is not received by the Plan Committee at least 365 days before the Participant’s actual retirement or termination of employment, the last validly completed Deferral Election form shall be binding on such Participant. The Plan Committee shall establish such procedures as are necessary or desirable to effectuate such change in distribution form elections, including the ability for Participants to make separate distribution elections (or modifications of such elections) with respect to their CDP Accounts and SERP Accounts.

## ARTICLE V

### Company Credits

#### 5.1 “**SERP Company Credits**”

(a) As of the last day of each Plan Year, the Plan Committee shall credit as a SERP Company Credit such amounts as the Plan Committee may deem appropriate to the account of an eligible SERP Participant, in accordance with the requirements of Section 5.1(b) below.

(b) The amount of the SERP Company Credit shall be calculated by using a SERP Participant’s Eligible SERP Compensation, as defined in Section 2.12 as a base. The Plan Committee shall credit a SERP Company Credit only to the SERP Account of a Participant who was a SERP Participant on the first day of the Plan Year and last day of the Plan Year to which the SERP Company Credit relates.

(c) The Company, and any Subsidiary of which a Participant is employed at the end of the calendar year, shall reflect as a liability on its books and as reflected in a SERP Account, the SERP Company Credit within 31 days after the last day of each Plan Year.

5.2 “**CDP Company Matching Credits**.” The Company shall credit, each calendar month, an amount for each CDP Participant employed by the Company or a Subsidiary determined as follows:

(a) Determine the maximum amount subject to a match under the CDP for such calendar month, which is the lesser of (i) five percent (5%) of the CDP Participant’s Base Pay; or (ii) the CDP Participant’s Optional Deferrals under Section 4.1(a) of this Plan for such month;

(b) Apply to the amount determined under (a) immediately above the employer matching contribution percentage which applies for such month under the Dollar General Corporation 401(k) Savings and Retirement Plan; and

(c) Subtract from the amount determined under (b) immediately above the employer matching contribution actually allocated to the CDP Participant for such month under the Dollar General Corporation 401(k) Savings and Retirement Plan, regardless of whether such match is forfeited or distributed under Code Section 401(m).

Any CDP Matching Credit shall be credited to the CDP Participant’s CDP Company Match Account each calendar month.

5.3 “**Special Rule for a CDP Participant who has not yet met eligibility requirements to receive a matching contribution in the Dollar General Corporation 401(k) Savings and Retirement Plan**.” Notwithstanding Section 5.2 above, if for a given calendar month a CDP Participant has not yet met the eligibility requirements to receive a matching contribution in the Dollar General 401(k) Savings and Retirement Plan, such CDP Participant shall nevertheless be credited with a CDP Company Matching Credit under this Plan for such month. In such event, the amount subtracted under Section 5.2(c) above shall be zero.

5.4 “**CDP Company Discretionary Credits**.” The Company may, in its sole discretion and from time to time, credit an amount equal to two percent (2%) of each CDP Participant’s Base Pay, if any, that exceeds the compensation limit established under Code Section 401(a)(17). Any CDP Company Discretionary Credit shall be credited to a CDP Participant’s Discretionary Credit Account.

## ARTICLE VI

### Vesting

6.1 “**SERP Vesting**.” SERP Company Credits credited pursuant to the provisions of Article V, along with any earnings thereon, shall be fully vested at the earlier of the SERP Participant’s attainment of age 50 or the SERP Participant’s being credited with ten (10) or more Years of Service. However, until full vesting occurs, a SERP Participant will not have a vested interest in any percentage of his SERP Account. The Plan Committee shall have the discretion to accelerate the vesting of SERP Company Credits on an individual by individual basis for any reason at any time and from time to time.

6.2 “**CDP Vesting**.” Amounts credited to a CDP Participant’s Company Match Account, Discretionary Credit Account, and Optional Deferral Account, along with any earnings thereon, shall be fully vested at all times.

6.3 “**Full Vesting Under SERP on Death, Disability or Change In Control**.” Notwithstanding Section 6.1 hereof, a SERP Participant shall be fully vested in his SERP Account if he terminates employment with the Company because of a Total and Permanent Disability, dies while employed by the Company or a Subsidiary, or is a SERP Participant at the time of a Change in Control.

## ARTICLE VII

### Investments

7.1 “**In General**.” The Accounts of each Participant shall be credited as of the last day of each calendar month with the deemed investment gains and losses based upon the Account value as of the first day of the calendar month, or on a more frequent basis as determined by the Plan Committee. A Participant may request how his Accounts are deemed to be invested by completing an

Investment Request. Such Investment Request shall be made in writing in accordance with procedures established by the Plan Committee. Any Investment Request made in accordance with this Section 7.1 shall continue unless the Participant changes the Investment Request under this Plan in accordance with procedures established by the Plan Committee. Changes in investment elections under the Dollar General Corporation 401(k) Savings and Retirement Plan shall have no effect on the deemed investment elections that are permissible under this Section 7.1. Deemed elections made under this Plan and pursuant to an Investment Request shall be applicable only with respect to this Plan and Investment Requests and changes thereto requested by the Participant shall be effective prospectively only. The Plan Committee shall be authorized to permit more frequent changes in investment options to be effective on such dates as it shall specify. The Plan Committee shall consider an Investment Request, but is not obligated to follow such request.

7.2 “**Gains Invested in Same Option**” Dividends, interest and other distributions credited with respect to any deemed investment election shall be deemed to be invested in the same investment option.

7.3 “**Participant Reports on Account Values**” At the end of each Plan Year (or on a more frequent basis as determined by the Plan Committee), a report shall be issued to each Participant who has an Account stating the value of such Account.

## ARTICLE VIII

### Distribution of Accounts

8.1 “**Distribution on or After Retirement Eligibility**” For benefits payable from the Plan on or after the Participant’s termination of employment after having attained Retirement Eligibility, the Participant shall be entitled to receive the balance of his Plan Accounts in cash in one of the following forms:

- (a) a lump sum distribution;
- (b) monthly installments payable over a five (5), ten (10) or fifteen (15) year period; or
- (c) a combination of an initial lump sum distribution of a specified dollar amount and the remainder in monthly installments payable over a five (5), ten (10) or fifteen (15) year period.

The form of distribution shall be the one specified by the Participant on the most recent validly executed form provided by the Committee for such purpose. Notwithstanding the other provisions of this Plan to the contrary, the Plan shall distribute in a lump sum cash distribution any benefits payable to a Participant from the SERP portion of the Plan if the value of the Participant’s SERP Account as of the valuation date coincident with or next following his termination or retirement is \$25,000 or less and the Plan shall distribute in a lump sum cash distribution any benefits payable to a Participant from the CDP portion of the Plan if the value of the Participant’s CDP Account as of the valuation date coincident with or next following his termination or retirement is \$25,000 or less. If a Participant fails to specify a form of payment (or if there is no validly executed form of payment elected by the Participant), his Accounts shall be distributed in a lump sum cash distribution. If a Participant terminates employment prior to attaining Retirement Eligibility, distribution of his Accounts shall be governed by Section 8.5 hereof. The transfer of a Participant between the Company and a Subsidiary shall not be treated as a termination of employment with the Company for purposes of this Plan. Solely for purposes of this Section 8.1, any benefit payments from the CDP or SERP Accounts shall be paid or commence to be paid no later than sixty (60) days after the last day of the Plan Year in which the Participant terminates employment after having attained Retirement Eligibility.

8.2 “**Distribution on Participant’s Death**” Upon the death of a Participant or a former Participant prior to the complete distribution of his Accounts, the balance of his Accounts shall be paid in a lump sum distribution to his Beneficiary within sixty (60) days following the close of the calendar quarter in which the Plan Committee is provided evidence of the Participant’s death (or as soon as reasonably practicable thereafter). In the event a beneficiary designation is not on file with the Plan Committee or the Beneficiary is deceased or cannot be located, payment will be made to the estate of the Participant or former Participant. In the event of the death of a Participant subsequent to the commencement of installment payments, but prior to the completion of such payments, the installment payments shall continue and shall be paid to the Beneficiary as if the Participant had not died; provided, however, that if the Beneficiary is a trust or estate, the remaining benefits shall be paid in a lump sum distribution.

8.3 “**Change of Beneficiary Permitted**” A Participant’s beneficiary designation may be changed by the Participant or former Participant at any time without the consent of the Participant’s prior named Beneficiary.

8.4 “**Distribution on Disability**” Upon the Total and Permanent Disability of a Participant or former Participant, the Participant shall be entitled to receive the balance of his Accounts in cash in a form permitted under Section 8.1, as selected by the Participant on a form provided by the Plan Committee for such purpose. Payments made pursuant to this Section 8.4 shall commence within sixty (60) days following the close of the calendar quarter in which the Plan Committee receives notification of the determination of disability by the Social Security Administration (or as soon as reasonably practicable thereafter).

8.5 “**Distribution Upon Termination Prior to Retirement Eligibility**” If a Participant terminates employment prior to attaining Retirement Eligibility, then the Participant’s vested Accounts will be paid in a lump sum distribution, or, at the discretion of the Plan Committee, as directed in the most recent validly executed distribution election form. Any SERP amounts credited to the Participant’s Accounts which are not otherwise vested shall be forfeited immediately upon such termination of employment. Any benefit payments under this Section 8.5 shall be paid no later than sixty (60) days after the last day of the Plan Year in which the Participant terminates employment.

8.6 “**Correction of Erroneous Credits or Payments**” The Company intends only to credit amounts to a Participant’s Accounts and distribute benefits to which Participants are entitled under the Plan. If the Plan Committee discovers that an amount was or was not appropriately credited to a Participant’s Account(s), the Plan Committee shall take any steps necessary to adjust the Participant’s Account(s) to correct the error, including an adjustment for earnings, if applicable. If the Plan Committee determines that a Participant is entitled to a benefit that is greater than the benefit that has been or is being distributed to the Participant, then the Plan Committee shall adjust future benefit payments, or make a lump sum distribution, if appropriate, of any additional benefit. If the Plan distributes a benefit to a Participant and the Plan Committee determines that the Participant was not entitled to receive such benefit, then the Plan Committee shall take reasonable steps to recover the total amount of the additional benefit from the individual to whom the amounts were distributed. The Plan Committee may, in its sole discretion, reduce subsequent payments from the Plan to a Participant, if any, until such time as the full amount of the additional payment has been returned to the Company. At its discretion, the Plan Committee may also require that the Participant return the additional payment immediately or over a period of time. If the Plan Committee elects to reduce a Participant’s subsequent benefit payment(s), the Plan Committee shall provide the Participant with notice of such reduction and the reasons therefor.

## ARTICLE IX

### Nature of Employer Obligation and Participant Interest

9.1 “**In General**” A Participant, his Beneficiary, and any other person or persons having or claiming a right to payments under the Plan shall rely solely on the unsecured promise of the Company set forth herein, and nothing in this Plan shall be construed to give a Participant, Beneficiary, or any other person or persons any right, title, interest, or claim in or to any specified assets, fund, reserve, account, or property of any kind whatsoever owned by the Company or in which it may have any right, title or interest now or in the future; but a Participant shall have the right to enforce his claim against the Company in the same manner as any unsecured creditor.

9.2 “**Benefits Payable from General Assets of Company**” All amounts paid under the Plan shall be paid in cash from the general assets of the Company. Benefits shall be reflected on the accounting records of the Company but shall not be construed to create, or require the creation of, a trust, custodial or escrow accounting. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust or fiduciary relationship of any kind between the Company and an Employee, Beneficiary of an Employee or any other person. Neither the Employee, Beneficiary of an Employee, nor any other person shall acquire any interest greater than that of an unsecured creditor.

9.3 “**Other Benefit Programs**” Any benefits payable under the Plan shall be independent of and in addition to any other benefits or compensation of any sort payable to or on behalf of the Participant under or pursuant to any other employee benefit program sponsored by the Company for its employees generally.

## ARTICLE X

### Administration of the Plan

10.1 “**In General**” The Plan Committee shall be responsible for the general administration of the Plan. The members of the Plan Committee, if not the Compensation Committee, shall be appointed by and may be removed by the Compensation Committee, in each case by written notice delivered to the Plan Committee member. The Plan Committee may select a chairman and may select a secretary (who may, but need not, be a member of the Plan Committee) to keep its records or to assist it in the discharge of its duties. A majority of the members of the Plan Committee shall

constitute a quorum for the transaction of business at any meeting. Any determination or action of the Plan Committee may be made or taken by a majority of the members present at any meeting thereof, or without a meeting by resolution or written memorandum concurred in by a majority of members. Meetings may be held electronically.

10.2 “**No Special Compensation for Committee**” No member of the Plan Committee shall receive any compensation from the Plan for his service.

10.3 “**Powers of the Committee**” The Plan Committee shall administer the Plan in accordance with its terms and shall have all powers necessary or appropriate to carry out the provisions of the Plan. It shall be the sole interpreter of the Plan provisions and shall determine all questions arising in the administration, interpretation and application of the Plan. The Plan Committee shall determine an Employee’s eligibility for participation in the CDP and SERP, a Participant’s right to benefits from the Plan, the amount of any benefit due and the manner in which any benefit is to be paid by the Plan. It will construe the Plan, supply any omissions, reconcile any differences and determine all factual issues that relate to the Plan. Any such determination by the Plan Committee shall be conclusive and binding on all persons. It may adopt any procedure or administrative regulation as it deems necessary or desirable for the conduct of its affairs and appropriate administration of the Plan. The Plan Committee may appoint and retain service providers, including accountants, counsel, actuaries, specialists and other persons as it deems necessary or desirable in connection with the administration of this Plan, and shall be the agent for the service of process.

10.4 “**Expenses of Committee Reimbursed**” The Plan Committee shall be reimbursed by the Company for all reasonable expenses incurred by it in the fulfillment of its duties. Such expenses shall include any expenses incident to its functioning, including, but not limited to, fees of accountants, counsel, actuaries, and other specialists, and other costs of administering the Plan.

10.5 “**Appointment of Agents**” The Plan Committee is responsible for the daily administration of the Plan. It may appoint other persons or entities to perform any of its fiduciary or other functions as required by the terms of the Plan. The Plan Committee and any such appointee may employ advisors and other persons necessary or desirable to help it carry out its duties, including their respective fiduciary duties; provided, however, that any trustee appointed in connection with the Plan shall be appointed by and may be removed by the Compensation Committee rather than the Plan Committee. The Plan Committee shall from time to time review the work and performance of each such appointee, and shall have the right to remove any such appointee from his position at any time, with or without notice. Any person, group of persons or entity may serve in more than one fiduciary capacity.

10.6 “**Plan Accounting**” The Plan Committee shall maintain accurate and detailed records of Participants and Accounts established under the Plan and of all receipts, disbursements, transfers and other transactions concerning the Plan. Such Accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board of Directors and by persons designated thereby.

10.7 “**Plan to Comply with Law**” The Plan Committee shall take all steps necessary to ensure that the Plan complies with applicable laws at all times. These steps shall include such items as the preparation and filing of all documents and forms required by any governmental agency; maintaining of adequate Participants’ records; withholding of applicable taxes and filing of all required tax forms and returns; recording and transmission of all notices required to be given to Participants and their Beneficiaries; the receipt and dissemination, if required, of all reports and information received from the Company; and doing such other acts necessary for the administration of the Plan. The Plan Committee shall keep a record of all of its proceedings and acts and shall keep all such books of account, records and other data as may be necessary for the proper administration of the Plan. The Plan Committee shall notify the Company upon its request of any action taken by it, and when required, shall notify any other interested person or persons.

10.8 “**Claims and Appeals Procedures; Consistent Application of Procedures Required**” Upon application for benefits made by a Participant or Beneficiary, the Plan Committee shall determine, no later than ninety (90) days after receipt of the claim, whether or not the benefits applied for shall be denied either in whole or in part and so notify the applicant in writing. If benefits applied for are denied either in whole or in part, the following provisions shall govern:

(a) **Notice of Denial**. The Plan Committee, upon its denial of a claim for benefits under the Plan, shall provide the applicant with the aforesaid written notice of such denial setting forth:

- (i) the specific reason for the denial;
- (ii) specific reference to pertinent Plan provisions upon which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim; and
- (iv) an explanation of the claimant’s right with respect to the claims review procedure as provided in subsection (b) of this Section.

(b) **Claims Review**. Every claimant with respect to whom a claim is denied shall, upon written notice of such denial, have the right in the period which expires sixty (60) days after receipt by the claimant of the aforesaid written notice of denial to:

- (i) request a review of the denial of benefits by written notice delivered to the Plan Committee;
- (ii) review pertinent documents; and
- (iii) submit issues and comments in writing.

(c) **Decision on Review**. The Plan Committee, upon receipt of a request for review submitted by the claimant in accordance with subsection (b), shall conduct a review of its decision, and provide the claimant with written notice of the decision reached by the Plan Committee setting forth the specific reasons for the decision and specific references to the provisions of the Plan upon which the decision on review is based. Such notice shall be delivered to the claimant not later than 60 days following the receipt of the claimant’s request, or, in the event that the Plan Committee shall determine that a hearing is needed, no later than 120 days following the receipt of such request.

The Plan Committee shall establish and consistently apply procedures hereunder.

10.9 “**Modification of Eligibility Rules**” Notwithstanding anything to the contrary in the Plan, the Compensation Committee shall be authorized to modify the eligibility requirements and rescind the eligibility of any Participant if necessary to ensure that the Plans are maintained primarily for the purpose of providing additional benefits to a select group of management or highly compensated employees under ERISA.

## ARTICLE XI

### Miscellaneous Provisions

11.1 “**No Assignment**” Neither the Participant, his Beneficiary, nor his legal representative shall have any rights to commute, sell, assign, transfer or otherwise convey, or hypothecate or pledge, the right to receive any payments hereunder, which payments and the rights thereto are expressly declared to be nonassignable and nontransferable except by will or the laws of descent and distribution. Any attempt to assign or transfer the right to payments of this Plan shall be void and have no effect.

11.2 “**All Benefits Before Payment Subject to Company’s Creditors**” The assets from which Participants’ benefits shall be paid shall at all times be subject to the claims of the creditors of the Company before payment to a Participant and a Participant shall have no right, claim or interest in any assets as to which such Participant’s account is deemed to be invested or credited under the Plan.

11.3 “**Plan Amendment or Termination**” The Plan may be amended, modified, or terminated by the Board of Directors or the Compensation Committee in its sole discretion at any time and from time to time; provided, however, that no such amendment, modification, or termination shall reduce the value of benefits credited under the Plan prior to such amendment, modification or termination, provided such benefits remain non-forfeitable as determined by the terms of the Plan immediately prior to such amendment, modification or termination and such benefits are subject to the claims of the Company’s creditors as described in Article IX hereof.

11.4 “**Benefits Under This Plan Are Additional to Other Benefits or Pay**” It is expressly understood and agreed that the payments made in accordance with the Plan are in addition to any other benefits or compensation to which a Participant may be entitled or for which he may be eligible, whether funded or unfunded, by reason of his employment by the Company.

11.5 “**Company to Withhold Taxes**” The Company shall deduct from each payment under the Plan the amount of any tax (whether federal, state or local income taxes, Social Security taxes or Medicare taxes) required by any governmental authority to be withheld and paid over by the Company to such governmental authority for the account of the person entitled to such distribution.

11.6 “**Distributions Not Compensation for Purposes of Any Other Plan**” Distributions from this Plan shall not be considered wages, salaries or compensation under any other employee benefit plan sponsored or maintained by the Company or a Subsidiary.

11.7 “**No Promise of Employment**” No provision of this Plan shall be construed to affect in any manner the existing rights of the Company to suspend, terminate, alter, modify, whether or not for cause, the employment relationship between the Participant and the Company.

11.8 “**Applicable Law**” To the extent state law is not preempted by ERISA, this Plan, and all its rights under it, shall be governed and construed in accordance with the laws of the State of Tennessee.

11.9 “**Binding Affects on Assigns and Successors**” This Plan shall be binding upon the Company, its assigns, and any successor which shall succeed to substantially all of its assets and business through sale of assets, merger, consolidation or acquisition.

11.10 “**Titles Do Not Prevail**” The titles to the Sections of this Plan are included only for ease of use and are not terms of the Plan and shall not prevail over the actual provisions of the Plan.

11.11 “**Electronic Administration**” Notwithstanding anything to the contrary in the Plan, the Plan Committee may announce from time to time that Participant enrollments, Participant elections, and the any other aspect of plan administration may be made by telephonic or other electronic means rather than in paper form.

IN WITNESS WHEREOF, the Plan has been executed on the 10th day of January, but effective as of January 1, 2003.

DOLLAR GENERAL CORPORATION

By: /s/ Jeff Rice  
Jeff Rice  
Its: Vice President, Human Resources

ATTEST:

Lynda Anderson

**FIRST AMENDMENT TO  
LEASE AGREEMENT**

Dated as of November 22, 2002,

(amending the Lease Agreement,  
dated as of  
June 1, 2000)

between

TOWNSEND FULTON, LLC,  
as the Lessor,

and

DOLLAR GENERAL CORPORATION,  
as the Lessee.

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this “*Amendment*”) dated as of November 22, 2002, by and between TOWNSEND FULTON, LLC, a Delaware limited liability company, as the Lessor (the “*Lessor*”), and DOLLAR GENERAL CORPORATION, a Tennessee corporation, as the Lessee (the “*Lessee*”) and is joined by WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its capacity as the Agent (the “*Agent*”) for the Holders for the limited purposes provided below.

In consideration of the mutual agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

WITNESSETH:

WHEREAS, FU/DG Fulton, LLC (“*FU/DG*”) and the Lessee have heretofore entered into a certain Lease Agreement, dated as of June 1, 2000 (the “*Lease Agreement*”); and

WHEREAS, FU/DG entered into that certain Assignment of Lease (as such term is defined in the Lease Agreement; each capitalized term shall be defined in the manner set forth below) pursuant to which FU/DG assigned to the Agent, for the benefit of the Holders and the Head Lessor, certain of its rights under the Lease Agreement; and

WHEREAS, FU/DG sold, transferred and conveyed all of its right, title and interest in and to the Lease Agreement and the Property to Lessor on or about February 14, 2001; and

WHEREAS, the Lessee requested the Lessor, the Holders and the Head Lessor to grant certain waivers under the Assignment of Lease and the Note Purchase Agreement and the Holders and the Head Lessor granted the waivers as set forth in the Waiver Letter and the Head Lessor Waiver Letter, respectively, subject, in each case, to the amendment of the Lease Agreement as set forth in the Waiver Letter; and

WHEREAS, each of the parties hereto is willing, on the terms and subject to the conditions hereinafter set forth, to amend the Lease Agreement upon the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the agreements contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. *Defined Terms* . Capitalized terms (whether or not italicized) when used in this Amendment, including its preamble and recitals, shall, except where the context otherwise requires, have the meanings assigned to such terms in the Lease Agreement or *Section 3.1* of this Amendment, as applicable. The Rules of Usage set forth in *Appendix A* of the Lease Agreement shall apply to this Amendment.

ARTICLE II

WAIVER REGARDING  
RESTATEMENT OF FINANCIAL STATEMENTS

SECTION 2.1. *Waiver Regarding Restatement of Financial Statements* . Under *clause (p)* of *Section 20.01* of the Lease Agreement, the Lessee made certain representations regarding its audited financial statements. The Lessee has subsequently restated such financial statements and based upon such restatement, a Lease Event of Default has occurred. The Lessee has requested the Agent and the Lessor to waive such Lease Event of Default and the Lessee has agreed to enter into this Amendment as a material inducement to the Lessor to obtain the waiver set forth herein. The Agent and the Lessor hereby waive any Lease Default and Lease Event of Default that may have occurred as a result of the Lessee’s representations regarding its audited financial statements and the restatement of such financial statements.

SECTION 2.2. *Reservation of Rights* . The Lessee agrees that this Amendment shall not constitute (x) a waiver or forbearance by the Lessor, the Agent or the Head Lessor under any of the

Operative Documents, except as expressly set forth herein, (y) the acceptance by the Lessor, the Agent or the Head Lessor of any course of conduct by the Lessee or (z) an agreement by the Lessor, the Agent or the Head Lessor to amend any of the Operative Documents without the required approvals. Except as expressly set forth herein, in the First Amendment to Note Purchase Agreement and in the First Amendment to Intercreditor Agreement, the Lessee further agrees that the Lessor, the Agent and the Head Lessor reserve all rights, remedies and options under the Operative Documents to require the Lessee to perform all of its obligations under the Operative Documents which are then due and owing or are susceptible of performance, as the case may be.

### ARTICLE III

#### AMENDMENTS

SECTION 3.1. *Amendments* . The parties hereto hereby agree as follows:

(a) From and after the Effective Date (but not before), the following definitions shall be added in the appropriate alphabetical location to *Appendix A* of the Lease Agreement:

“*Credit Agreements*” means (i) that certain 364-Day Revolving Credit Agreement and (ii) that certain 3-Year Revolving Credit Agreement, each dated as of June 21, 2002 among the Lessee, as the Borrower, the Lenders from time to time party thereto, Credit Suisse First Boston, as the Syndication Agent, Keybank National Association and U.S. Bank National Association, as Co-Documentation Agents, and Suntrust Bank, as Administrative Agent, in each case, as the same may be amended, modified, restated, renewed, increased, replaced, supplemented or amended and restated; *provided, however*, for purposes of *Section 21.03* of this Agreement if at any time neither of the Credit Agreements (as the same may be amended, modified, restated, renewed, increased, replaced, supplemented or amended and restated) described in *clauses (i) and (ii)* of this definition is in effect, the most recent of such Credit Agreements to be in effect shall be deemed to be in effect.

“*Credit Agreement Default*” shall mean a “Default” as such term is defined in each of the Credit Agreements (as in effect from time to time).

“*Credit Agreement Event of Default*” shall mean an “Event of Default” as such term is defined in each of the Credit Agreements (as in effect from time to time).

“*First Amendment to Intercreditor Agreement*” shall mean the First Amendment to Intercreditor Agreement among the Agent, the Holders, the Lessor and the Head Lessor dated as of November 22, 2002 (which was agreed to and acknowledged by the Lessee and the Servicer).

“*First Amendment to Lease Agreement*” shall mean this Amendment.

“*First Amendment to Note Purchase Agreement*” shall mean the First Amendment to Note Purchase Agreement among the Agent, the Holders and the Lessor dated as of November 22, 2002.

“*Head Lessor Waiver Letter*” shall mean that certain letter from the Head Lessor to the Lessee dated as of January 9, 2002.

“*Initial Schedule 3.01*” and “*Initial Schedule 12.01*” shall mean the original Schedule 3.01 or the original Schedule 12.01, as the case may be, to this Agreement.

“*Lump Sum Base Rental Payment*” shall mean, as of the applicable Rent Payment Date, the amount opposite such Rent Payment Date set forth in *Schedule 21.04* attached hereto.

“*Lump Sum First Renewal Term*” shall have the meaning specified in Section 5.01(a)(ii) of the Lease.

“*Post Closing Deliverable*” shall have the meaning specified in Section 4.2 of this Amendment.

“*Revised Schedule 3.01*” and “*Revised Schedule 12.01*” shall mean *Revised Schedule 3.01* or *Revised Schedule 12.01*, as the case may be, attached to the First Amendment to Lease Agreement.

“*Stated Maturity Date*” shall have the meaning specified in the Note Purchase Agreement.

“*Waiver Letter*” shall mean that certain letter from the Agent to the Lessee as of January 9, 2002.

(b) The definition of “*Rent*” in *Appendix A* of the Lease Agreement shall be deleted in its entirety and the following definition shall be substituted in its place:

“**Rent**” shall mean Interim Rent, Base Rent (including the Lump Sum Base Rental Payment if, as and when paid), Renewal Rent and Supplemental Rent, collectively.”

(c) *Item (ii)* of *clause (a)* of *Section 5.01* of the Lease shall be renumbered *item (iii)* and the following new *item (ii)* shall be added:

“(ii) Upon the payment of the Lump Sum Base Rental Payment, automatically for a period of two (2) years commencing on the date that is the day after the expiration of the Base Term and ending on the second anniversary of the expiration of the Base Term (the ‘Lump Sum First Renewal Term’). Notwithstanding anything to the contrary set forth in this Agreement or any other Operative Document, the Renewal Rent payable for the Lump Sum First Renewal Term shall be determined in accordance with Section 21.04(b) and Revised Schedule 3.01; and”

(d) The first sentence of *clause (b)* of *Section 5.01* of the Lease shall be amended to add “, other than the Lump Sum First Renewal Term” after “Renewal Term”.

(e) The following item shall be added to *clause (a)* of *Section 20.03* of the Lease Agreement after *item (ii)* therein:

“(iii) *Delivery of Information required by the Credit Agreements* – The Lessee shall deliver to the Agent a copy of all information which the Lessee is required to deliver pursuant to and in accordance with the Credit Agreements (but only to the extent that such information is not duplicative of information which Lessee is delivering to the Agent pursuant to this Agreement or otherwise).”

(f) The words “[Intentionally Omitted]” shall be deleted under Article XXI and the following Article and Sections shall be substituted therefor:

#### **“Article XXI Lump Sum Base Rental Payment**

SECTION 21.01. *Delivery of the Credit Agreements*. The Lessee warrants and represents that it has delivered to the Lessor and the Agent a true, correct and complete copy of each of the Credit Agreements in effect as of the Effective Date.

SECTION 21.02. *Delivery of Notices and Amendments* .

(a) The Lessee covenants and agrees that it shall deliver to the Lessor and the Agent a copy of each demand for performance, notice of Credit Agreement Default, notice of Credit Agreement Event of Default and requests for indemnification received by the Lessee under either of the Credit Agreements promptly but in no event later than within two Business Days after receipt thereof by the Lessee, and a copy of all notices or responses given by the Lessee under either of the Credit Agreements with respect to any such demand for performance, Credit Agreement Default, Credit Agreement Event of Default or request for indemnification. In addition, the Lessee shall provide the Lessor and the Agent with a copy of each and every amendment, modification, restatement, renewal, increase, replacement, supplement and amendment and restatement of each of the Credit Agreements within five Business Days after such instrument is executed and delivered by the parties thereto, it being expressly understood and agreed that the Lessee shall have the right to enter into amendments, modifications, restatements, renewals, increases, replacements, supplements and amendments and restatements (each, a “*Credit Agreement Amendment*”) of the Credit Agreements from time to time without the consent of the Agent or the Holders.

(b) After the execution and delivery of any such Credit Agreement Amendment by the parties thereto, within 60 days after written request by the Agent, the Lessor and the Lessee shall enter into an amendment of this Agreement which is reasonably required to provide the Lessor and the Holders with the substantive benefits of all covenants (affirmative, negative and financial) and Credit Agreement Defaults and Credit Agreement Events of Default as set forth in the Credit Agreements (as amended from time to time); *provided, however*, any remedies for breaches thereof shall be limited as set forth in *Sections 21.04* and *21.05*. If the Agent has not requested an amendment of this Agreement or the other Operative Documents with respect to any such Credit Agreement Amendment, the Lessee may request the Lessor, the Agent, the Holders, and the Head Lessor to enter into an amendment of the Operative Documents to which such Persons are a party if such amendment is required in order to conform to the provisions of this *Article XXI* to applicable provisions of the Credit Agreement, as amended by a Credit Agreement Amendment) but only so long as after giving effect thereto the rights of such Persons under the Operative Documents are not adversely affected (as reasonably determined by each such Person affected by such proposed amendment). Notwithstanding anything to the contrary in this *Article XXI*, it is expressly understood and agreed that the effectiveness of any such Credit Agreement Amendment shall not be affected by the existence or non-existence of any conforming amendment hereto.

SECTION 21.03. *Performance of Credit Agreements* .

The Lessee covenants and agrees that it shall perform all obligations under the Credit Agreements (as in effect from time to time) including, without limitation, all affirmative and financial covenants set forth therein and that it shall not violate any of the negative covenants set forth in such Credit Agreements, in each case, beyond the expiration of applicable grace, notice and cure periods. The Lessee expressly acknowledges that the Agent, upon the direction of the Required Holders (as defined in the Note Purchase Agreement), shall have an independent right to demand performance by the Lessee of its obligations under the Credit Agreements and determine compliance thereto by the Lessee and that the Agent shall not be bound by any determination by any of the lenders or agents under either of the Credit Agreements or any waiver or forbearance entered into or approved thereby.

SECTION 21.04. *Breaches of Credit Agreement; Lump Sum Payment* .

(a) Upon the occurrence of (i) a Credit Agreement Event of Default (whether declared by the administrative agent and/or the lenders under the Credit Agreements, or by the Agent in its reasonable discretion (after direction from the Required Holders)) or (ii) upon the determination by the Agent in its reasonable discretion (after direction from the Required Holders) that (A) any representation or warranty of the Lessee made or deemed to be made under *Article V* of the First Amendment to Lease Agreement is incorrect when made or deemed to have been made in any material respect or (B) the Lessee has breached any covenants under this *Article XXI* or under *clause (c) of Section 4.1* of the First Amendment to Lease Agreement (and with respect to breaches other than under *Section 21.03* and *21.04* and breaches relating to the payment of money, such breach has continued for a period of thirty (30) days after the Agent's written notice thereof to the Lessee), then, on the next Rent Payment Date after written notice has been given by the Agent in accordance with this Agreement, the Lessee shall make a payment of Base Rent due on such Rent Payment Date as set forth on *Schedule 3.01* and the Lump Sum Base Rental Payment (which Lump Sum Base Rental Payment shall be in addition to the payment of Base Rent due on such Rent Payment Date as set forth on *Schedule 3.01*). The Lump Sum Base Rental Payment shall constitute (i) a prepayment of some or all of the Base Rent otherwise payable from such Rent Payment Date through the remainder of the Base Term (any such portion determined in accordance with *Section 21.04(b)*) and (ii) a prepayment of the Renewal Rent for the Lump Sum First Renewal Term (as set forth on the Revised *Schedule 3.01*). Such Lump Sum Base Rental Payment shall be paid by the Lessor to the Agent in accordance with the Assignment of Lease and applied by the Holders as an optional prepayment in full of the Notes, as a result of which the Mortgage shall be released and discharged subject to the provisions of the Operative Documents. Notwithstanding anything to the contrary set forth in this Agreement or any other Operative Document, neither the existence of a Credit Agreement Default or Credit Agreement Event of Default nor any misrepresentation by the Lessee under *Article V* of the First Amendment to Lease Agreement or breach by the Lessee of any of its obligations under this *Article XXI* or *clause (c) of Section 4.1* of the First Amendment to Lease Agreement shall constitute a Lease Default, Lease Event of Default, Note Purchase Agreement Default, Note Purchase Agreement Event of Default, Head Lease Default (as defined in the Note Purchase Agreement) or Head Lease Event of Default (as defined in the Note Purchase Agreement) and the sole and exclusive remedies of Lessor (or the Agent under the Assignment of Lease) as a consequence thereof shall be as set forth in *Section 21.05* .

(b) *Revised Schedule 3.01* reflects the manner in which a Lump Sum Base Rental Payment, if made pursuant hereto, shall be applied to the prepayment of the Base Rent and the amount to be applied to the prepayment of Renewal Rent by setting forth for each Rent Payment Date (i) the Base Rent payable, (ii) the portion of Base Rent that shall be prepaid by the Lump Sum Base Rental Payment (the "*Prepayable Base Rent*"), (iii) the portion of Base Rent that shall not be prepaid by the Lump Sum Base Rental Payment (the "*Non-Prepayable Base Rent*") and (iv) the portion of the Lump Sum Base Rental Payment that shall be applied against the Renewal Rent for the Lump Sum First Renewal Term. From and after the date on which the Lessee makes the Lump Sum Base Rental Payment together with the Base Rent due on such Rent Payment Date (as set forth on *Schedule 3.01*) in accordance with the terms of this *Article XXI* , Base Rent shall be treated for purposes of *Section 3.01* of this Agreement as consisting only of Non-Prepayable Base Rent and Lessee shall thereafter pay as Base Rent on each Rent Payment Date only an amount equal to the Non-Prepayable Base Rent for such Rent Payment Date. It is the intention of the parties hereto that the allocation of Base Rent and Renewal Rent set forth on the *Schedule 3.01* and *Revised Schedule 3.01* shall be considered to be a specific allocation of fixed rent within the meaning of Treasury Regulations Section 1.467-1(c)(2)(ii)(A), the Base Rent or Renewal Rent for each Rent Payment Date being allocable to the month ended on such Rent Payment Date.

(c) If the Lessee becomes obligated to pay and pays the Lump Sum Base Rental Payment together with the Base Rent due on such Rent Payment Date (as set forth on *Initial Schedule 3.01*) in accordance with the terms of this *Article XXI* , then (i) there shall be considered to exist a loan from the Lessee to the Lessor solely for purposes of Section 467 of the Code initially in the amount of the Lump Sum Base Rental Payment (the "*Section 467 Loan*"), (ii) the Lessee shall promptly prepare and deliver to the Lessor a schedule (the "*Section 467 Loan Schedule*") setting forth for each subsequent Rent Payment Date the balance of the Section 467 Loan and the interest accrued on the Section 467 Loan (the "*Section 467 Loan Interest*"), which Section 467 Loan Schedule shall, upon reasonable approval by the Lessor, be incorporated into the Lease as a part thereof, and (iii) for federal income tax purposes, the Lessor shall deduct and the Lessee shall include in income for each taxable year the Section 467 Loan Interest for such year.

(d) From and after the date on which the Lessee makes the Lump Sum Base Rental Payment, together with the Base Rent due on such Rent Payment Date (as set forth on *Schedule 3.01*) in accordance with the terms of this *Article XXI* , (i) the Term of this Lease shall automatically be extended to include the Lump Sum First Renewal Term and (ii) the *Revised Schedule 12.01* shall automatically become effective and shall, absent manifest error, without further action by any Person replace the *Schedule 12.01*.

SECTION 21.05. *Remedies* . If the Lessee breaches its obligation to pay the Lump Sum Base Rental Payment in accordance with *Section 21.04* , the following exclusive remedies shall apply, it being expressly understood that the Lessor, the Agent and the Holders, individually and collectively, shall not have any remedies provided for under *Section 17.01* or elsewhere in this Agreement (other than this *Section 21.05* ) or any other remedies otherwise available to the Lessor under the laws of the State where the Property is located that are applicable to the lessor-lessee relationship established by the Lease and that nothing in this *Section 21.05* shall be interpreted or construed in any manner that will permit the failure of the Lessee to make payment of the Lump Sum Base Rental Payment to be treated as or considered to be a Lease Default or Lease Event of Default:

(a) If the Lump Sum Base Rental Payment is not paid on the due date thereof, then the Lessee shall pay interest thereon at the interest rate provided for in the Notes; *provided* , *however* , that if such payment is not paid by the third day after the Lump Sum Base Rental Payment becomes due and payable, then for each day thereafter until the Lump Sum Base Rental Payment is paid, interest shall accrue on the Lump Sum Base Rental Payment at the Default Rate. Lessee acknowledges its responsibility to pay interest at the Default Rate and late charges owed to any Holder by reason of Lessee's failure to pay the Lump Sum Base Rental Payment in accordance with this *clause (a)* . All amounts to be paid under this *clause (a)* shall be paid by the Lessor to the Agent in accordance with the Assignment of Lease.

(b) Until payment of the Lump Sum Base Rental Payment (unless a Lease Default or Lease Event of Default otherwise exists), the Lessee's rights under *Section 4.01* , *clause (c) of Section 5.01* , *Section 11.01* , *Section 14.01* , *Section 19.01* , *clause (e) of Section 19.02* , *item (iii) of clause (c) of Section 19.03* , *clause (b) of Section 20.03* , *clause (e) of Section 23.01* , *Section 27.14* and *Section 27.15* of this Agreement shall be limited as if a Lease Event of Default has occurred and is continuing.

(c) Until payment of the Lump Sum Base Rental Payment (unless a Lease Default or Lease Event of Default otherwise exists), the Lessor shall have the right to inspect the Property in accordance with *Section 15.01* as if a Lease Event of Default has occurred and is continuing.

(d) The Lessor shall have all rights (which rights, pursuant to the Assignment of Lease, have been assigned to the Agent) at law, equity or other appropriate proceeding (including the right to bring a separate suit) (i) to enforce the Lessee's obligations under this *Article XXI* whether or not the Lessor is then exercising remedies under *Section 17.01* of this Agreement based upon a Lease Event of Default pursuant to the terms of this Agreement (for the avoidance of doubt, other than with respect to this *Article XXI* ), and (ii) to declare one or more Lease Defaults or Lease Events of Default pursuant to the terms of this Agreement (for the avoidance of doubt, other than with respect to this *Article XXI* ) and to exercise remedies under *Section 17.01* of this Agreement based thereon whether or not the Lessor is then exercising rights under *clause (i)* of this sentence. Each right, power and remedy of the Lessor under this *Section 21.05* shall be cumulative and concurrent and in addition to every other right, power or remedy of the Lessor under this Agreement and the exercise or the beginning of the exercise by the Lessor of any one or more of the rights, powers or remedies provided for in this Agreement or the Operative Documents or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Lessor of any or all of such other rights, powers or remedies. Other than *Revised Schedule 3.01* and *Revised Schedule 12.01* , neither the payment nor the failure to pay the Lump Sum Base Rental Payment shall affect any of the rights, remedies or obligations of the Lessor or the Lessee under this Agreement or the other Operative Documents to which they are a party.

SECTION 21.06. *Indemnification* . The Lessee agrees to assume liability for, and to indemnify, protect, defend, save and keep harmless each Indemnitee, on an After-Tax Basis, from and against any Claims that may be suffered, imposed on or asserted against any Indemnitee, arising out of a breach by the Lessee of its obligations under this *Article XXI* . Lessee acknowledges that the foregoing includes any costs incurred by any Indemnitee in performing any inspections of any Property if such inspection reveals a violation by Lessee of *Section 8.05* of this Agreement. The provisions of *Section 19.01* of this Agreement (other than *clause (a)* ) shall apply to this indemnification; *provided* , *however* , for purposes of this *Section 21.06* , the Lessee shall have no right under *Section 19.01* to exercise any rights granted to the Lessee under said *Section 19.01* if a breach exists under *Section 21.04* or if a Lease Default or Lease Event of Default has occurred and is continuing."

## CONDITIONS PRECEDENT AND POST CLOSING DELIVERIES

SECTION 4.1. *Conditions to Effectiveness* . This Amendment shall be and become effective as of the date (the “*Effective Date*”) on which each of the following conditions precedent shall have been satisfied. Lessor agrees that its execution of this Amendment shall evidence its agreement that such conditions precedent shall have been satisfied and that the Effective Date has occurred as of the date of this Amendment.

(a) *Execution of Amendment, First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement* . The Agent, the Lessor and the Lessee shall have received executed counterparts of this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement from the parties signatory hereto and thereto and the Effective Date as defined in each such instrument shall have occurred.

(b) *Incumbency, etc.* The Agent shall have received (with copies for each Participant) an Officer’s Certificate dated the date hereof of the Lessor and the Lessee certifying:

(i) as to the incumbency and signatures of the Person or Persons authorized to execute and deliver this Amendment and any instruments or agreements required hereunder,

(ii) as to an attached copy of one or more resolutions or other authorizations of each such Person together with an Officer’s Certificate certifying that such resolutions or other authorizations are in full force and effect on the date hereof, and which grant such Person the authorization to execute, deliver and perform this Amendment and any instruments or agreements required hereunder, and

(iii) that the organizational documents of each such Person have not been modified since the date on which they were last delivered to the Agent,

upon which certificate the Agent and each Participant may conclusively rely until it shall have received a further Officer’s Certificate of such Person canceling or amending such prior certificate.

(c) *Fees* . All reasonable fees and costs and expenses of Mayer, Brown, Rowe & Maw, Piper Rudnick LLP, Parker Poe Adams and Bernstein LLP, Kelley Drye & Warren LLP and Moore and Van Allen, PLLC in connection with the negotiation, execution and delivery of this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement and the transactions contemplated thereby shall have been paid in full by Lessee.

(d) *Delivery of Amendment, First Amendment to Note Purchase Agreement and First Amendment to Intercreditor Agreement* . The Lessee shall have delivered this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement to all Persons entitled thereto under the Operative Documents to receive delivery hereof and thereof.

(e) *Consent of Residual Value Insurer* . The Residual Value Insurer (as defined in the Note Purchase Agreement) shall have delivered its written consent to the execution and delivery of this Amendment and, if required, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement. The form and substance of such consent shall be reasonably satisfactory to the Lessor and the Agent.

(f) *Opinions* . The Agent shall have received such opinions of counsel as it deems necessary, dated as of the date of this Amendment and addressed to the Agent and the other Participants which shall be in form and substance satisfactory to the Agent and such other Participants.

SECTION 4.2. *Post Closing Deliveries*. On or before February 15, 2003, time being of the essence as to the Company, the Company shall deliver to the Agent a legal opinion of Bass, Berry & Sims PLC (or another firm of outside counsel reasonably satisfactory to the Required Holders (as such term is defined in the Note Purchase Agreement)) with respect to the due authorization of this Amendment (the “*Post Closing Deliverable*”). The form and content of the Post Closing Deliverable shall be reasonably satisfactory to the Required Holders. If the Company fails to deliver the Post Closing Deliverable in accordance with this Section 4.2, this Amendment shall be void *ab initio* .

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

In order to induce the Lessor to enter into this Amendment and to induce the other Participants to consent to the execution and delivery of this Amendment, the Lessee hereby reaffirms, as of the date hereof, its representations and warranties contained in *Article XX* of the Lease Agreement (other than the representations set forth in *clauses (p) and (r)* (as updated by *Schedule 20.01(r)* to this Amendment) of *Section 20.01* ) and *Article IV* of each of the Credit Agreements and additionally represents and warrants unto the Participants as set forth in this *Article V* .

SECTION 5.1. *Limitation* . Except as expressly provided hereby and by the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement, all of the representations, warranties, terms, covenants and conditions of the Lease Agreement and each other Operative Document shall remain unamended and unwaived and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments, modifications and consents set forth herein shall be limited precisely as provided for herein, and shall not be deemed to be a waiver of, amendment of, consent to or modification of any other term or provision of the Lease Agreement, any other Operative Document, or other instrument referred to therein or herein, or of any transaction or further or future action on the part of the Lessee or any other Person which would require the consent of such Person.

SECTION 5.2. *Offsets and Defenses* . The Lessee has no offsets or defenses to its obligations under the Operative Documents and no claims or counterclaims against any of the Participants.

SECTION 5.3. *No Default* . After giving effect to this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement, no Lease Default, Lease Event of Default, Credit Agreement Default or Credit Agreement Event of Default exists.

SECTION 5.4. *Consents and Approvals* . All approvals and consents required to be taken, given or obtained, as the case may be, by or from any Governmental Authority, any holder of any Indebtedness (as defined in the Lease Agreement and each of the Credit Agreements) or any other Person that are necessary in connection with the execution, delivery and performance of this Amendment and the First Amendment to Intercreditor Agreement by the Lessee have been taken, given or obtained, as the case may be, and are in full force and effect.

## ARTICLE VI

### MISCELLANEOUS PROVISIONS

SECTION 6.1. *Ratification of and References to the Lease Agreement* . This Amendment shall be deemed to be an amendment to the Lease Agreement, and the Lease Agreement, as amended hereby, shall continue in full force and effect and is hereby ratified, approved and confirmed in each and every respect. All references (i) to the Lease Agreement (including references to “this Agreement” which refer to the Lease Agreement) herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Lease Agreement as amended hereby, (ii) to the Note Purchase Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Note Purchase Agreement, as amended by the Note Amendment, (iii) to the Intercreditor Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Intercreditor Agreement, as amended by the First Amendment to Intercreditor Agreement and (iv) any of the Lease Agreement, the Note Purchase Agreement or the Intercreditor Agreement as an “Operative Document” shall hereafter be deemed to refer to such agreement, as amended as described in the preceding clauses (i), (ii) and (iii).

SECTION 6.2. *Headings* . The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

SECTION 6.3. *Applicable Law* . THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED, BUT EXCLUDING ALL CHOICE OF LAW AND CONFLICTS OF LAW RULES OF SUCH STATE.

SECTION 6.4. *Cross-References* . References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

SECTION 6.5. *Operative Document* . This Amendment is an Operative Document executed pursuant to the Lease Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Lease Agreement, as amended hereby.

SECTION 6.6. *Successors and Assigns* . This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 6.7. *Counterparts* . This Amendment may be executed by the parties hereto in any number of counterparts and on separate counterparts, each of which shall be an original but all of

which together shall constitute one and the same instrument.

SECTION 6.8. *Assignment of Lease* . The Lessor and the Lessee each acknowledge that, pursuant to the Assignment of Lease, the Lessor has assigned to the Agent, for the benefit of the Holders, all of the Lessor's rights to receive payment of any Lump Sum Base Rental Payment and to enforce the rights of the Lessor to demand payment and performance of the obligations of the Lessee under the Lease Agreement as same may be amended or modified from time to time.

SECTION 6.9. *Integration* . This Amendment, the First Amendment to Intercreditor Agreement, the First Amendment to Note Purchase Agreement and the other Operative Documents constitute the entire agreement among the parties hereto and thereto regarding the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Lease Agreement as of the day and year first above written.

TOWNSEND FULTON, LLC, as the Lessor

By: /s/ David B. Townsend  
Name: David B. Townsend  
Title: Vice President

DOLLAR GENERAL CORPORATION, as the Lessee

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

The undersigned hereby joins in the execution of this First Amendment for the sole purpose of (i) consenting to the amendments made to the Lease Agreement pursuant to the terms hereof, (ii) agreeing to be bound by the provisions thereof expressly applicable to the Agent and the Holders and (iii) confirming that all actions and determinations made by the Agent and the Holders pursuant to *Article XXI* of the Lease Agreement shall be subject to the same duties applicable to the Holders under the Assignment of Lease.

WILMINGTON TRUST COMPANY, as the Agent

By: /s/ Linda C. Mack  
Name: Linda C. Mack  
Title: Administrative Account Manager

**Revised Schedule 3.01**

<u>Period</u>	<u>Fulton Rent Payment Schedule</u>	<u>Non Prepayable Base Rent</u>	<u>Prepayable Base Rent</u>	<u>Total Base Rent</u>
31-Jul-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Aug-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Sep-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Oct-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Nov-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Dec-00	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Jan-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
28-Feb-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Mar-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Apr-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-May-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Jun-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Jul-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Aug-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Sep-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Oct-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Nov-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Dec-01	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Jan-02	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
28-Feb-02	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-Mar-02	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
30-Apr-02	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28
31-May-02	\$286,928.61	\$286,928.61	\$265,451.67	\$552,380.28



30-Nov-08	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
31-Dec-08	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
31-Jan-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
28-Feb-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
31-Mar-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
30-Apr-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
31-May-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
30-Jun-09	\$105,374.08	\$105,374.08	\$344,693.41	\$450,067.49
31-Jul-09			\$344,693.41	\$344,693.41
31-Aug-09			\$344,693.41	\$344,693.41
30-Sep-09			\$344,693.41	\$344,693.41
31-Oct-09			\$344,693.41	\$344,693.41
30-Nov-09			\$344,693.41	\$344,693.41
31-Dec-09			\$344,693.41	\$344,693.41
31-Jan-10			\$344,693.41	\$344,693.41
28-Feb-10			\$344,693.41	\$344,693.41
31-Mar-10			\$344,693.41	\$344,693.41
30-Apr-10			\$344,693.41	\$344,693.41
31-May-10			\$344,693.41	\$344,693.41
30-Jun-10			\$344,693.41	\$344,693.41
31-Jul-10			\$344,693.41	\$344,693.41
31-Aug-10			\$344,693.41	\$344,693.41
30-Sep-10			\$344,693.41	\$344,693.41
31-Oct-10			\$344,693.41	\$344,693.41
30-Nov-10			\$344,693.41	\$344,693.41
31-Dec-10			\$344,693.41	\$344,693.41
31-Jan-11			\$344,693.41	\$344,693.41
28-Feb-11			\$344,693.41	\$344,693.41
31-Mar-11			\$344,693.41	\$344,693.41
30-Apr-11			\$344,693.41	\$344,693.41
31-May-11			\$344,693.41	\$344,693.41
30-Jun-11			\$344,693.41	\$344,693.41
31-Jul-11			\$344,693.41	\$344,693.41
31-Aug-11			\$344,693.41	\$344,693.41
30-Sep-11			\$344,693.41	\$344,693.41
31-Oct-11			\$344,693.41	\$344,693.41
30-Nov-11			\$344,693.41	\$344,693.41
31-Dec-11			\$344,693.41	\$344,693.41
31-Jan-12			\$344,693.41	\$344,693.41
29-Feb-12			\$344,693.41	\$344,693.41
31-Mar-12			\$344,693.41	\$344,693.41
30-Apr-12			\$344,693.41	\$344,693.41
31-May-12			\$344,693.41	\$344,693.41
30-Jun-12			\$344,693.41	\$344,693.41
31-Jul-12			\$344,693.41	\$344,693.41
31-Aug-12			\$344,693.41	\$344,693.41
30-Sep-12			\$344,693.41	\$344,693.41
31-Oct-12			\$344,693.41	\$344,693.41
30-Nov-12			\$344,693.41	\$344,693.41
31-Dec-12			\$344,693.41	\$344,693.41
31-Jan-13			\$344,693.41	\$344,693.41
28-Feb-13			\$344,693.41	\$344,693.41
31-Mar-13			\$344,693.41	\$344,693.41
30-Apr-13			\$344,693.41	\$344,693.41
31-May-13			\$344,693.41	\$344,693.41
30-Jun-13			\$344,693.41	\$344,693.41
31-Jul-13			\$344,693.41	\$344,693.41
31-Aug-13			\$344,693.41	\$344,693.41
30-Sep-13			\$344,693.41	\$344,693.41
31-Oct-13			\$344,693.41	\$344,693.41
30-Nov-13			\$344,693.41	\$344,693.41
31-Dec-13			\$344,693.41	\$344,693.41
31-Jan-14			\$344,693.41	\$344,693.41
28-Feb-14			\$344,693.41	\$344,693.41
31-Mar-14			\$344,693.41	\$344,693.41
30-Apr-14			\$344,693.41	\$344,693.41
31-May-14			\$344,693.41	\$344,693.41
30-Jun-14			\$344,693.41	\$344,693.41
31-Jul-14			\$344,693.41	\$344,693.41
31-Aug-14			\$344,693.41	\$344,693.41
30-Sep-14			\$344,693.41	\$344,693.41
31-Oct-14			\$344,693.41	\$344,693.41
30-Nov-14			\$344,693.41	\$344,693.41
31-Dec-14			\$344,693.41	\$344,693.41
31-Jan-15			\$344,693.41	\$344,693.41
28-Feb-15			\$344,693.41	\$344,693.41
31-Mar-15			\$344,693.41	\$344,693.41



30-Sep-21	\$344,693.41	\$344,693.41
31-Oct-21	\$344,693.41	\$344,693.41
30-Nov-21	\$344,693.41	\$344,693.41
31-Dec-21	\$344,693.41	\$344,693.41
31-Jan-22	\$344,693.41	\$344,693.41
28-Feb-22	\$344,693.41	\$344,693.41
31-Mar-22	\$344,693.41	\$344,693.41
30-Apr-22	\$344,693.41	\$344,693.41
31-May-22	\$344,693.41	\$344,693.41
30-Jun-22	\$344,693.41	\$344,693.41

**Lump Sum First Renewal Rent**

	<b>Prepayable Renewal Rent</b>	<b>Total Renewal Rent</b>
31-Jul-22	\$344,693.41	\$344,693.41
31-Aug-22	\$344,693.41	\$344,693.41
30-Sep-22	\$344,693.41	\$344,693.41
31-Oct-22	\$344,693.41	\$344,693.41
30-Nov-22	\$344,693.41	\$344,693.41
31-Dec-22	\$344,693.41	\$344,693.41
31-Jan-23	\$344,693.41	\$344,693.41
28-Feb-23	\$344,693.41	\$344,693.41
31-Mar-23	\$344,693.41	\$344,693.41
30-Apr-23	\$344,693.41	\$344,693.41
31-May-23	\$344,693.41	\$344,693.41
30-Jun-23	\$344,693.41	\$344,693.41
31-Jul-22	\$344,693.41	\$344,693.41
31-Aug-22	\$344,693.41	\$344,693.41
30-Sep-22	\$344,693.41	\$344,693.41
31-Oct-22	\$344,693.41	\$344,693.41
30-Nov-22	\$344,693.41	\$344,693.41
31-Dec-22	\$344,693.41	\$344,693.41
31-Jan-23	\$344,693.41	\$344,693.41
28-Feb-23	\$344,693.41	\$344,693.41
31-Mar-23	\$344,693.41	\$344,693.41
30-Apr-23	\$344,693.41	\$344,693.41
31-May-23	\$344,693.41	\$344,693.41
30-Jun-23	\$344,693.41	\$344,693.41

**Revised Schedule 12.01**

<u>Period</u>	<u>Termination Value</u>	<u>Lump Sum Base Rental Payment</u>	<u>Recalculated Termination Value</u>
31-Jul-00	59,778,936.88	37,300,000.00	22,478,936.88
31-Aug-00	59,672,024.55	37,300,000.00	22,372,024.55
30-Sep-00	59,565,112.22	37,300,000.00	22,265,112.22
31-Oct-00	59,458,199.89	37,300,000.00	22,158,199.89
30-Nov-00	59,350,712.76	37,300,000.00	22,050,712.76
31-Dec-00	59,243,800.44	37,300,000.00	21,943,800.44
31-Jan-01	59,136,888.11	37,300,000.00	21,836,888.11
28-Feb-01	59,029,400.98	37,300,000.00	21,729,400.98
31-Mar-01	58,922,488.65	37,300,000.00	21,622,488.65
30-Apr-01	58,815,576.32	37,300,000.00	21,515,576.32
31-May-01	58,708,089.19	37,300,000.00	21,408,089.19
30-Jun-01	58,601,176.86	37,300,000.00	21,301,176.86
31-Jul-01	58,494,264.53	37,300,000.00	21,194,264.53
31-Aug-01	58,386,777.41	37,300,000.00	21,086,777.41
30-Sep-01	58,279,865.08	37,300,000.00	20,979,865.08
31-Oct-01	58,172,952.75	37,300,000.00	20,872,952.75
30-Nov-01	58,066,040.42	37,300,000.00	20,766,040.42
31-Dec-01	57,958,553.29	37,300,000.00	20,658,553.29
31-Jan-02	57,851,640.96	37,300,000.00	20,551,640.96
28-Feb-02	57,744,728.63	37,300,000.00	20,444,728.63
31-Mar-02	57,637,241.51	37,300,000.00	20,337,241.51
30-Apr-02	57,530,329.18	37,300,000.00	20,230,329.18
31-May-02	57,423,416.85	37,300,000.00	20,123,416.85
30-Jun-02	57,315,929.72	37,300,000.00	20,015,929.72
31-Jul-02	57,209,017.39	37,300,000.00	19,909,017.39
31-Aug-02	57,102,105.06	37,300,000.00	19,802,105.06
30-Sep-02	56,994,617.94	37,300,000.00	19,694,617.94
31-Oct-02	56,887,705.61	37,300,000.00	19,587,705.61

30-Nov-02	56,780,793.28	37,300,000.00	19,480,793.28
31-Dec-02	56,673,306.15	37,300,000.00	19,373,306.15
31-Jan-03	56,566,393.82	37,300,000.00	19,266,393.82
28-Feb-03	56,459,481.49	37,300,000.00	19,159,481.49
31-Mar-03	56,352,569.16	37,300,000.00	19,052,569.16
30-Apr-03	56,245,082.03	37,300,000.00	18,945,082.03
31-May-03	56,138,169.71	37,300,000.00	18,838,169.71
30-Jun-03	56,031,257.38	37,300,000.00	18,731,257.38
31-Jul-03	55,923,770.25	37,300,000.00	18,623,770.25
31-Aug-03	55,816,857.92	37,300,000.00	18,516,857.92
30-Sep-03	55,709,945.59	37,300,000.00	18,409,945.59
31-Oct-03	55,602,458.46	37,300,000.00	18,302,458.46
30-Nov-03	55,495,546.13	37,300,000.00	18,195,546.13
31-Dec-03	55,388,633.80	37,300,000.00	18,088,633.80
31-Jan-04	55,281,146.68	37,300,000.00	17,981,146.68
29-Feb-04	55,174,234.35	37,300,000.00	17,874,234.35
31-Mar-04	55,067,322.02	37,300,000.00	17,767,322.02
30-Apr-04	54,959,834.89	37,300,000.00	17,659,834.89
31-May-04	54,852,922.56	37,300,000.00	17,552,922.56
30-Jun-04	54,746,010.23	37,300,000.00	17,446,010.23
31-Jul-04	54,639,097.90	37,300,000.00	17,339,097.90
31-Aug-04	54,531,610.78	37,300,000.00	17,231,610.78
30-Sep-04	54,424,698.45	37,300,000.00	17,124,698.45
31-Oct-04	54,317,786.12	37,300,000.00	17,017,786.12
30-Nov-04	54,210,298.99	37,300,000.00	16,910,298.99
31-Dec-04	54,103,386.66	37,300,000.00	16,803,386.66
31-Jan-05	53,996,474.33	37,300,000.00	16,696,474.33
28-Feb-05	53,888,987.20	37,300,000.00	16,588,987.20
31-Mar-05	53,782,074.88	37,300,000.00	16,482,074.88
30-Apr-05	53,675,162.55	37,300,000.00	16,375,162.55
31-May-05	53,567,675.42	37,300,000.00	16,267,675.42
30-Jun-05	53,460,763.09	37,300,000.00	16,160,763.09
31-Jul-05	53,353,850.76	37,300,000.00	16,053,850.76
31-Aug-05	53,246,363.63	37,300,000.00	15,946,363.63
30-Sep-05	53,139,451.30	37,300,000.00	15,839,451.30
31-Oct-05	53,032,538.97	37,300,000.00	15,732,538.97
30-Nov-05	52,925,626.65	37,300,000.00	15,625,626.65
31-Dec-05	52,818,139.52	37,300,000.00	15,518,139.52
31-Jan-06	52,711,227.19	37,300,000.00	15,411,227.19
28-Feb-06	52,604,314.86	37,300,000.00	15,304,314.86
31-Mar-06	52,496,827.73	37,300,000.00	15,196,827.73
30-Apr-06	52,389,915.40	37,300,000.00	15,089,915.40
31-May-06	52,283,003.07	37,300,000.00	14,983,003.07
30-Jun-06	52,175,515.95	37,300,000.00	14,875,515.95
31-Jul-06	52,068,603.62	37,300,000.00	14,768,603.62
31-Aug-06	51,961,691.29	37,300,000.00	14,661,691.29
30-Sep-06	51,854,204.16	37,300,000.00	14,554,204.16
31-Oct-06	51,747,291.83	37,300,000.00	14,447,291.83
30-Nov-06	51,640,379.50	37,300,000.00	14,340,379.50
31-Dec-06	51,532,892.38	37,300,000.00	14,232,892.38
31-Jan-07	51,425,980.05	37,300,000.00	14,125,980.05
28-Feb-07	51,319,067.72	37,300,000.00	14,019,067.72
31-Mar-07	51,212,155.39	37,300,000.00	13,912,155.39
30-Apr-07	51,104,668.26	37,300,000.00	13,804,668.26
31-May-07	50,997,755.93	37,300,000.00	13,697,755.93
30-Jun-07	50,890,843.60	37,300,000.00	13,590,843.60
31-Jul-07	50,783,356.47	37,220,758.26	13,562,598.22
31-Aug-07	50,676,444.15	37,140,952.58	13,535,491.57
30-Sep-07	50,569,531.82	37,060,578.95	13,508,952.87
31-Oct-07	50,462,044.69	36,979,633.32	13,482,411.37
30-Nov-07	50,355,132.36	36,898,111.64	13,457,020.72
31-Dec-07	50,248,220.03	36,816,009.79	13,432,210.24
31-Jan-08	50,140,732.90	36,733,323.65	13,407,409.26
29-Feb-08	50,033,820.57	36,650,049.06	13,383,771.52
31-Mar-08	49,926,908.24	36,566,181.83	13,360,726.41
30-Apr-08	49,819,995.91	36,481,717.75	13,338,278.17
31-May-08	49,712,508.79	36,396,652.56	13,315,856.23
30-Jun-08	49,605,596.46	36,310,982.00	13,294,614.46
31-Jul-08	49,498,684.13	36,224,701.74	13,273,982.39
31-Aug-08	49,391,197.00	36,137,807.46	13,253,389.54
30-Sep-08	49,284,284.67	36,050,294.78	13,233,989.90
31-Oct-08	49,177,372.34	35,962,159.30	13,215,213.04
30-Nov-08	49,069,885.22	35,873,396.59	13,196,488.63
31-Dec-08	48,962,972.89	35,784,002.18	13,178,970.70
31-Jan-09	48,856,060.56	35,693,971.59	13,162,088.97
28-Feb-09	48,748,573.43	35,603,300.28	13,145,273.15
31-Mar-09	48,641,661.10	35,511,983.69	13,129,677.41
30-Apr-09	48,534,748.77	35,420,017.23	13,114,731.54
31-May-09	48,427,261.64	35,327,396.28	13,099,865.37

30-Jun-09	48,320,349.32	35,234,116.17	13,086,233.15
31-Jul-09	48,213,436.99	35,140,172.22	13,073,264.77
31-Aug-09	48,106,524.66	35,045,559.70	13,060,964.96
30-Sep-09	47,999,037.53	34,950,273.86	13,048,763.67
31-Oct-09	47,892,125.20	34,854,309.90	13,037,815.30
30-Nov-09	47,785,212.87	34,757,662.99	13,027,549.88
31-Dec-09	47,677,725.74	34,660,328.28	13,017,397.46
31-Jan-10	47,570,813.41	34,562,300.88	13,008,512.54
28-Feb-10	47,463,901.09	34,463,575.84	13,000,325.24
31-Mar-10	47,356,413.96	34,364,148.21	12,992,265.75
30-Apr-10	47,249,501.63	34,264,012.99	12,985,488.64
31-May-10	47,142,589.30	34,163,165.14	12,979,424.16
30-Jun-10	47,035,102.17	34,061,599.59	12,973,502.58
31-Jul-10	46,928,189.84	33,959,311.23	12,968,878.61
31-Aug-10	46,821,277.51	33,856,294.92	12,964,982.60
30-Sep-10	46,713,790.39	33,752,545.47	12,961,244.91
31-Oct-10	46,606,878.06	33,648,057.68	12,958,820.38
30-Nov-10	46,499,965.73	33,542,826.28	12,957,139.45
31-Dec-10	46,393,053.40	33,436,845.98	12,956,207.42
31-Jan-11	46,285,566.27	33,330,111.46	12,955,454.81
28-Feb-11	46,178,653.94	33,222,617.34	12,956,036.60
31-Mar-11	46,071,741.61	33,114,358.23	12,957,383.39
30-Apr-11	45,964,254.49	33,005,328.67	12,958,925.82
31-May-11	45,857,342.16	32,895,523.18	12,961,818.98
30-Jun-11	45,750,429.83	32,784,936.24	12,965,493.59
31-Jul-11	45,642,942.70	32,673,562.29	12,969,380.41
31-Aug-11	45,536,030.37	32,561,395.74	12,974,634.64
30-Sep-11	45,429,118.04	32,448,430.92	12,980,687.12
31-Oct-11	45,321,630.91	32,334,662.18	12,986,968.73
30-Nov-11	45,214,718.59	32,220,083.78	12,994,634.80
31-Dec-11	45,107,806.26	32,104,689.97	13,003,116.29
31-Jan-12	45,000,319.13	31,988,474.94	13,011,844.19
29-Feb-12	44,893,406.80	31,871,432.84	13,021,973.96
31-Mar-12	44,786,494.47	31,753,557.79	13,032,936.68
30-Apr-12	44,679,582.14	31,634,843.87	13,044,738.27
31-May-12	44,572,095.01	31,515,285.10	13,056,809.91
30-Jun-12	44,465,182.68	31,394,875.47	13,070,307.22
31-Jul-12	44,358,270.35	31,273,608.92	13,084,661.43
31-Aug-12	44,250,783.23	31,151,479.36	13,099,303.87
30-Sep-12	44,143,870.90	31,028,480.65	13,115,390.25
31-Oct-12	44,036,958.57	30,904,606.59	13,132,351.98
30-Nov-12	43,929,471.44	30,779,850.96	13,149,620.48
31-Dec-12	43,822,559.11	30,654,207.49	13,168,351.62
31-Jan-13	43,715,646.78	30,527,669.86	13,187,976.92
28-Feb-13	43,608,159.66	30,400,231.70	13,207,927.96
31-Mar-13	43,501,247.33	30,271,886.61	13,229,360.72
30-Apr-13	43,394,335.00	30,142,628.12	13,251,706.87
31-May-13	43,286,847.87	30,012,449.75	13,274,398.12
30-Jun-13	43,179,935.54	29,881,344.94	13,298,590.60
31-Jul-13	43,073,023.21	29,749,307.10	13,323,716.11
31-Aug-13	42,966,110.88	29,616,329.59	13,349,781.29
30-Sep-13	42,858,623.76	29,482,405.73	13,376,218.03
31-Oct-13	42,751,711.43	29,347,528.77	13,404,182.65
30-Nov-13	42,644,799.10	29,211,691.94	13,433,107.15
31-Dec-13	42,537,311.97	29,074,888.41	13,462,423.56
31-Jan-14	42,430,399.64	28,937,111.29	13,493,288.35
28-Feb-14	42,323,487.31	28,798,353.65	13,525,133.66
31-Mar-14	42,216,000.18	28,658,608.53	13,557,391.66
30-Apr-14	42,109,087.85	28,517,868.88	13,591,218.97
31-May-14	42,002,175.53	28,376,127.64	13,626,047.89
30-Jun-14	41,894,688.40	28,233,377.67	13,661,310.73
31-Jul-14	41,787,776.07	28,089,611.80	13,698,164.27
31-Aug-14	41,680,863.74	27,944,822.79	13,736,040.95
30-Sep-14	41,573,376.61	27,799,003.37	13,774,373.24
31-Oct-14	41,466,464.28	27,652,146.20	13,814,318.08
30-Nov-14	41,359,551.95	27,504,243.90	13,855,308.06
31-Dec-14	41,252,639.62	27,355,289.02	13,897,350.60
31-Jan-15	41,145,152.50	27,205,274.09	13,939,878.41
28-Feb-15	41,038,240.17	27,054,191.54	13,984,048.62
31-Mar-15	40,931,327.84	26,902,033.80	14,029,294.04
30-Apr-15	40,823,840.71	26,748,793.19	14,075,047.52
31-May-15	40,716,928.38	26,594,462.03	14,122,466.35
30-Jun-15	40,610,016.05	26,439,032.54	14,170,983.51
31-Jul-15	40,502,528.93	26,282,496.91	14,220,032.01
31-Aug-15	40,395,616.60	26,124,847.27	14,270,769.32
30-Sep-15	40,288,704.27	25,966,075.69	14,322,628.58
31-Oct-15	40,181,217.14	25,806,174.19	14,375,042.95
30-Nov-15	40,074,304.81	25,645,134.72	14,429,170.09
31-Dec-15	39,967,392.48	25,482,949.18	14,484,443.30

31-Jan-16	39,860,480.15	25,319,609.43	14,540,870.73
29-Feb-16	39,752,993.03	25,155,107.24	14,597,885.79
31-Mar-16	39,646,080.70	24,989,434.34	14,656,646.36
30-Apr-16	39,539,168.37	24,822,582.40	14,716,585.96
31-May-16	39,431,681.24	24,654,543.04	14,777,138.20
30-Jun-16	39,324,768.91	24,485,307.79	14,839,461.12
31-Jul-16	39,217,856.58	24,314,868.16	14,902,988.42
31-Aug-16	39,110,369.45	24,143,215.56	14,967,153.89
30-Sep-16	39,003,457.12	23,970,341.37	15,033,115.76
31-Oct-16	38,896,544.79	23,796,236.89	15,100,307.91
30-Nov-16	38,789,057.67	23,620,893.36	15,168,164.31
31-Dec-16	38,682,145.34	23,444,301.98	15,237,843.36
31-Jan-17	38,575,233.01	23,266,453.85	15,308,779.16
28-Feb-17	38,467,745.88	23,087,340.04	15,380,405.85
31-Mar-17	38,360,833.55	22,906,951.53	15,453,882.02
30-Apr-17	38,253,921.22	22,725,279.26	15,528,641.97
31-May-17	38,147,008.89	22,542,314.08	15,604,694.81
30-Jun-17	38,039,521.77	22,358,046.81	15,681,474.96
31-Jul-17	37,932,609.44	22,172,468.17	15,760,141.27
31-Aug-17	37,825,697.11	21,985,568.82	15,840,128.29
30-Sep-17	37,718,209.98	21,797,339.38	15,920,870.61
31-Oct-17	37,611,297.65	21,607,770.36	16,003,527.29
30-Nov-17	37,504,385.32	21,416,852.25	16,087,533.07
31-Dec-17	37,396,898.20	21,224,575.44	16,172,322.75
31-Jan-18	37,289,985.87	21,030,930.26	16,259,055.61
28-Feb-18	37,183,073.54	20,835,906.97	16,347,166.57
31-Mar-18	37,075,586.41	20,639,495.77	16,436,090.64
30-Apr-18	36,968,674.08	20,441,686.77	16,526,987.31
31-May-18	36,861,761.75	20,242,470.03	16,619,291.72
30-Jun-18	36,754,274.62	20,041,835.53	16,712,439.09
31-Jul-18	36,647,362.29	19,839,773.18	16,807,589.11
31-Aug-18	36,540,449.97	19,636,272.83	16,904,177.14
30-Sep-18	36,433,537.64	19,431,324.22	17,002,213.41
31-Oct-18	36,326,050.51	19,224,917.07	17,101,133.44
30-Nov-18	36,219,138.18	19,017,040.99	17,202,097.19
31-Dec-18	36,112,225.85	18,807,685.52	17,304,540.33
31-Jan-19	36,004,738.72	18,596,840.14	17,407,898.59
28-Feb-19	35,897,826.39	18,384,494.24	17,513,332.15
31-Mar-19	35,790,914.06	18,170,637.15	17,620,276.92
30-Apr-19	35,683,426.94	17,955,258.11	17,728,168.83
31-May-19	35,576,514.61	17,738,346.28	17,838,168.33
30-Jun-19	35,469,602.28	17,519,890.77	17,949,711.51
31-Jul-19	35,362,115.15	17,299,880.58	18,062,234.57
31-Aug-19	35,255,202.82	17,078,304.66	18,176,898.17
30-Sep-19	35,148,290.49	16,855,151.85	18,293,138.65
31-Oct-19	35,040,803.37	16,630,410.93	18,410,392.43
30-Nov-19	34,933,891.04	16,404,070.62	18,529,820.42
31-Dec-19	34,826,978.71	16,176,119.51	18,650,859.20
31-Jan-20	34,720,066.38	15,946,546.15	18,773,520.23
29-Feb-20	34,612,579.25	15,715,338.99	18,897,240.26
31-Mar-20	34,505,666.92	15,482,486.41	19,023,180.51
30-Apr-20	34,398,754.59	15,247,976.70	19,150,777.90
31-May-20	34,291,267.47	15,011,798.05	19,279,469.41
30-Jun-20	34,184,355.14	14,773,938.61	19,410,416.53
31-Jul-20	34,077,442.81	14,534,386.39	19,543,056.41
31-Aug-20	33,969,955.68	14,293,129.37	19,676,826.31
30-Sep-20	33,863,043.35	14,050,155.39	19,812,887.96
31-Oct-20	33,756,131.02	13,805,452.26	19,950,678.76
30-Nov-20	33,648,643.89	13,559,007.65	20,089,636.25
31-Dec-20	33,541,731.56	13,310,809.18	20,230,922.39
31-Jan-21	33,434,819.23	13,060,844.36	20,373,974.88
28-Feb-21	33,327,332.11	12,809,100.62	20,518,231.48
31-Mar-21	33,220,419.78	12,555,565.31	20,664,854.47
30-Apr-21	33,113,507.45	12,300,225.68	20,813,281.77
31-May-21	33,006,595.12	12,043,068.87	20,963,526.25
30-Jun-21	32,899,107.99	11,784,081.97	21,115,026.02
31-Jul-21	32,792,195.66	11,523,251.94	21,268,943.72
31-Aug-21	32,685,283.33	11,260,565.68	21,424,717.66
30-Sep-21	32,577,796.21	10,996,009.96	21,581,786.25
31-Oct-21	32,470,883.88	10,729,571.49	21,741,312.39
30-Nov-21	32,363,971.55	10,461,236.86	21,902,734.69
31-Dec-21	32,256,484.42	10,190,992.58	22,065,491.84
31-Jan-22	32,149,572.09	9,918,825.07	22,230,747.02
28-Feb-22	32,042,659.76	9,644,720.63	22,397,939.13
31-Mar-22	31,935,172.64	9,368,665.49	22,566,507.15
30-Apr-22	31,828,260.31	9,090,645.74	22,737,614.56
31-May-22	31,721,347.98	8,810,647.43	22,910,700.55
30-Jun-22	31,613,860.85	8,528,657.46	23,085,203.39

**Revised Schedule 20.01(r)**  
**Material Adverse Litigation**

Any shareholder litigation and related proceedings arising out of, related to or in connection with the Lessee's restatement of its audited financial statements for its Fiscal Years 1998 and 1999 and its unaudited financial statements and information released prior to April 30, 2001, for its Fiscal Year 2000.

**Revised Schedule 21.04**

<b><u>Period</u></b>	<b><u>Lump Sum Base Rental Payment</u></b>
31-Jul-00	37,300,000
31-Aug-00	37,300,000
30-Sep-00	37,300,000
31-Oct-00	37,300,000
30-Nov-00	37,300,000
31-Dec-00	37,300,000
31-Jan-01	37,300,000
28-Feb-01	37,300,000
31-Mar-01	37,300,000
30-Apr-01	37,300,000
31-May-01	37,300,000
30-Jun-01	37,300,000
31-Jul-01	37,300,000
31-Aug-01	37,300,000
30-Sep-01	37,300,000
31-Oct-01	37,300,000
30-Nov-01	37,300,000
31-Dec-01	37,300,000
31-Jan-02	37,300,000
28-Feb-02	37,300,000
31-Mar-02	37,300,000
30-Apr-02	37,300,000
31-May-02	37,300,000
30-Jun-02	37,300,000
31-Jul-02	37,300,000
31-Aug-02	37,300,000
30-Sep-02	37,300,000
31-Oct-02	37,300,000
30-Nov-02	37,300,000
31-Dec-02	37,300,000
31-Jan-03	37,300,000
28-Feb-03	37,300,000
31-Mar-03	37,300,000
30-Apr-03	37,300,000
31-May-03	37,300,000
30-Jun-03	37,300,000
31-Jul-03	37,300,000
31-Aug-03	37,300,000
30-Sep-03	37,300,000
31-Oct-03	37,300,000
30-Nov-03	37,300,000
31-Dec-03	37,300,000
31-Jan-04	37,300,000
29-Feb-04	37,300,000
31-Mar-04	37,300,000
30-Apr-04	37,300,000
31-May-04	37,300,000
30-Jun-04	37,300,000
31-Jul-04	37,300,000
31-Aug-04	37,300,000

30-Sep-04	37,300,000
31-Oct-04	37,300,000
30-Nov-04	37,300,000
31-Dec-04	37,300,000
31-Jan-05	37,300,000
28-Feb-05	37,300,000
31-Mar-05	37,300,000
30-Apr-05	37,300,000
31-May-05	37,300,000
30-Jun-05	37,300,000
31-Jul-05	37,300,000
31-Aug-05	37,300,000
30-Sep-05	37,300,000
31-Oct-05	37,300,000
30-Nov-05	37,300,000
31-Dec-05	37,300,000
31-Jan-06	37,300,000
28-Feb-06	37,300,000
31-Mar-06	37,300,000
30-Apr-06	37,300,000
31-May-06	37,300,000
30-Jun-06	37,300,000
31-Jul-06	37,300,000
31-Aug-06	37,300,000
30-Sep-06	37,300,000
31-Oct-06	37,300,000
30-Nov-06	37,300,000
31-Dec-06	37,300,000
31-Jan-07	37,300,000
28-Feb-07	37,300,000
31-Mar-07	37,300,000
30-Apr-07	37,300,000
31-May-07	37,300,000
30-Jun-07	37,300,000
31-Jul-07	37,220,758
31-Aug-07	37,140,953
30-Sep-07	37,060,579
31-Oct-07	36,979,634
30-Nov-07	36,898,113
31-Dec-07	36,816,011
31-Jan-08	36,733,325
29-Feb-08	36,650,050
31-Mar-08	36,566,183
30-Apr-08	36,481,719
31-May-08	36,396,654
30-Jun-08	36,310,983
31-Jul-08	36,224,703
31-Aug-08	36,137,808
30-Sep-08	36,050,296
31-Oct-08	35,962,160
30-Nov-08	35,873,398
31-Dec-08	35,784,003
31-Jan-09	35,693,973
28-Feb-09	35,603,301
31-Mar-09	35,511,985
30-Apr-09	35,420,018
31-May-09	35,327,397
30-Jun-09	35,234,117
31-Jul-09	35,140,173
31-Aug-09	35,045,561
30-Sep-09	34,950,275
31-Oct-09	34,854,311
30-Nov-09	34,757,664
31-Dec-09	34,660,329
31-Jan-10	34,562,302
28-Feb-10	34,463,577
31-Mar-10	34,364,149
30-Apr-10	34,264,014
31-May-10	34,163,166
30-Jun-10	34,061,601
31-Jul-10	33,959,312
31-Aug-10	33,856,296
30-Sep-10	33,752,546
31-Oct-10	33,648,059
30-Nov-10	33,542,827
31-Dec-10	33,436,847
31-Jan-11	33,330,112

28-Feb-11	33,222,618
31-Mar-11	33,114,359
30-Apr-11	33,005,330
31-May-11	32,895,524
30-Jun-11	32,784,937
31-Jul-11	32,673,563
31-Aug-11	32,561,397
30-Sep-11	32,448,432
31-Oct-11	32,334,663
30-Nov-11	32,220,085
31-Dec-11	32,104,691
31-Jan-12	31,988,476
29-Feb-12	31,871,434
31-Mar-12	31,753,559
30-Apr-12	31,634,845
31-May-12	31,515,286
30-Jun-12	31,394,876
31-Jul-12	31,273,610
31-Aug-12	31,151,480
30-Sep-12	31,028,482
31-Oct-12	30,904,608
30-Nov-12	30,779,852
31-Dec-12	30,654,208
31-Jan-13	30,527,671
28-Feb-13	30,400,233
31-Mar-13	30,271,888
30-Apr-13	30,142,629
31-May-13	30,012,451
30-Jun-13	29,881,346
31-Jul-13	29,749,308
31-Aug-13	29,616,331
30-Sep-13	29,482,407
31-Oct-13	29,347,530
30-Nov-13	29,211,693
31-Dec-13	29,074,889
31-Jan-14	28,937,112
28-Feb-14	28,798,355
31-Mar-14	28,658,610
30-Apr-14	28,517,870
31-May-14	28,376,129
30-Jun-14	28,233,379
31-Jul-14	28,089,613
31-Aug-14	27,944,824
30-Sep-14	27,799,004
31-Oct-14	27,652,147
30-Nov-14	27,504,245
31-Dec-14	27,355,290
31-Jan-15	27,205,275
28-Feb-15	27,054,193
31-Mar-15	26,902,035
30-Apr-15	26,748,794
31-May-15	26,594,463
30-Jun-15	26,439,034
31-Jul-15	26,282,498
31-Aug-15	26,124,848
30-Sep-15	25,966,077
31-Oct-15	25,806,175
30-Nov-15	25,645,136
31-Dec-15	25,482,950
31-Jan-16	25,319,610
29-Feb-16	25,155,108
31-Mar-16	24,989,435
30-Apr-16	24,822,583
31-May-16	24,654,544
30-Jun-16	24,485,309
31-Jul-16	24,314,869
31-Aug-16	24,143,217
30-Sep-16	23,970,342
31-Oct-16	23,796,238
30-Nov-16	23,620,894
31-Dec-16	23,444,303
31-Jan-17	23,266,455
28-Feb-17	23,087,341
31-Mar-17	22,906,953
30-Apr-17	22,725,280
31-May-17	22,542,315
30-Jun-17	22,358,048

31-Jul-17	22,172,469
31-Aug-17	21,985,570
30-Sep-17	21,797,340
31-Oct-17	21,607,771
30-Nov-17	21,416,853
31-Dec-17	21,224,576
31-Jan-18	21,030,931
28-Feb-18	20,835,908
31-Mar-18	20,639,497
30-Apr-18	20,441,688
31-May-18	20,242,471
30-Jun-18	20,041,837
31-Jul-18	19,839,774
31-Aug-18	19,636,274
30-Sep-18	19,431,325
31-Oct-18	19,224,918
30-Nov-18	19,017,042
31-Dec-18	18,807,687
31-Jan-19	18,596,841
28-Feb-19	18,384,495
31-Mar-19	18,170,638
30-Apr-19	17,955,259
31-May-19	17,738,347
30-Jun-19	17,519,892
31-Jul-19	17,299,882
31-Aug-19	17,078,306
30-Sep-19	16,855,153
31-Oct-19	16,630,412
30-Nov-19	16,404,072
31-Dec-19	16,176,121
31-Jan-20	15,946,547
29-Feb-20	15,715,340
31-Mar-20	15,482,487
30-Apr-20	15,247,978
31-May-20	15,011,799
30-Jun-20	14,773,940
31-Jul-20	14,534,387
31-Aug-20	14,293,130
30-Sep-20	14,050,156
31-Oct-20	13,805,453
30-Nov-20	13,559,009
31-Dec-20	13,310,810
31-Jan-21	13,060,845
28-Feb-21	12,809,102
31-Mar-21	12,555,566
30-Apr-21	12,300,227
31-May-21	12,043,070
30-Jun-21	11,784,083
31-Jul-21	11,523,253
31-Aug-21	11,260,567
30-Sep-21	10,996,011
31-Oct-21	10,729,572
30-Nov-21	10,461,238
31-Dec-21	10,190,994
31-Jan-22	9,918,826
28-Feb-22	9,644,722
31-Mar-22	9,368,666
30-Apr-22	9,090,647
31-May-22	8,810,648
30-Jun-22	8,528,657

**FIRST AMENDMENT TO  
LEASE AGREEMENT**

Dated as of November 22, 2002,

(amending the Lease Agreement,  
dated as of  
June 1, 2000)

between

INDIANOLA DG PROPERTY, LLC,  
as the Lessor,

and

DOLLAR GENERAL CORPORATION,  
as the Lessee.

Indexing Instructions:  
Section 35, Township 19 North,  
Range 5 West,  
Sunflower County, MS  
Broadway, New York, NY 10019  
(212) 505-2500

Prepared by/return to:

Douglas L. Wisner

Mayer, Brown, Rowe & Maw

**FIRST AMENDMENT TO LEASE AGREEMENT**

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this “ *Amendment* ”) dated as of November 22, 2002, by and between INDIANOLA DG PROPERTY, LLC, a Delaware limited liability company, as the Lessor (the “ *Lessor* ”), and DOLLAR GENERAL CORPORATION, a Tennessee corporation, as the Lessee (the “ *Lessee* ”) and is joined by WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its capacity as the Agent (the “ *Agent* ”) for the Holders for the limited purposes provided below.

In consideration of the mutual agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

**WITNESSETH:**

WHEREAS, FU/DG Indianola, LLC (“ *FU/DG* ”) and the Lessee have heretofore entered into a certain Lease Agreement, dated as of June 1, 2000 (the “ *Lease Agreement* ”); and

WHEREAS, FU/DG entered into that certain Assignment of Lease (as such term is defined in the Lease Agreement; each capitalized term shall be defined in the manner set forth below) pursuant to which FU/DG assigned to the Agent, for the benefit of the Holders and the Head Lessor, certain of its rights under the Lease Agreement; and

WHEREAS, FU/DG sold, transferred and conveyed all of its right, title and interest in and to the Lease Agreement and the Property to Lessor on or about December 19, 2001; and

WHEREAS, the Lessee requested the Lessor, the Holders and the Head Lessor to grant certain waivers under the Assignment of Lease and the Note Purchase Agreement and the Holders and the Head Lessor granted the waivers as set forth in the Waiver Letter and the Head Lessor Waiver Letter, respectively, subject, in each case, to the amendment of the Lease Agreement as set forth in the Waiver Letter; and

WHEREAS, each of the parties hereto is willing, on the terms and subject to the conditions hereinafter set forth, to amend the Lease Agreement upon the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the agreements contained herein, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

SECTION 1.1 *Defined Terms* . Capitalized terms (whether or not italicized) when used in this Amendment, including its preamble and recitals, shall, except where the context otherwise requires, have the meanings assigned to such terms in the Lease Agreement or *Section 3.1* of this Amendment, as applicable. The Rules of Usage set forth in *Appendix A* of the Lease Agreement shall apply to this Amendment.

**ARTICLE II**

**WAIVER REGARDING  
RESTATEMENT OF FINANCIAL STATEMENTS**

SECTION 2.1 *Waiver Regarding Restatement of Financial Statements* . Under *clause (p)* of *Section 20.01* of the Lease Agreement, the Lessee made certain representations regarding its audited financial statements. The Lessee has subsequently restated such financial statements and based upon such restatement, a Lease Event of Default has occurred. The Lessee has requested the Agent and the Lessor to waive such Lease Event of Default and the Lessee has agreed to enter into this Amendment as a material inducement to the Lessor to obtain the waiver set forth herein. The Agent and the Lessor hereby waive any Lease Default and Lease Event of Default that may have occurred as a result of the Lessee’s representations regarding its audited financial statements and the restatement of such financial statements.

SECTION 2.2 *Reservation of Rights* . The Lessee agrees that this Amendment shall not constitute (x) a waiver or forbearance by the Lessor, the Agent or the Head Lessor under any of the

Operative Documents, except as expressly set forth herein, (y) the acceptance by the Lessor, the Agent or the Head Lessor of any course of conduct by the Lessee or (z) an agreement by the Lessor, the Agent or the Head Lessor to amend any of the Operative Documents without the required approvals. Except as expressly set forth herein, in the First Amendment to Note Purchase Agreement and in the First Amendment to Intercreditor Agreement, the Lessee further agrees that the Lessor, the Agent and the Head Lessor reserve all rights, remedies and options under the Operative Documents to require the Lessee to perform all of its obligations under the Operative Documents which are then due and owing or are susceptible of performance, as the case may be.

### ARTICLE III AMENDMENTS

SECTION 3.1 *Amendments* . The parties hereto hereby agree as follows:

(a) From and after the Effective Date (but not before), the following definitions shall be added in the appropriate alphabetical location to *Appendix A* of the Lease Agreement:

“*Credit Agreements*” means (i) that certain 364-Day Revolving Credit Agreement and (ii) that certain 3-Year Revolving Credit Agreement, each dated as of June 21, 2002 among the Lessee, as the Borrower, the Lenders from time to time party thereto, Credit Suisse First Boston, as the Syndication Agent, Keybank National Association and U.S. Bank National Association, as Co-Documentation Agents, and Suntrust Bank, as Administrative Agent, in each case, as the same may be amended, modified, restated, renewed, increased, replaced, supplemented or amended and restated; *provided, however*, for purposes of *Section 21.03* of this Agreement if at any time neither of the Credit Agreements (as the same may be amended, modified, restated, renewed, increased, replaced, supplemented or amended and restated) described in *clauses (i) and (ii)* of this definition is in effect, the most recent of such Credit Agreements to be in effect shall be deemed to be in effect.

“*Credit Agreement Default*” shall mean a “Default” as such term is defined in each of the Credit Agreements (as in effect from time to time).

“*Credit Agreement Event of Default*” shall mean an “Event of Default” as such term is defined in each of the Credit Agreements (as in effect from time to time).

“*First Amendment to Intercreditor Agreement*” shall mean the First Amendment to Intercreditor Agreement among the Agent, the Holders, the Lessor and the Head Lessor dated as of November 22, 2002 (which was agreed to and acknowledged by the Lessee and the Servicer).

“*First Amendment to Lease Agreement*” shall mean this Amendment.

“*First Amendment to Note Purchase Agreement*” shall mean the First Amendment to Note Purchase Agreement among the Agent, the Holders and the Lessor dated as of November 22, 2002.

“*Head Lessor Waiver Letter*” shall mean that certain letter from the Head Lessor to the Lessee dated as of January 9, 2002.

“*Initial Schedule 3.01*” and “*Initial Schedule 12.01*” shall mean the original Schedule 3.01 or the original Schedule 12.01, as the case may be, to this Agreement.

“*Lump Sum Base Rental Payment*” shall mean, as of the applicable Rent Payment Date, the amount opposite such Rent Payment Date set forth in *Schedule 21.04* attached hereto.

“*Lump Sum First Renewal Term*” shall have the meaning specified in Section 5.01(a)(ii) of the Lease.

“*Post Closing Deliverable*” shall have the meaning specified in Section 4.2 of this Amendment.

“*Revised Schedule 3.01*” and “*Revised Schedule 12.01*” shall mean *Revised Schedule 3.01* or *Revised Schedule 12.01*, as the case may be, attached to the First Amendment to Lease Agreement.

“*Stated Maturity Date*” shall have the meaning specified in the Note Purchase Agreement.

“*Waiver Letter*” shall mean that certain letter from the Agent to the Lessee as of January 9, 2002.

(b) The definition of “*Rent*” in *Appendix A* of the Lease Agreement shall be deleted in its entirety and the following definition shall be substituted in its place:

“**Rent**” shall mean Interim Rent, Base Rent (including the Lump Sum Base Rental Payment if, as and when paid), Renewal Rent and Supplemental Rent, collectively.”

(c) *Item (ii)* of *clause (a)* of *Section 5.01* of the Lease shall be renumbered *item (iii)* and the following new *item (ii)* shall be added:

“(ii) Upon the payment of the Lump Sum Base Rental Payment, automatically for a period of fourteen(14) months commencing on the date that is the day after the expiration of the Base Term and ending fourteen months following the expiration of the Base Term (the ‘Lump Sum First Renewal Term’). Notwithstanding anything to the contrary set forth in this Agreement or any other Operative Document, the Renewal Rent payable for the Lump Sum First Renewal Term shall be determined in accordance with Section 21.04(b) and Revised Schedule 3.01; and”

(d) The first sentence of *clause (b)* of *Section 5.01* of the Lease shall be amended to add “, other than the Lump Sum First Renewal Term” after “Renewal Term”.

(e) The following item shall be added to *clause (a)* of *Section 20.03* of the Lease Agreement after *item (ii)* therein:

“(iii) *Delivery of Information required by the Credit Agreements* – The Lessee shall deliver to the Agent a copy of all information which the Lessee is required to deliver pursuant to and in accordance with the Credit Agreements (but only to the extent that such information is not duplicative of information which Lessee is delivering to the Agent pursuant to this Agreement or otherwise).”

(f) The words “[Intentionally Omitted]” shall be deleted under Article XXI and the following Article and Sections shall be substituted therefor:

#### “Article XXI Lump Sum Base Rental Payment

SECTION 21.01. *Delivery of the Credit Agreements*. The Lessee warrants and represents that it has delivered to the Lessor and the Agent a true, correct and complete copy of each of the Credit Agreements in effect as of the Effective Date.

SECTION 21.02. *Delivery of Notices and Amendments* .

(a) The Lessee covenants and agrees that it shall deliver to the Lessor and the Agent a copy of each demand for performance, notice of Credit Agreement Default, notice of Credit Agreement Event of Default and requests for indemnification received by the Lessee under either of the Credit Agreements promptly but in no event later than within two Business Days after receipt thereof by the Lessee, and a copy of all notices or responses given by the Lessee under either of the Credit Agreements with respect to any such demand for performance, Credit Agreement Default, Credit Agreement Event of Default or request for indemnification. In addition, the Lessee shall provide the Lessor and the Agent with a copy of each and every amendment, modification, restatement, renewal, increase, replacement, supplement and amendment and restatement of each of the Credit Agreements within five Business Days after such instrument is executed and delivered by the parties thereto, it being expressly understood and agreed that the Lessee shall have the right to enter into amendments, modifications, restatements, renewals, increases, replacements, supplements and amendments and restatements (each, a “*Credit Agreement Amendment*”) of the Credit Agreements from time to time without the consent of the Agent or the Holders.

(b) After the execution and delivery of any such Credit Agreement Amendment by the parties thereto, within 60 days after written request by the Agent, the Lessor and the Lessee shall enter into an amendment of this Agreement which is reasonably required to provide the Lessor and the Holders with the substantive benefits of all covenants (affirmative, negative and financial) and Credit Agreement Defaults and Credit Agreement Events of Default as set forth in the Credit Agreements (as amended from time to time); *provided, however*, any remedies for breaches thereof shall be limited as set forth in *Sections 21.04* and *21.05*. If the Agent has not requested an amendment of this Agreement or the other Operative Documents with respect to any such Credit Agreement Amendment, the Lessee may request the Lessor, the Agent, the Holders, and the Head Lessor to enter into an amendment of the Operative Documents to which such Persons are a party if such amendment is required in order to conform the provisions of this *Article XXI* to applicable provisions of the Credit Agreement, as amended by a Credit Agreement Amendment) but only so long as after giving effect thereto the rights of such Persons under the Operative Documents are not adversely affected (as reasonably determined by each such Person affected by such proposed amendment). Notwithstanding anything to the contrary in this *Article XXI*, it is expressly understood and agreed that the effectiveness of any such Credit Agreement Amendment shall not be affected by the existence or non-existence of any conforming amendment hereto.

SECTION 21.03. *Performance of Credit Agreements* .

The Lessee covenants and agrees that it shall perform all obligations under the Credit Agreements (as in effect from time to time) including, without limitation, all affirmative and financial covenants set forth therein and that it shall not violate any of the negative covenants set forth in such Credit Agreements, in each case, beyond the expiration of applicable grace, notice and cure periods. The Lessee expressly acknowledges that the Agent, upon the direction of the Required Holders (as defined in the Note Purchase Agreement), shall have an independent right to demand performance by the Lessee of its obligations under the Credit Agreements and determine compliance thereto by the Lessee and that the Agent shall not be bound by any determination by any of the lenders or agents under either of the Credit Agreements or any waiver or forbearance entered into or approved thereby.

SECTION 21.04. *Breaches of Credit Agreement; Lump Sum Payment* .

(a) Upon the occurrence of (i) a Credit Agreement Event of Default (whether declared by the administrative agent and/or the lenders under the Credit Agreements, or by the Agent in its reasonable discretion (after direction from the Required Holders) or (ii) upon the determination by the Agent in its reasonable discretion (after direction from the Required Holders)) that (A) any representation or warranty of the Lessee made or deemed to be made under *Article V* of the First Amendment to Lease Agreement is incorrect when made or deemed to have been made in any material respect or (B) the Lessee has breached any covenants under this *Article XXI* or under *clause (c)* of *Section 4.1* of the First Amendment to Lease Agreement (and with respect to breaches other than under *Section 21.03* and *21.04* and breaches relating to the payment of money, such breach has continued for a period of thirty (30) days after the Agent's written notice thereof to the Lessee), then, on the next Rent Payment Date after written notice has been given by the Agent in accordance with this Agreement, the Lessee shall make a payment of Base Rent due on such Rent Payment Date as set forth on *Schedule 3.01* and the Lump Sum Base Rental Payment (which Lump Sum Base Rental Payment shall be in addition to the payment of Base Rent due on such Rent Payment Date as set forth on *Schedule 3.01* ). The Lump Sum Base Rental Payment shall constitute (i) a prepayment of some or all of the Base Rent otherwise payable from such Rent Payment Date through the remainder of the Base Term (any such portion determined in accordance with *Section 21.04(b)* ) and (ii) a prepayment of the Renewal Rent for the Lump Sum First Renewal Term (as set forth on the Revised *Schedule 3.01* ). Such Lump Sum Base Rental Payment shall be paid by the Lessor to the Agent in accordance with the Assignment of Lease and applied by the Holders as an optional prepayment in full of the Notes, as a result of which the Mortgage shall be released and discharged subject to the provisions of the Operative Documents. Notwithstanding anything to the contrary set forth in this Agreement or any other Operative Document, neither the existence of a Credit Agreement Default or Credit Agreement Event of Default nor any misrepresentation by the Lessee under *Article V* of the First Amendment to Lease Agreement or breach by the Lessee of any of its obligations under this *Article XXI* or *clause (c)* of *Section 4.1* of the First Amendment to Lease Agreement shall constitute a Lease Default, Lease Event of Default, Note Purchase Agreement Default, Note Purchase Agreement Event of Default, Head Lease Default (as defined in the Note Purchase Agreement) or Head Lease Event of Default (as defined in the Note Purchase Agreement) and the sole and exclusive remedies of Lessor (or the Agent under the Assignment of Lease) as a consequence thereof shall be as set forth in *Section 21.05* .

(b) *Revised Schedule 3.01* reflects the manner in which a Lump Sum Base Rental Payment, if made pursuant hereto, shall be applied to the prepayment of the Base Rent and the amount to be applied to the prepayment of Renewal Rent by setting forth for each Rent Payment Date (i) the Base Rent payable, (ii) the portion of Base Rent that shall be prepaid by the Lump Sum Base Rental Payment (the " *Prepayable Base Rent* "), (iii) the portion of Base Rent that shall not be prepaid by the Lump Sum Base Rental Payment (the " *Non-Prepayable Base Rent* ") and (iv) the portion of the Lump Sum Base Rental Payment that shall be applied against the Renewal Rent for the Lump Sum First Renewal Term. From and after the date on which the Lessee makes the Lump Sum Base Rental Payment together with the Base Rent due on such Rent Payment Date (as set forth on *Schedule 3.01* ) in accordance with the terms of this *Article XXI* , Base Rent shall be treated for purposes of *Section 3.01* of this Agreement as consisting only of Non-Prepayable Base Rent and Lessee shall thereafter pay as Base Rent on each Rent Payment Date only an amount equal to the Non-Prepayable Base Rent for such Rent Payment Date. It is the intention of the parties hereto that the allocation of Base Rent and Renewal Rent set forth on the *Schedule 3.01* and *Revised Schedule 3.01* shall be considered to be a specific allocation of fixed rent within the meaning of Treasury Regulations Section 1.467-1(c)(2)(ii)(A), the Base Rent or Renewal Rent for each Rent Payment Date being allocable to the month ended on such Rent Payment Date.

(c) If the Lessee becomes obligated to pay and pays the Lump Sum Base Rental Payment together with the Base Rent due on such Rent Payment Date (as set forth on *Initial Schedule 3.01* ) in accordance with the terms of this *Article XXI* , then (i) there shall be considered to exist a loan from the Lessee to the Lessor solely for purposes of Section 467 of the Code initially in the amount of the Lump Sum Base Rental Payment (the " *Section 467 Loan* "), (ii) the Lessee shall promptly prepare and deliver to the Lessor a schedule (the " *Section 467 Loan Schedule* ") setting forth for each subsequent Rent Payment Date the balance of the Section 467 Loan and the interest accrued on the Section 467 Loan (the " *Section 467 Loan Interest* "), which Section 467 Loan Schedule shall, upon reasonable approval by the Lessor, be incorporated into the Lease as a part thereof, and (iii) for federal income tax purposes, the Lessor shall deduct and the Lessee shall include in income for each taxable year the Section 467 Loan Interest for such year.

(d) From and after the date on which the Lessee makes the Lump Sum Base Rental Payment, together with the Base Rent due on such Rent Payment Date (as set forth on *Schedule 3.01* ) in accordance with the terms of this *Article XXI* , (i) the Term of this Lease shall automatically be extended to include the Lump Sum First Renewal Term and (ii) the *Revised Schedule 12.01* shall automatically become effective and shall, absent manifest error, without further action by any Person replace the *Schedule 12.01* .

SECTION 21.05. *Remedies* . If the Lessee breaches its obligation to pay the Lump Sum Base Rental Payment in accordance with *Section 21.04* , the following exclusive remedies shall apply, it being expressly understood that the Lessor, the Agent and the Holders, individually and collectively, shall not have any remedies provided for under *Section 17.01* or elsewhere in this Agreement (other than this *Section 21.05* ) or any other remedies otherwise available to the Lessor under the laws of the State where the Property is located that are applicable to the lessor-lessee relationship established by the Lease and that nothing in this *Section 21.05* shall be interpreted or construed in any manner that will permit the failure of the Lessee to make payment of the Lump Sum Rental Payment to be treated as or considered to be a Lease Default or Lease Event of Default:

(a) If the Lump Sum Base Rental Payment is not paid on the due date thereof, then the Lessee shall pay interest thereon at the interest rate provided for in the Notes; *provided* , *however* , that if such payment is not paid by the third day after the Lump Sum Base Rental Payment becomes due and payable, then for each day thereafter until the Lump Sum Base Rental Payment is paid, interest shall accrue on the Lump Sum Base Rental Payment at the Default Rate. Lessee acknowledges its responsibility to pay interest at the Default Rate and late charges owed to any Holder by reason of Lessee's failure to pay the Lump Sum Base Rental Payment in accordance with this *clause (a)* . All amounts to be paid under this *clause (a)* shall be paid by the Lessor to the Agent in accordance with the Assignment of Lease.

(b) Until payment of the Lump Sum Base Rental Payment (unless a Lease Default or Lease Event of Default otherwise exists), the Lessee's rights under *Section 4.01* , *clause (c)* of *Section 5.01* , *Section 11.01* , *Section 14.01* , *Section 19.01* , *clause (e)* of *Section 19.02* , *item (iii)* of *clause (c)* of *Section 19.03* , *clause (b)* of *Section 20.03* , *clause (e)* of *Section 23.01* , *Section 27.14* and *Section 27.15* of this Agreement shall be limited as if a Lease Event of Default has occurred and is continuing.

(c) Until payment of the Lump Sum Base Rental Payment (unless a Lease Default or Lease Event of Default otherwise exists), the Lessor shall have the right to inspect the Property in accordance with *Section 15.01* as if a Lease Event of Default has occurred and is continuing.

(d) The Lessor shall have all rights (which rights, pursuant to the Assignment of Lease, have been assigned to the Agent) at law, equity or other appropriate proceeding (including the right to bring a separate suit) (i) to enforce the Lessee's obligations under this *Article XXI* whether or not the Lessor is then exercising remedies under *Section 17.01* of this Agreement based upon a Lease Event of Default pursuant to the terms of this Agreement (for the avoidance of doubt, other than with respect to this *Article XXI* ), and (ii) to declare one or more Lease Defaults or Lease Events of Default pursuant to the terms of this Agreement (for the avoidance of doubt, other than with respect to this *Article XXI* ) and to exercise remedies under *Section 17.01* of this Agreement based thereon whether or not the Lessor is then exercising rights under *clause (i)* of this sentence. Each right, power and remedy of the Lessor under this *Section 21.05* shall be cumulative and concurrent and in addition to every other right, power or remedy of the Lessor under this Agreement and the exercise or the beginning of the exercise by the Lessor of any one or more of the rights, powers or remedies provided for in this Agreement or the Operative Documents or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Lessor of any or all of such other rights, powers or remedies. Other than *Revised Schedule 3.01* and *Revised Schedule 12.01* , neither the payment nor the failure to pay the Lump Sum Base Rental Payment shall affect any of the rights, remedies or obligations of the Lessor or the Lessee under this Agreement or the other Operative Documents to which they are a party.

SECTION 21.06. *Indemnification* . The Lessee agrees to assume liability for, and to indemnify, protect, defend, save and keep harmless each Indemnitee, on an After-Tax Basis, from and against any Claims that may be suffered, imposed on or asserted against any Indemnitee, arising out of a breach by the Lessee of its obligations under this *Article XXI* . Lessee acknowledges that the foregoing includes any costs incurred by any Indemnitee in performing any inspections of any Property if such inspection reveals a violation by Lessee of *Section 8.05* of this Agreement. The provisions of *Section 19.01* of this Agreement (other than *clause (a)* ) shall apply to this indemnification; *provided* , *however* , for purposes of this *Section 21.06* , the Lessee shall have no right under *Section 19.01* to exercise any rights granted to the Lessee under said *Section 19.01* if a breach exists under *Section 21.04* or if a Lease Default or Lease Event of Default has occurred and is continuing."

ARTICLE IV

CONDITIONS PRECEDENT AND POST CLOSING DELIVERIES

SECTION 4.1 *Conditions to Effectiveness* . This Amendment shall be and become effective as of the date (the " *Effective Date* ") on which each of the following conditions precedent shall

have been satisfied. Lessor agrees that its execution of this Amendment shall evidence its agreement that such conditions precedent shall have been satisfied and that the Effective Date has occurred as of the date of this Amendment.

(a) *Execution of Amendment, First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement* . The Agent, the Lessor and the Lessee shall have received executed counterparts of this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement from the parties signatory hereto and thereto and the Effective Date as defined in each such instrument shall have occurred.

(b) *Incumbency, etc.* The Agent shall have received (with copies for each Participant) an Officer's Certificate dated the date hereof of the Lessor and the Lessee certifying:

(i) as to the incumbency and signatures of the Person or Persons authorized to execute and deliver this Amendment and any instruments or agreements required hereunder,

(ii) as to an attached copy of one or more resolutions or other authorizations of each such Person together with an Officer's Certificate certifying that such resolutions or other authorizations are in full force and effect on the date hereof, and which grant such Person the authorization to execute, deliver and perform this Amendment and any instruments or agreements required hereunder, and

(iii) that the organizational documents of each such Person have not been modified since the date on which they were last delivered to the Agent,

upon which certificate the Agent and each Participant may conclusively rely until it shall have received a further Officer's Certificate of such Person canceling or amending such prior certificate.

(c) *Fees* . All reasonable fees and costs and expenses of Mayer, Brown, Rowe & Maw, Piper Rudnick LLP, Parker Poe Adams and Bernstein LLP, Kelley Drye & Warren LLP and Moore and Van Allen, PLLC in connection with the negotiation, execution and delivery of this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement and the transactions contemplated thereby shall have been paid in full by Lessee.

(d) *Delivery of Amendment, First Amendment to Note Purchase Agreement and First Amendment to Intercreditor Agreement* . The Lessee shall have delivered this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement to all Persons entitled thereto under the Operative Documents to receive delivery hereof and thereof.

(e) *Consent of Residual Value Insurer* . The Residual Value Insurer (as defined in the Note Purchase Agreement) shall have delivered its written consent to the execution and delivery of this Amendment and, if required, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement. The form and substance of such consent shall be reasonably satisfactory to the Lessor and the Agent.

(f) *Opinions* . The Agent shall have received such opinions of counsel as it deems necessary, dated as of the date of this Amendment and addressed to the Agent and the other Participants which shall be in form and substance satisfactory to the Agent and such other Participants.

**SECTION 4.2 Post Closing Deliveries.** On or before February 15, 2003, time being of the essence as to the Company, the Company shall deliver to the Agent a legal opinion of Bass, Berry & Sims PLC (or another firm of outside counsel reasonably satisfactory to the Required Holders (as such term is defined in the Note Purchase Agreement)) with respect to the due authorization of this Amendment (the "Post Closing Deliverable"). The form and content of the Post Closing Deliverable shall be reasonably satisfactory to the Required Holders. If the Company fails to deliver the Post Closing Deliverable in accordance with this Section 4.2, this Amendment shall be void *ab initio* .

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

In order to induce the Lessor to enter into this Amendment and to induce the other Participants to consent to the execution and delivery of this Amendment, the Lessee hereby reaffirms, as of the date hereof, its representations and warranties contained in *Article XX* of the Lease Agreement (other than the representations set forth in *clauses (p) and (r)* (as updated by *Schedule 20.01(r)* to this Amendment) of *Section 20.01* ) and *Article IV* of each of the Credit Agreements and additionally represents and warrants unto the Participants as set forth in this *Article V* .

**SECTION 5.1 Limitation** . Except as expressly provided hereby and by the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement, all of the representations, warranties, terms, covenants and conditions of the Lease Agreement and each other Operative Document shall remain unamended and unwaived and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments, modifications and consents set forth herein shall be limited precisely as provided for herein, and shall not be deemed to be a waiver of, amendment of, consent to or modification of any other term or provision of the Lease Agreement, any other Operative Document, or other instrument referred to therein or herein, or of any transaction or further or future action on the part of the Lessee or any other Person which would require the consent of such Person.

**SECTION 5.2 Offsets and Defenses** . The Lessee has no offsets or defenses to its obligations under the Operative Documents and no claims or counterclaims against any of the Participants.

**SECTION 5.3 No Default** . After giving effect to this Amendment, the First Amendment to Note Purchase Agreement and the First Amendment to Intercreditor Agreement, no Lease Default, Lease Event of Default, Credit Agreement Default or Credit Agreement Event of Default exists.

**SECTION 5.4 Consents and Approvals** . All approvals and consents required to be taken, given or obtained, as the case may be, by or from any Governmental Authority, any holder of any Indebtedness (as defined in the Lease Agreement and each of the Credit Agreements) or any other Person that are necessary in connection with the execution, delivery and performance of this Amendment and the First Amendment to Intercreditor Agreement by the Lessee have been taken, given or obtained, as the case may be, and are in full force and effect.

## ARTICLE VI

### MISCELLANEOUS PROVISIONS

**SECTION 6.1 Ratification of and References to the Lease Agreement** . This Amendment shall be deemed to be an amendment to the Lease Agreement, and the Lease Agreement, as amended hereby, shall continue in full force and effect and is hereby ratified, approved and confirmed in each and every respect. All references (i) to the Lease Agreement (including references to "this Agreement" which refer to the Lease Agreement) herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Lease Agreement as amended hereby, (ii) to the Note Purchase Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Note Purchase Agreement, as amended by the Note Amendment, (iii) to the Intercreditor Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Intercreditor Agreement, as amended by the First Amendment to Intercreditor Agreement and (iv) any of the Lease Agreement, the Note Purchase Agreement or the Intercreditor Agreement as an "Operative Document" shall hereafter be deemed to refer to such agreement, as amended as described in the preceding clauses (i), (ii) and (iii).

**SECTION 6.2 Headings** . The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

**SECTION 6.3 Applicable Law** . THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED, BUT EXCLUDING ALL CHOICE OF LAW AND CONFLICTS OF LAW RULES OF SUCH STATE.

**SECTION 6.4 Cross-References** . References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

**SECTION 6.5 Operative Document** . This Amendment is an Operative Document executed pursuant to the Lease Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Lease Agreement, as amended hereby.

**SECTION 6.6 Successors and Assigns** . This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**SECTION 6.7 Counterparts** . This Amendment may be executed by the parties hereto in any number of counterparts and on separate counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

**SECTION 6.8 Assignment of Lease** . The Lessor and the Lessee each acknowledge that, pursuant to the Assignment of Lease, the Lessor has assigned to the Agent, for the benefit of the

Holder, all of the Lessor's rights to receive payment of any Lump Sum Base Rent Payment and to enforce the rights of the Lessor to demand payment and performance of the obligations of the Lessee under the Lease Agreement as same may be amended or modified from time to time.

SECTION 6.9 *Integration* . This Amendment, the First Amendment to Intercreditor Agreement, the First Amendment to Note Purchase Agreement and the other Operative Documents constitute the entire agreement among the parties hereto and thereto regarding the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Lease Agreement as of the day and year first above written.

INDIANOLA DG PROPERTY, LLC, as the Lessor

By: /s/ Mary J. Garnett  
Name: Mary J. Garnett  
Title: Vice President and Secretary

By: /s/ Rosalinda V. Oasay  
Name: Rosalinda V. Oasay  
Title: Vice President and Assistant  
Treasurer

DOLLAR GENERAL CORPORATION, as the Lessee

By: /s/ Wade Smith  
Name: Wade Smith  
Title: Treasurer

The undersigned hereby joins in the execution of this First Amendment for the sole purpose of (i) consenting to the amendments made to the Lease Agreement pursuant to the terms hereof, (ii) agreeing to be bound by the provisions thereof expressly applicable to the Agent and the Holders and (iii) confirming that all actions and determinations made by the Agent and the Holders pursuant to *Article XXI* of the Lease Agreement shall be subject to the same duties applicable to the Holders under the Assignment of Lease.

WILMINGTON TRUST COMPANY, as the Agent

By: /s/ Linda C. Mack  
Name: Linda C. Mack  
Title: Administrative Account Manager

**Revised Schedule 3.01**

Indianola Rent



Non Prepayable

Prepayable Base







31-Aug-19	\$0.00	\$264,930.98	\$264,930.98
30-Sep-19	\$0.00	\$264,930.98	\$264,930.98
31-Oct-19	\$0.00	\$264,930.98	\$264,930.98
30-Nov-19	\$0.00	\$264,930.98	\$264,930.98
31-Dec-19	\$0.00	\$264,930.98	\$264,930.98
31-Jan-20	\$0.00	\$264,930.98	\$264,930.98
29-Feb-20	\$0.00	\$264,930.98	\$264,930.98
31-Mar-20	\$0.00	\$264,930.98	\$264,930.98
30-Apr-20	\$0.00	\$264,930.98	\$264,930.98
31-May-20	\$0.00	\$264,930.98	\$264,930.98
30-Jun-20	\$0.00	\$264,930.98	\$264,930.98
31-Jul-20	\$0.00	\$264,930.98	\$264,930.98
31-Aug-20	\$0.00	\$264,930.98	\$264,930.98
30-Sep-20	\$0.00	\$264,930.98	\$264,930.98
31-Oct-20	\$0.00	\$264,930.98	\$264,930.98
30-Nov-20	\$0.00	\$264,930.98	\$264,930.98
31-Dec-20	\$0.00	\$264,930.98	\$264,930.98
31-Jan-21	\$0.00	\$264,930.98	\$264,930.98
28-Feb-21	\$0.00	\$264,930.98	\$264,930.98
31-Mar-21	\$0.00	\$264,930.98	\$264,930.98
30-Apr-21	\$0.00	\$264,930.98	\$264,930.98
31-May-21	\$0.00	\$264,930.98	\$264,930.98
30-Jun-21	\$0.00	\$264,930.98	\$264,930.98
31-Jul-21	\$0.00	\$264,930.98	\$264,930.98
31-Aug-21	\$0.00	\$264,930.98	\$264,930.98
30-Sep-21	\$0.00	\$264,930.98	\$264,930.98
31-Oct-21	\$0.00	\$264,930.98	\$264,930.98
30-Nov-21	\$0.00	\$264,930.98	\$264,930.98
31-Dec-21	\$0.00	\$264,930.98	\$264,930.98
31-Jan-22	\$0.00	\$264,930.98	\$264,930.98
28-Feb-22	\$0.00	\$264,930.98	\$264,930.98
31-Mar-22	\$0.00	\$264,930.98	\$264,930.98
30-Apr-22	\$0.00	\$264,930.98	\$264,930.98
31-May-22	\$0.00	\$264,930.98	\$264,930.98
30-Jun-22	\$0.00	\$264,930.98	\$264,930.98

**Lump Sum First Renewal Rent**

		<b>Prepayable Renewal Rent</b>	<b>Total Renewal Rent</b>
31-Jul-22		\$264,930.98	\$264,930.98
31-Aug-22		\$264,930.98	\$264,930.98
30-Sep-22		\$264,930.98	\$264,930.98
31-Oct-22		\$264,930.98	\$264,930.98
30-Nov-22		\$264,930.98	\$264,930.98
31-Dec-22		\$264,930.98	\$264,930.98
31-Jan-23		\$264,930.98	\$264,930.98
28-Feb-23		\$264,930.98	\$264,930.98
31-Mar-23		\$264,930.98	\$264,930.98
30-Apr-23		\$264,930.98	\$264,930.98
31-May-23		\$264,930.98	\$264,930.98
30-Jun-23		\$264,930.98	\$264,930.98
31-Jul-22		\$264,930.98	\$264,930.98
31-Aug-22		\$264,930.98	\$264,930.98

**Revised Schedule 12.01**

<u>Period</u>	<u>Termination Value</u>	<u>Lump Sum Base Rental Payment</u>	<u>Recalculated Termination Value</u>
31-Jul-00	43,579,175	27,900,000	15,679,175
31-Aug-00	43,501,235	27,900,000	15,601,235
30-Sep-00	43,423,296	27,900,000	15,523,296
31-Oct-00	43,345,356	27,900,000	15,445,356
30-Nov-00	43,266,997	27,900,000	15,366,997
31-Dec-00	43,189,058	27,900,000	15,289,058
31-Jan-01	43,111,118	27,900,000	15,211,118
28-Feb-01	43,032,759	27,900,000	15,132,759

31-Mar-01	42,954,820	27,900,000	15,054,820
30-Apr-01	42,876,880	27,900,000	14,976,880
31-May-01	42,798,521	27,900,000	14,898,521
30-Jun-01	42,720,582	27,900,000	14,820,582
31-Jul-01	42,642,642	27,900,000	14,742,642
31-Aug-01	42,564,283	27,900,000	14,664,283
30-Sep-01	42,486,343	27,900,000	14,586,343
31-Oct-01	42,408,404	27,900,000	14,508,404
30-Nov-01	42,330,464	27,900,000	14,430,464
31-Dec-01	42,252,105	27,900,000	14,352,105
31-Jan-02	42,174,166	27,900,000	14,274,166
28-Feb-02	42,096,226	27,900,000	14,196,226
31-Mar-02	42,017,867	27,900,000	14,117,867
30-Apr-02	41,939,928	27,900,000	14,039,928
31-May-02	41,861,988	27,900,000	13,961,988
30-Jun-02	41,783,629	27,900,000	13,883,629
31-Jul-02	41,705,690	27,900,000	13,805,690
31-Aug-02	41,627,750	27,900,000	13,727,750
30-Sep-02	41,549,391	27,900,000	13,649,391
31-Oct-02	41,471,452	27,900,000	13,571,452
30-Nov-02	41,393,512	27,900,000	13,493,512
31-Dec-02	41,315,153	27,900,000	13,415,153
31-Jan-03	41,237,213	27,900,000	13,337,213
28-Feb-03	41,159,274	27,900,000	13,259,274
31-Mar-03	41,081,334	27,900,000	13,181,334
30-Apr-03	41,002,975	27,900,000	13,102,975
31-May-03	40,925,036	27,900,000	13,025,036
30-Jun-03	40,847,096	27,900,000	12,947,096
31-Jul-03	40,768,737	27,900,000	12,868,737
31-Aug-03	40,690,798	27,900,000	12,790,798
30-Sep-03	40,612,858	27,900,000	12,712,858
31-Oct-03	40,534,499	27,900,000	12,634,499
30-Nov-03	40,456,560	27,900,000	12,556,560
31-Dec-03	40,378,620	27,900,000	12,478,620
31-Jan-04	40,300,261	27,900,000	12,400,261
29-Feb-04	40,222,322	27,900,000	12,322,322
31-Mar-04	40,144,382	27,900,000	12,244,382
30-Apr-04	40,066,023	27,900,000	12,166,023
31-May-04	39,988,083	27,900,000	12,088,083
30-Jun-04	39,910,144	27,900,000	12,010,144
31-Jul-04	39,832,204	27,900,000	11,932,204
31-Aug-04	39,753,845	27,900,000	11,853,845
30-Sep-04	39,675,906	27,900,000	11,775,906
31-Oct-04	39,597,966	27,900,000	11,697,966
30-Nov-04	39,519,607	27,900,000	11,619,607
31-Dec-04	39,441,668	27,900,000	11,541,668
31-Jan-05	39,363,728	27,900,000	11,463,728
28-Feb-05	39,285,369	27,900,000	11,385,369
31-Mar-05	39,207,430	27,900,000	11,307,430
30-Apr-05	39,129,490	27,900,000	11,229,490
31-May-05	39,051,131	27,900,000	11,151,131
30-Jun-05	38,973,192	27,900,000	11,073,192
31-Jul-05	38,895,252	27,900,000	10,995,252
31-Aug-05	38,816,893	27,900,000	10,916,893
30-Sep-05	38,738,953	27,900,000	10,838,953
31-Oct-05	38,661,014	27,900,000	10,761,014
30-Nov-05	38,583,074	27,900,000	10,683,074
31-Dec-05	38,504,715	27,900,000	10,604,715
31-Jan-06	38,426,776	27,900,000	10,526,776
28-Feb-06	38,348,836	27,900,000	10,448,836
31-Mar-06	38,270,477	27,900,000	10,370,477
30-Apr-06	38,192,538	27,900,000	10,292,538
31-May-06	38,114,598	27,900,000	10,214,598
30-Jun-06	38,036,239	27,900,000	10,136,239
31-Jul-06	37,958,300	27,900,000	10,058,300
31-Aug-06	37,880,360	27,900,000	9,980,360
30-Sep-06	37,802,001	27,900,000	9,902,001
31-Oct-06	37,724,062	27,900,000	9,824,062
30-Nov-06	37,646,122	27,900,000	9,746,122
31-Dec-06	37,567,763	27,900,000	9,667,763
31-Jan-07	37,489,823	27,900,000	9,589,823
28-Feb-07	37,411,884	27,900,000	9,511,884
31-Mar-07	37,333,944	27,900,000	9,433,944
30-Apr-07	37,255,585	27,900,000	9,355,585
31-May-07	37,177,646	27,900,000	9,277,646
30-Jun-07	37,099,706	27,900,000	9,199,706
31-Jul-07	37,021,347	27,833,624	9,187,723

31-Aug-07	36,943,408	27,766,776	9,176,632
30-Sep-07	36,865,468	27,699,452	9,166,016
31-Oct-07	36,787,109	27,631,648	9,155,461
30-Nov-07	36,709,170	27,563,363	9,145,807
31-Dec-07	36,631,230	27,494,591	9,136,639
31-Jan-08	36,552,871	27,425,330	9,127,541
29-Feb-08	36,474,932	27,355,576	9,119,356
31-Mar-08	36,396,992	27,285,325	9,111,667
30-Apr-08	36,319,052	27,214,575	9,104,477
31-May-08	36,240,693	27,143,321	9,097,373
30-Jun-08	36,162,754	27,071,560	9,091,194
31-Jul-08	36,084,814	26,999,288	9,085,526
31-Aug-08	36,006,455	26,926,502	9,079,953
30-Sep-08	35,928,516	26,853,198	9,075,318
31-Oct-08	35,850,576	26,779,372	9,071,204
30-Nov-08	35,772,217	26,705,021	9,067,196
31-Dec-08	35,694,278	26,630,141	9,064,137
31-Jan-09	35,616,338	26,554,728	9,061,610
28-Feb-09	35,537,979	26,478,778	9,059,201
31-Mar-09	35,460,040	26,402,288	9,057,752
30-Apr-09	35,382,100	26,325,253	9,056,847
31-May-09	35,303,741	26,247,670	9,056,071
30-Jun-09	35,225,802	26,169,535	9,056,267
31-Jul-09	35,147,862	26,090,844	9,057,018
31-Aug-09	35,069,922	26,011,593	9,058,329
30-Sep-09	34,991,563	25,931,778	9,059,786
31-Oct-09	34,913,624	25,851,394	9,062,229
30-Nov-09	34,835,684	25,770,439	9,065,245
31-Dec-09	34,757,325	25,688,908	9,068,418
31-Jan-10	34,679,386	25,606,796	9,072,589
28-Feb-10	34,601,446	25,524,100	9,077,346
31-Mar-10	34,523,087	25,440,816	9,082,271
30-Apr-10	34,445,148	25,356,939	9,088,209
31-May-10	34,367,208	25,272,465	9,094,743
30-Jun-10	34,288,849	25,187,389	9,101,460
31-Jul-10	34,210,910	25,101,709	9,109,201
31-Aug-10	34,132,970	25,015,418	9,117,552
30-Sep-10	34,054,611	24,928,513	9,126,098
31-Oct-10	33,976,671	24,840,990	9,135,681
30-Nov-10	33,898,732	24,752,845	9,145,887
31-Dec-10	33,820,792	24,664,071	9,156,721
31-Jan-11	33,742,433	24,574,666	9,167,767
28-Feb-11	33,664,494	24,484,625	9,179,869
31-Mar-11	33,586,554	24,393,943	9,192,611
30-Apr-11	33,508,195	24,302,616	9,205,580
31-May-11	33,430,256	24,210,638	9,219,618
30-Jun-11	33,352,316	24,118,006	9,234,310
31-Jul-11	33,273,957	24,024,715	9,249,242
31-Aug-11	33,196,018	23,930,760	9,265,258
30-Sep-11	33,118,078	23,836,136	9,281,942
31-Oct-11	33,039,719	23,740,839	9,298,880
30-Nov-11	32,961,780	23,644,864	9,316,916
31-Dec-11	32,883,840	23,548,205	9,335,635
31-Jan-12	32,805,481	23,450,859	9,354,622
29-Feb-12	32,727,541	23,352,820	9,374,721
31-Mar-12	32,649,602	23,254,083	9,395,518
30-Apr-12	32,571,662	23,154,644	9,417,018
31-May-12	32,493,303	23,054,497	9,438,807
30-Jun-12	32,415,364	22,953,637	9,461,727
31-Jul-12	32,337,424	22,852,059	9,485,365
31-Aug-12	32,259,065	22,749,759	9,509,306
30-Sep-12	32,181,126	22,646,730	9,534,395
31-Oct-12	32,103,186	22,542,969	9,560,217
30-Nov-12	32,024,827	22,438,468	9,586,359
31-Dec-12	31,946,888	22,333,225	9,613,663
31-Jan-13	31,868,948	22,227,232	9,641,716
28-Feb-13	31,790,589	22,120,485	9,670,105
31-Mar-13	31,712,650	22,012,978	9,699,672
30-Apr-13	31,634,710	21,904,706	9,730,004
31-May-13	31,556,351	21,795,663	9,760,688
30-Jun-13	31,478,411	21,685,845	9,792,567
31-Jul-13	31,400,472	21,575,245	9,825,227
31-Aug-13	31,322,532	21,463,857	9,858,675
30-Sep-13	31,244,173	21,351,678	9,892,496
31-Oct-13	31,166,234	21,238,699	9,927,534
30-Nov-13	31,088,294	21,124,917	9,963,377
31-Dec-13	31,009,935	21,010,325	9,999,610

31-Jan-14	30,931,996	20,894,918	10,037,078
28-Feb-14	30,854,056	20,778,689	10,075,367
31-Mar-14	30,775,697	20,661,633	10,114,064
30-Apr-14	30,697,758	20,543,744	10,154,014
31-May-14	30,619,818	20,425,016	10,194,802
30-Jun-14	30,541,459	20,305,443	10,236,016
31-Jul-14	30,463,520	20,185,019	10,278,501
31-Aug-14	30,385,580	20,063,738	10,321,842
30-Sep-14	30,307,221	19,941,594	10,365,627
31-Oct-14	30,229,281	19,818,581	10,410,701
30-Nov-14	30,151,342	19,694,692	10,456,650
31-Dec-14	30,073,402	19,569,922	10,503,481
31-Jan-15	29,995,043	19,444,263	10,550,780
28-Feb-15	29,917,104	19,317,711	10,599,393
31-Mar-15	29,839,164	19,190,257	10,648,907
30-Apr-15	29,760,805	19,061,897	10,698,908
31-May-15	29,682,866	18,932,623	10,750,242
30-Jun-15	29,604,926	18,802,429	10,802,497
31-Jul-15	29,526,567	18,671,309	10,855,258
31-Aug-15	29,448,628	18,539,255	10,909,372
30-Sep-15	29,370,688	18,406,262	10,964,426
31-Oct-15	29,292,329	18,272,322	11,020,007
30-Nov-15	29,214,390	18,137,430	11,076,960
31-Dec-15	29,136,450	18,001,577	11,134,873
31-Jan-16	29,058,510	17,864,757	11,193,753
29-Feb-16	28,980,151	17,726,963	11,253,188
31-Mar-16	28,902,212	17,588,189	11,314,023
30-Apr-16	28,824,272	17,448,428	11,375,845
31-May-16	28,745,913	17,307,671	11,438,242
30-Jun-16	28,667,974	17,165,913	11,502,061
31-Jul-16	28,590,034	17,023,146	11,566,888
31-Aug-16	28,511,675	16,879,363	11,632,312
30-Sep-16	28,433,736	16,734,557	11,699,178
31-Oct-16	28,355,796	16,588,720	11,767,076
30-Nov-16	28,277,437	16,441,846	11,835,591
31-Dec-16	28,199,498	16,293,926	11,905,572
31-Jan-17	28,121,558	16,144,953	11,976,604
28-Feb-17	28,043,199	15,994,921	12,048,278
31-Mar-17	27,965,260	15,843,820	12,121,439
30-Apr-17	27,887,320	15,691,645	12,195,675
31-May-17	27,809,380	15,538,386	12,270,994
30-Jun-17	27,731,021	15,384,036	12,346,985
31-Jul-17	27,653,082	15,228,588	12,424,493
31-Aug-17	27,575,142	15,072,034	12,503,108
30-Sep-17	27,496,783	14,914,366	12,582,418
31-Oct-17	27,418,844	14,755,575	12,663,268
30-Nov-17	27,340,904	14,595,655	12,745,249
31-Dec-17	27,262,545	14,434,596	12,827,949
31-Jan-18	27,184,606	14,272,392	12,912,214
28-Feb-18	27,106,666	14,109,032	12,997,633
31-Mar-18	27,028,307	13,944,511	13,083,796
30-Apr-18	26,950,368	13,778,818	13,171,549
31-May-18	26,872,428	13,611,946	13,260,481
30-Jun-18	26,794,069	13,443,887	13,350,182
31-Jul-18	26,716,130	13,274,632	13,441,498
31-Aug-18	26,638,190	13,104,172	13,534,018
30-Sep-18	26,560,250	12,932,499	13,627,751
31-Oct-18	26,481,891	12,759,604	13,722,287
30-Nov-18	26,403,952	12,585,479	13,818,472
31-Dec-18	26,326,012	12,410,115	13,915,897
31-Jan-19	26,247,653	12,233,503	14,014,151
28-Feb-19	26,169,714	12,055,633	14,114,080
31-Mar-19	26,091,774	11,876,498	14,215,276
30-Apr-19	26,013,415	11,696,088	14,317,327
31-May-19	25,935,476	11,514,395	14,421,081
30-Jun-19	25,857,536	11,331,408	14,526,128
31-Jul-19	25,779,177	11,147,119	14,632,059
31-Aug-19	25,701,238	10,961,518	14,739,720
30-Sep-19	25,623,298	10,774,596	14,848,701
31-Oct-19	25,544,939	10,586,345	14,958,594
30-Nov-19	25,466,999	10,396,753	15,070,246
31-Dec-19	25,389,060	10,205,812	15,183,247
31-Jan-20	25,311,120	10,013,513	15,297,607
29-Feb-20	25,232,761	9,819,845	15,412,917
31-Mar-20	25,154,822	9,624,798	15,530,023
30-Apr-20	25,076,882	9,428,364	15,648,518
31-May-20	24,998,523	9,230,531	15,767,992

30-Jun-20	24,920,584	9,031,291	15,889,293
31-Jul-20	24,842,644	8,830,633	16,012,011
31-Aug-20	24,764,285	8,628,546	16,135,739
30-Sep-20	24,686,346	8,425,022	16,261,324
31-Oct-20	24,608,406	8,220,049	16,388,357
30-Nov-20	24,530,047	8,013,617	16,516,430
31-Dec-20	24,452,108	7,805,717	16,646,391
31-Jan-21	24,374,168	7,596,336	16,777,832
28-Feb-21	24,295,809	7,385,466	16,910,343
31-Mar-21	24,217,869	7,173,095	17,044,775
30-Apr-21	24,139,930	6,959,212	17,180,717
31-May-21	24,061,990	6,743,808	17,318,182
30-Jun-21	23,983,631	6,526,870	17,456,761
31-Jul-21	23,905,692	6,308,389	17,597,303
31-Aug-21	23,827,752	6,088,353	17,739,400
30-Sep-21	23,749,393	5,866,750	17,882,643
31-Oct-21	23,671,454	5,643,571	18,027,883
30-Nov-21	23,593,514	5,418,803	18,174,711
31-Dec-21	23,515,155	5,192,436	18,322,719
31-Jan-22	23,437,216	4,964,458	18,472,757
28-Feb-22	23,359,276	4,734,858	18,624,418
31-Mar-22	23,280,917	4,503,623	18,777,294
30-Apr-22	23,202,978	4,270,743	18,932,235
31-May-22	23,125,038	4,036,205	19,088,833
30-Jun-22	23,046,679	3,800,000	19,246,680

**Revised Schedule 20.01(r)**  
**Material Adverse Litigation**

Any shareholder litigation and related proceedings arising out of, related to or in connection with the Lessee's restatement of its audited financial statements for its Fiscal Years 1998 and 1999 and its unaudited financial statements and information released prior to April 30, 2001, for its Fiscal Year 2000.

**Revised Schedule 21.04**

<b><u>Period</u></b>	<b><u>Lump Sum Base Rental Payment</u></b>
31-Jul-00	27,900,000
31-Aug-00	27,900,000
30-Sep-00	27,900,000
31-Oct-00	27,900,000
30-Nov-00	27,900,000
31-Dec-00	27,900,000
31-Jan-01	27,900,000
28-Feb-01	27,900,000
31-Mar-01	27,900,000
30-Apr-01	27,900,000
31-May-01	27,900,000
30-Jun-01	27,900,000
31-Jul-01	27,900,000
31-Aug-01	27,900,000
30-Sep-01	27,900,000
31-Oct-01	27,900,000
30-Nov-01	27,900,000

31-Dec-01	27,900,000
31-Jan-02	27,900,000
28-Feb-02	27,900,000
31-Mar-02	27,900,000
30-Apr-02	27,900,000
31-May-02	27,900,000
30-Jun-02	27,900,000
31-Jul-02	27,900,000
31-Aug-02	27,900,000
30-Sep-02	27,900,000
31-Oct-02	27,900,000
30-Nov-02	27,900,000
31-Dec-02	27,900,000
31-Jan-03	27,900,000
28-Feb-03	27,900,000
31-Mar-03	27,900,000
30-Apr-03	27,900,000
31-May-03	27,900,000
30-Jun-03	27,900,000
31-Jul-03	27,900,000
31-Aug-03	27,900,000
30-Sep-03	27,900,000
31-Oct-03	27,900,000
30-Nov-03	27,900,000
31-Dec-03	27,900,000
31-Jan-04	27,900,000
29-Feb-04	27,900,000
31-Mar-04	27,900,000
30-Apr-04	27,900,000
31-May-04	27,900,000
30-Jun-04	27,900,000
31-Jul-04	27,900,000
31-Aug-04	27,900,000
30-Sep-04	27,900,000
31-Oct-04	27,900,000
30-Nov-04	27,900,000
31-Dec-04	27,900,000
31-Jan-05	27,900,000
28-Feb-05	27,900,000
31-Mar-05	27,900,000
30-Apr-05	27,900,000
31-May-05	27,900,000
30-Jun-05	27,900,000
31-Jul-05	27,900,000
31-Aug-05	27,900,000
30-Sep-05	27,900,000
31-Oct-05	27,900,000
30-Nov-05	27,900,000
31-Dec-05	27,900,000
31-Jan-06	27,900,000
28-Feb-06	27,900,000
31-Mar-06	27,900,000
30-Apr-06	27,900,000
31-May-06	27,900,000
30-Jun-06	27,900,000
31-Jul-06	27,900,000
31-Aug-06	27,900,000
30-Sep-06	27,900,000
31-Oct-06	27,900,000
30-Nov-06	27,900,000
31-Dec-06	27,900,000
31-Jan-07	27,900,000
28-Feb-07	27,900,000
31-Mar-07	27,900,000
30-Apr-07	27,900,000
31-May-07	27,900,000
30-Jun-07	27,900,000
31-Jul-07	27,833,624
31-Aug-07	27,766,776
30-Sep-07	27,699,452
31-Oct-07	27,631,649
30-Nov-07	27,563,364
31-Dec-07	27,494,592
31-Jan-08	27,425,331
29-Feb-08	27,355,577
31-Mar-08	27,285,326
30-Apr-08	27,214,576

31-May-08	27,143,322
30-Jun-08	27,071,561
31-Jul-08	26,999,289
31-Aug-08	26,926,503
30-Sep-08	26,853,199
31-Oct-08	26,779,373
30-Nov-08	26,705,022
31-Dec-08	26,630,142
31-Jan-09	26,554,729
28-Feb-09	26,478,779
31-Mar-09	26,402,289
30-Apr-09	26,325,254
31-May-09	26,247,671
30-Jun-09	26,169,536
31-Jul-09	26,090,845
31-Aug-09	26,011,594
30-Sep-09	25,931,779
31-Oct-09	25,851,395
30-Nov-09	25,770,440
31-Dec-09	25,688,909
31-Jan-10	25,606,797
28-Feb-10	25,524,101
31-Mar-10	25,440,817
30-Apr-10	25,356,940
31-May-10	25,272,466
30-Jun-10	25,187,390
31-Jul-10	25,101,710
31-Aug-10	25,015,419
30-Sep-10	24,928,514
31-Oct-10	24,840,991
30-Nov-10	24,752,846
31-Dec-10	24,664,072
31-Jan-11	24,574,667
28-Feb-11	24,484,626
31-Mar-11	24,393,944
30-Apr-11	24,302,617
31-May-11	24,210,639
30-Jun-11	24,118,007
31-Jul-11	24,024,716
31-Aug-11	23,930,761
30-Sep-11	23,836,137
31-Oct-11	23,740,840
30-Nov-11	23,644,865
31-Dec-11	23,548,206
31-Jan-12	23,450,860
29-Feb-12	23,352,821
31-Mar-12	23,254,084
30-Apr-12	23,154,645
31-May-12	23,054,498
30-Jun-12	22,953,638
31-Jul-12	22,852,060
31-Aug-12	22,749,760
30-Sep-12	22,646,731
31-Oct-12	22,542,970
30-Nov-12	22,438,469
31-Dec-12	22,333,226
31-Jan-13	22,227,233
28-Feb-13	22,120,486
31-Mar-13	22,012,979
30-Apr-13	21,904,707
31-May-13	21,795,664
30-Jun-13	21,685,846
31-Jul-13	21,575,246
31-Aug-13	21,463,858
30-Sep-13	21,351,679
31-Oct-13	21,238,700
30-Nov-13	21,124,918
31-Dec-13	21,010,326
31-Jan-14	20,894,919
28-Feb-14	20,778,690
31-Mar-14	20,661,634
30-Apr-14	20,543,745
31-May-14	20,425,017
30-Jun-14	20,305,444
31-Jul-14	20,185,020
31-Aug-14	20,063,739
30-Sep-14	19,941,595

31-Oct-14	19,818,582
30-Nov-14	19,694,693
31-Dec-14	19,569,923
31-Jan-15	19,444,264
28-Feb-15	19,317,712
31-Mar-15	19,190,258
30-Apr-15	19,061,898
31-May-15	18,932,624
30-Jun-15	18,802,430
31-Jul-15	18,671,310
31-Aug-15	18,539,256
30-Sep-15	18,406,263
31-Oct-15	18,272,323
30-Nov-15	18,137,431
31-Dec-15	18,001,578
31-Jan-16	17,864,758
29-Feb-16	17,726,964
31-Mar-16	17,588,190
30-Apr-16	17,448,429
31-May-16	17,307,672
30-Jun-16	17,165,914
31-Jul-16	17,023,147
31-Aug-16	16,879,364
30-Sep-16	16,734,558
31-Oct-16	16,588,721
30-Nov-16	16,441,847
31-Dec-16	16,293,927
31-Jan-17	16,144,954
28-Feb-17	15,994,922
31-Mar-17	15,843,821
30-Apr-17	15,691,646
31-May-17	15,538,387
30-Jun-17	15,384,037
31-Jul-17	15,228,589
31-Aug-17	15,072,035
30-Sep-17	14,914,367
31-Oct-17	14,755,576
30-Nov-17	14,595,656
31-Dec-17	14,434,597
31-Jan-18	14,272,393
28-Feb-18	14,109,033
31-Mar-18	13,944,512
30-Apr-18	13,778,819
31-May-18	13,611,947
30-Jun-18	13,443,888
31-Jul-18	13,274,633
31-Aug-18	13,104,173
30-Sep-18	12,932,500
31-Oct-18	12,759,605
30-Nov-18	12,585,480
31-Dec-18	12,410,116
31-Jan-19	12,233,504
28-Feb-19	12,055,634
31-Mar-19	11,876,499
30-Apr-19	11,696,089
31-May-19	11,514,396
30-Jun-19	11,331,409
31-Jul-19	11,147,120
31-Aug-19	10,961,519
30-Sep-19	10,774,597
31-Oct-19	10,586,346
30-Nov-19	10,396,754
31-Dec-19	10,205,813
31-Jan-20	10,013,514
29-Feb-20	9,819,846
31-Mar-20	9,624,799
30-Apr-20	9,428,365
31-May-20	9,230,532
30-Jun-20	9,031,292
31-Jul-20	8,830,634
31-Aug-20	8,628,547
30-Sep-20	8,425,023
31-Oct-20	8,220,050
30-Nov-20	8,013,618
31-Dec-20	7,805,718
31-Jan-21	7,596,337
28-Feb-21	7,385,467

31-Mar-21	7,173,096
30-Apr-21	6,959,213
31-May-21	6,743,809
30-Jun-21	6,526,871
31-Jul-21	6,308,390
31-Aug-21	6,088,354
30-Sep-21	5,866,751
31-Oct-21	5,643,572
30-Nov-21	5,418,804
31-Dec-21	5,192,437
31-Jan-22	4,964,459
28-Feb-22	4,734,859
31-Mar-22	4,503,624
30-Apr-22	4,270,744
31-May-22	4,036,206
30-Jun-22	3,800,000

## SUBSIDIARIES OF THE REGISTRANT

<u>Name of Entity</u>	<u>Jurisdiction of Incorporation/Organization</u>
Dade Lease Management, Inc.	Delaware
DolgenCorp, Inc.	Kentucky
DolgenCorp of New York, Inc.	Kentucky
DolgenCorp of Texas, Inc.	Kentucky
Dollar General Stores, Ltd.	Kentucky
Dollar General Partners	Kentucky
DG Logistics, LLC	Tennessee
Dollar General Financial, Inc.	Tennessee
Nations Title Company, Inc.	Tennessee
Dollar General Intellectual Property, L.P.	Vermont
The Greater Cumberland Insurance Company	Vermont
DGC Properties, LLC	Delaware
DGC Properties of Kentucky, LLC	Delaware
Dollar General Investment, Inc.	Delaware
Lonestar Administrative Services, Inc.	Tennessee
Dollar General Global Sourcing Limited	Hong Kong

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements and related Prospectuses of Dollar General Corporation listed below of our report dated March 13, 2003, with respect to the consolidated financial statements of Dollar General Corporation included in this Annual Report on Form 10-K for the year ended January 31, 2003:

Form S-8, Registration No. 333-102653 and Form S-8, Registration No. 333-65789, each pertaining to the Dollar General Corporation 401(k) Savings and Retirement Plan.

Form S-4, Registration No. 333-42704 pertaining to the offer to exchange up to \$200,000,000 of 8 5/8% Exchange Notes due June 15, 2010 for any and all outstanding 8 5/8% Notes due June 15, 2010.

Form S-3, Registration No. 333-56810 pertaining to the issuance by the Turner Children Trust of 12,556,014 shares of common stock.

Form S-3, Registration No. 333-50451 pertaining to the issuance of 7,500,000 shares of common stock which may be distributed to holders of the Structured Yield Product Exchangeable for Stock ("STRYPES") of and issued by the Dollar General STRYPES Trust.

Form S-8, Registration No. 333-93309 pertaining to the Dollar General Corporation Supplemental Executive Retirement Plan and Compensation Deferral Plan.

Form S-8, Registration No. 333-09448 pertaining to the Dollar General Corporation 1998 Stock Incentive Plan.

Form S-8, Registration No. 333-00141 pertaining to the Dollar General Corporation 1995 Employee Stock Incentive Plan and the 1995 Stock Option Plan for Outside Directors.

Nashville, Tennessee  
March 13, 2003

/s/ Ernst & Young LLP