DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 09/11/00 for the Period Ending 07/28/00

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

DOLLAR GENERAL CORP

FORM 10-Q
(Quarterly Report)

Filed 9/11/2000 For Period Ending 7/28/2000

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 28, 2000

Commission file number 1-11421

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

TENNESSEE	61-0502302
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____.

The number of shares of common stock outstanding at September 5, 2000, was 329,453,942.

Dollar General Corporation

Form 10-Q

For the Quarter Ended July 28, 2000

Index

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	July 28, 2000 (Unaudited)	Jan. 28, 2000 *	July 30, 1999 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,040	$ 58,789	$ 30,087
Merchandise inventories	1,062,175	985,715	951,109
Deferred income taxes	6,936	5,995	2,664
Other current assets	81,205	45,036	51,478
Total current assets	1,164,356	1,095,535	1,035,338
Property and equipment, at cost	736,444	597,537	523,601
Less: accumulated depreciation	286,774	251,064	219,978
	449,670	346,473	303,623
Other assets	12,936	8,933	9,617
Total assets	$ 1,626,962	$1,450,941	$ 1,348,578
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 2,334	$ 1,233	$ 1,420
Short-term borrowings	21,992	-	148,494
Accounts payable	277,815	334,554	209,868
Accrued expenses	121,420	121,375	110,900
Income taxes	-	15,135	21,142
Total current liabilities	423,561	472,297	491,824
Long-term debt	205,369	1,200	1,507
Deferred income taxes	51,673	51,523	18,089
Shareholders' equity:			
Preferred stock	-	-	858
Common stock	164,548	132,346	133,116
Additional paid-in capital	245,341	255,581	440,482
Retained earnings	536,470	537,994	463,229
	946,359	925,921	1,037,685
Less: treasury stock	-	-	200,527
Total shareholders' equity	946,359	925,921	837,158
Total liabilities and shareholders' equity	$ 1,626,962	$ 1,450,941	$ 1,348,578

* Derived from the January 28, 2000 audited financial statements.

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

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	July 28, 2000	July 30, 1999	July 28, 2000	July 30, 1999
Net sales	$1,017,418	$ 915,210	$2,014,497	$1,759,803
Cost of goods sold	735,445	665,628	1,459,815	1,284,274
Gross profit	281,973	249,582	554,682	475,529
Selling, general and administrative expense	215,985	182,407	417,863	350,458
Operating profit	65,988	67,175	136,819	125,071
Interest expense	4,326	1,897	5,604	2,776
Income before taxes on income	61,662	65,278	131,215	122,295
Provision for taxes on income	22,352	23,663	47,565	44,332
Net income	$ 39,310	$ 41,615	$ 83,650	$ 77,963
Diluted earnings per share	$ 0.12	$ 0.12	$ 0.25	$ 0.23
Weighted average diluted shares	333,038	338,836	333,885	337,514
Basic earnings per share	$ 0.12	$ 0.14	$ 0.25	$ 0.27

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

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

(Unaudited)

	Six Months Ended July 28, 2000	Six Months Ended July 30, 1999
Operating activities:		
Net income	$ 83,650	$ 77,963
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	37,952	30,296
Deferred income taxes	(791)	(12,155)
Tax benefit of stock options exercised	7,489	23,915
Change in operating assets and liabilities:		
Merchandise inventories	(76,460)	(139,387)
Other current assets	(36,169)	(9,100)
Accounts payable	(56,739)	(47,891)
Accrued expenses	45	(61,925)
Income taxes	(15,135)	(2,683)
Other	(3,225)	823
Net cash used in operating activities	(59,383)	(140,144)
Investing activities:		
Purchase of property and equipment	(142,044)	(73,433)
Proceeds from sale of property and equipment	117	61,941
Net cash used in investing activities	(141,927)	(11,492)
Financing activities:		
Issuance of short-term borrowings	249,595	222,814
Repayments of short-term borrowings	(227,603)	(74,320)
Issuance of long-term debt	206,686	2,086
Repayments of long-term debt	(1,416)	(670)
Payment of cash dividends	(21,079)	(17,004)
Proceeds from exercise of stock options	15,926	26,523
Repurchase of common stock	(65,548)	-
Net cash provided by financing activities	156,561	159,429
Net (decrease) increase in cash and cash equivalents	(44,749)	7,793
Cash and cash equivalents, beginning of period	58,789	22,294
Cash and cash equivalents, end of period	$14,040	$30,087

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except per share amounts)

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of the quarterly report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the year ended January 28, 2000, for additional information.

The accompanying consolidated financial statements have been prepared in accordance with the Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated results of operations for the three-month periods ended July 28, 2000 and July 30, 1999, have been made.

Interim cost of goods sold is determined using estimates of inventory shrinkage, inflation, and markdowns which are adjusted to reflect actual results at year-end. Because of the seasonal nature of the Company's business, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

Certain reclassifications have been made to the 1999 financial statements to conform to the 2000 presentation.

2. Shareholders' Equity

Changes in shareholders' equity for the six months ended July 28, 2000 and July 30, 1999, were as follows.

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances, January 29, 1999	$ 858	$ 105,121	$ 418,039	$ 402,270	$ (200,527)	$ 725,761
Net income				77,963		77,963
5-for-4 stock split, May 24, 1999		26,573	(26,573)			-
Cash dividend, $.06 per common share, as declared				(14,648)		(14,648)
Cash dividend, $1.37 per preferred share				(2,356)		(2,356)
Issuance of common stock under employee stock incentive plans		1,422	25,101			26,523
Tax benefit of stock options exercised			23,915			23,915
Balances, July 30, 1999	$ 858	$ 133,116	$ 440,482	$ 463,229	$ (200,527)	$ 837,158

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balances, January 28, 2000	$ -	$ 132,346	$ 255,581	$ 537,994	$ 925,921
Net income				83,650	83,650
5-for-4 stock split, May 22, 2000		32,857	(32,857)		-
Cash dividend, $.06 per common share, as declared				(21,079)	(21,079)
Issuance of common stock under employee stock incentive plans		798	15,128		15,926
Stock repurchase (3,633,625 shares)		(1,453)		(64,095)	(65,548)
Tax benefit of stock options exercised			7,489		7,489
Balances, July 28, 2000	$ -	$ 164,548	$ 245,341	$ 536,470	$ 946,359

3. Earnings Per Share

Amounts are in thousands except per share data. Shares have been adjusted for all stock splits including the five-for-four common stock split distributed on May 22, 2000.

	Six months ended July 28, 2000		
	Income	Shares	Per-Share Amount
Net income	$ 83,650		
Basic earnings per share: Income available to common shareholders	$ 83,650	329,194	$ 0.25
Stock options outstanding		4,691	
Diluted earnings per share: Income available to common shareholders plus assumed conversions	$ 83,650	333,885	$ 0.25

	Six months ended July 30, 1999		
	Income	Shares	Per-Share Amount
Net income	$ 77,963		
Less: preferred stock dividends	2,356		
Basic earnings per share:			
Income available to common shareholders	$ 75,607	279,744	$ 0.27
Stock options outstanding		6,637	
Convertible preferred stock	2,356	51,133	
Diluted earnings per share:			
Income available to common shareholders plus assumed conversions	$ 77,963	337,514	$ 0.23

	Three months ended July 28, 2000		
	Income	Shares	Per-Share Amount
Net income	$ 39,310		
Basic earnings per share:			
Income available to common shareholders	$ 39,310	328,578	$ 0.12
Stock options outstanding		4,460	
Diluted earnings per share:			
Income available to common shareholders plus assumed conversions	$ 39,310	333,038	$ 0.12

	Three months ended July 30, 1999		
	Income	Shares	Per-Share Amount
Net income	$ 41,615		
Less: preferred stock dividends	1,178		
Basic earnings per share:			
Income available to common shareholders	$ 40,437	281,160	$ 0.14
Stock options outstanding		6,543	
Convertible preferred stock	1,178	51,133	
Diluted earnings per share:			
Income available to common shareholders plus assumed conversions	$ 41,615	338,836	$ 0.12

4. Segment Reporting

The Company manages its business on the basis of one reportable segment. As of July 28, 2000 and July 30, 1999, all of the Company's operations were located within the United States. The following data is presented in accordance with Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information."

	Three Months Ended July 28, 2000	Three Months Ended July 30, 1999	Six Months Ended July 28, 2000	Six Months Ended July 30, 1999
Classes of similar products				
Net sales:				
Highly Consumable	$ 583,004	$476,312	$1,128,637	$917,365
Seasonal	143,120	152,901	280,815	278,142
Basic Clothing	120,320	108,872	241,230	208,203
Basic Home Products	170,974	177,125	363,815	356,093
	$1,017,418	$915,210	$2,014,497	$1,759,803

5. Subsequent Event

On August 7, 2000, the Company's Board of Directors authorized the Company to repurchase from time to time, in the open market or in privately negotiated transactions, up to five million shares of its outstanding common stock. Under this authorization, which expires August 7, 2002, the Company may repurchase its common stock from time to time depending upon market price and other factors. The Company has repurchased approximately 6.4 million shares, adjusted for stock splits, under the Board's previously authorized stock repurchase program, which expires May 1, 2001.

6. Long-Term Debt and Guarantor Subsidiaries

On June 21, 2000, the Company sold $200 million of 8 5/8% Notes due June 15, 2010 (the "Old Notes") in a private offering under Rule 144A of the Securities Act of 1933. The proceeds were used to repay outstanding short-term debt and for general corporate purposes. Subsequent to the offering, the Company and its guarantor subsidiaries filed a registration statement on Form S-4 to enable the Company to offer to exchange its 8 5/8% Exchange Notes due June 15, 2010 (the "New Notes" and, together with the Old Notes, the "Notes") for all outstanding Old Notes.

All of the Company's subsidiaries (the "Guarantors") have fully and unconditionally guaranteed on a joint and several basis the Company's obligations under the Notes. Each of the Guarantors is a wholly-owned subsidiary of the Company. The Guarantors comprise all of the direct and indirect subsidiaries of the Company. The Company has not presented separate financial statements and other disclosures concerning each Guarantor because management has determined that they are not material to investors.

Summarized combined financial information (in accordance with Rule 1-02(bb) of Regulation S-X) for the Guarantors is set forth below:

	July 28, 2000	Jan 28, 2000	July 30, 2000
Current assets	$1,156,026	$1,085,925	$1,028,843
Current liabilities	366,430	443,496	315,362
Noncurrent assets	427,683	320,142	295,252
Noncurrent liabilities	57,385	52,619	19,463

	Three Months Ended		Six Months Ended	
	July 28, 2000	July 30, 2000	July 28, 2000	July 30, 2000
Total revenues	$1,017,418	$ 915,210	$2,014,497	$1,759,803
Gross profit	218,973	249,582	554,682	475,529
Net income	79,835	165,641	158,152	190,707

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

This discussion and analysis contains both historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Dollar General Corporation (the "Company") believes the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements will prove to be accurate. Forward-looking statements may be significantly impacted by certain risks and uncertainties, including, but not limited to: general transportation and distribution delays or interruptions; interruptions in suppliers' operations; inventory risks due to shifts in market demand; changes in product mix; costs and delays associated with building, opening and operating new distribution centers; and other risk factors referenced in the Annual Report on Form 10-K for the year ended January 28, 2000 and the Company's other periodic reports and filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements to reflect events or circumstances occurring after the date of this report.

The following text contains references to years 2000, 1999, 1998, and 1997 which represent fiscal years ending or ended February 2, 2001, January 28, 2000, January 29, 1999, and January 30, 1998, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and their notes thereto.

RESULTS OF OPERATIONS

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

The Company defines same stores as those opened before the beginning of the previous fiscal year which have remained open throughout the current period.

SIX MONTHS ENDED JULY 28, 2000 AND JULY 30, 1999

NET SALES. Net sales for the first six months of 2000 increased $245.7 million, or 14.5%, to $2,014.5 million from $1,759.8 million for the comparable period in 1999. The increase resulted primarily from 721 net additional stores being in operation as of July 28, 2000, as compared with July 30, 1999, and a year-to-date increase of 0.6% in same store sales.

Management believes that same - store sales in the first six months were negatively impacted by the conversion of more than 4,600 stores to the Company's new prototype layout. In the second quarter the Company undertook a major relay of its stores while adding 600 new items to and deleting 800 items from the merchandise assortment. The new prototype features wider aisles, additional selling space for seasonal merchandise, and better customer flow through high traffic departments. The Company also continued its installation of new technology and ordering processes in all stores. While this aggressive implementation was disruptive to first half results, management believes these efforts position the stores for increased productivity in the future.

GROSS PROFIT. Gross profit for the first six months of 2000 was $554.7 million, or 27.5% of net sales, compared with $475.5 million, or 27.0% of net sales, in the same period last year. This increase was driven by lower markdowns, higher purchase markup and lower shrinkage accrual which offset higher distribution expense associated with operating one additional distribution center compared with the same six-month period last year.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expense for the first six months of 2000 totaled $417.9 million, or 20.7% of net sales, compared with $350.5 million, or 19.9% of net sales during the comparable period last year. Although expenses were below plan for the period, lower than expected same store sales in the first half eliminated any prospect for SG&A expense leverage.

INTEREST EXPENSE. Interest expense increased to $5.6 million, or 0.28% of sales, compared with $2.8 million, or 0.16%, in the comparable six-month period last year. This increase is primarily a result of higher average borrowings and an increase in weighted average interest rates compared with the same six-month period last year. Average short-term borrowings were higher than last year due to capital expenditures for a greater number of new stores, distribution center projects, and the timing of share repurchases.

PROVISIONS FOR TAXES ON INCOME. The effective income tax rate was 36.25% for the six-month periods ended July 28, 2000 and July 30, 1999.

THREE MONTHS ENDED JULY 28, 2000 AND JULY 31, 2000

NET SALES. Net sales for the quarter increased $102.2 million, or 11.2%, to $1,017.4 million from $915.2 million for the comparable period in 1999. Same - store sales for the second quarter decreased 2.6%. Sales in the second quarter were driven by a 22.4% increase in highly consumable merchandise sales, particularly in home cleaning and food items. Sales in the seasonal category decreased 6.4% as a result of discontinued merchandise. Notable sales results in the second quarter in the seasonal category included a 31% increase in sales of summer toys and a 21% increase in garden supplies. Sales in basic clothing increased 10.5% in the second quarter and included strong results in the shoe and children's apparel departments. Sales in basic home products decreased 3.5% in the second quarter driven by reduced sales in the domestic category as a result of discontinued merchandise.

GROSS PROFIT. Gross profit for the quarter was $282.0 million, or 27.7% of net sales, compared with $249.6 million, or 27.3% of net sales, in the same period last year. This increase was primarily the result of lower markdowns, higher purchase markups, lower transportation expense as a percentage of sales, and a lower shrinkage accrual which offset higher distribution expense associated with operating one additional distribution center compared with the same period last year.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expense for the quarter totaled $216.0 million, or 21.2% of net sales, compared with $182.4 million, or 19.9% of net sales during the comparable period last year. SG&A expense as a percentage of sales increased primarily as a result of lower than anticipated sales growth. Total SG&A expense increased 18.4%, primarily as a result of operating 721 net additional stores compared with the same three-month period last year.

INTEREST EXPENSE. Interest expense increased to $4.3 million, or 0.43% of sales, from $1.9 million, or 0.21% of sales, in the comparable period last year. This increase was a result of higher average borrowings and an increase in weighted average interest rates compared with the same three-month period last year. Average short-term borrowings were higher than last year primarily due to capital expenditures for a greater number of new stores, distribution center projects, and the timing of share repurchases.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operating activities - Net cash used in operating activities totaled $59.4 million during the first six months of 2000, compared with $140.1 million cash used in operating activities in the comparable period last year. This decrease in the use of cash was primarily driven by a decrease in cash used to purchase merchandise inventories compared to the first six months last year and by maximizing vendor terms.

Cash flows used in investing activities - Net cash used in investing activities totaled $142.0 million during the first six months of 2000, compared with $11.5 million in the comparable period last year. The increase in cash used in investing activities was primarily the result of investments in distribution center projects and investments in 459 new store openings this year compared with 324 new store openings in the first half of last year. In addition, cash used in investing activities was offset in the first half of last year by $61.9 million of proceeds recognized in 1999 from the sale/leasebacks of the South Boston, Virginia distribution center expansion and the Ardmore, Oklahoma distribution center.

Cash flows from financing activities - Total debt (including current maturities and short-term borrowings) at July 28, 2000 was $229.7 million compared with $151.4 million at July 30, 1999.

Because of the significant impact of seasonal buying (e.g., Spring and December holiday purchases), the Company's working capital requirements vary significantly during the year. These working capital requirements were financed by short-term borrowings under the Company's $175.0 million revolving credit/term loan facility and short-term bank lines of credit totaling $140 million at July 28, 2000. The Company had short-term borrowings of $22.0 million outstanding as of July 28, 2000 and $148.5 million as of July 30, 1999. Management believes seasonal working capital expenditure requirements will continue to be met through cash flow provided by operations supplemented by the revolving credit/term loan facility and short-term bank lines of credit.

On June 21, 2000, the Company placed $200 million (principal amount) of 8 5/8% unsecured notes due June 15, 2010, through a private debt placement with registration rights. The notes pay interest 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. Proceeds from the notes are being used to repay outstanding short-term debt and for general corporate purposes.

FORWARD-LOOKING EXPECTATIONS

(Please refer to the first paragraph under "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" for information concerning forward-looking statements.)

Revenues - For the third quarter, fourth quarter, and full year, management expects revenues to increase 19-22%, 22-24%, and 18-19%, respectively.

Same Store Sales - For the third and fourth quarters management expects same store sales to increase 4-7% and 6-8%, respectively. For the year an increase of 3-4% is expected.

Gross Profit - In the third quarter, management expects gross profit as a percentage of net sales to be lower than last year as a result of accelerating sales of consumable basics which historically have had a lower purchase markup. Management expects gross profit as a percentage of net sales in the fourth quarter to be higher than last year as a result of increasing sales of higher markup seasonal merchandise. For the full year, management expects gross profit as a percentage of net sales to be flat or up slightly compared with last year.

Selling, General and Administrative (SG&A) Expense - Based on sales expectations, Management anticipates SG&A expense as a percentage of net sales to increase up to 50 basis points for the third quarter and to decrease by 40 to 60 basis points for the fourth quarter. For the full year, management expects SG&A expense as a percentage of net sales to increase 10 to 30 basis points reflecting management's expectation of a 3-4% increase in same store sales.

Interest Expense - Management expects interest expense as a percentage of net sales for the third and fourth quarters to increase by 10 to 20 basis points and 20 to 30 basis points, respectively. For the full year management expects interest expense to increase by 15 to 25 basis points, continuing to reflect higher interest rates than last year.

Provision for Taxes on Income - Management anticipates the tax rate to be approximately 36.25% for the remainder of the year.

ACCOUNTING PRONOUNCEMENTS

The Company does not expect a material impact from the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133." Adoption of this Statement, as amended, is required for the Company's fiscal year ending February 1, 2002.

The Company will adopt SEC Staff Accounting Bulleting No. 101, "Revenue Recognition in Financial Statements," during the quarter ended February 2, 2001. Management does not expect this Bulletin to have a material impact on the Company's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For reasons other than trading purposes, the Company has entered into commitments under certain instruments which expose the Company to market risk for changes in interest rates primarily related to the Company's revolving and seasonal lines of credit and certain lease obligations. Under these obligations, the Company has cash flow exposure as a result of its variable interest rates.

The Company seeks to manage this interest rate risk through the use of interest rate swaps. In 1999, the Company entered into interest rate swap agreements totaling $200 million which are scheduled to be in place through February 2001 at which time the counterparties have the option to extend the agreements through 2002. These swap agreements exchange the Company's floating interest rate exposure for a fixed interest rate. The Company will pay a weighted average fixed rate of 5.14% on the $200 million notional amount. The fair value of the interest rate swap agreements was $2.3 million at July 28, 2000. These swap agreements replaced four interest rate swap agreements totaling $200 million and exchanging floating rate exposure to a fixed interest rate. At July 30, 1999, the fair value of the interest rate swap agreements was $2.0 million.

A 1% change in interest rates would have resulted in a pre-tax expense fluctuation of approximately $3.6 million in 1999. In 2000, the Company anticipates this expense fluctuation to decrease as a result of lower average short-term borrowings compared with 1999.

PART II - OTHER INFORMATION

Item 1. Not applicable.

Item 2. Not applicable.

Item 3. Not applicable.

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

At the Annual Meeting of Shareholders of the Corporation held June 5, 2000, the shareholders voted on these proposals as follows:

Proposal No. 1: Election of Directors.

The following nominees were elected to serve as Directors of the Corporation until the next Annual Shareholders' Meeting:

Nominee	Votes For	Votes Withheld/Against
Dennis C. Bottorff	212,659,116	2,615,377
James L. Clayton	213,738,909	1,535,584
Reginald D. Dickson	213,753,695	1,520,798
John B. Holland	212,670,546	2,603,947
Barbara M. Knuckles	213,734,237	1,540,256
Cal Turner, Jr.	213,728,014	1,546,479
Cal Turner, Sr.	212,563,083	2,711,410
David M. Wilds	213,754,461	1,520,032
William S. Wire, II	213,734,323	1,540,170

Proposal No. 2: Amend the Dollar General 1998 Stock Incentive Plan to increase the number of shares available for issuance under the Plan.

Number of shares for	160,016,247
Number of shares against	53,502,327
Number of shares abstaining	1,755,919

Item 5. Not applicable.

Item 6. A. Exhibits:

10.1 Purchase Agreement dated as of June 16, 2000, among Dollar General Corporation, the subsidiaries therein named, and Credit Suisse First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC and Wachovia Securities, Inc. (Incorporated by reference to the Company's Registration Statement on Form S-4 filed August 1, 2000.)

10.2 Indenture dated as of June 21, 2000, among Dollar General Corporation, the subsidiaries therein named and First Union National Bank, as Trustee, as amended and supplemented by the First Supplemental Indenture dated as of July 28, 2000, among Dollar General Corporation, the subsidiaries therein named and First Union National Bank, as Trustee. (Incorporated by reference to the Company's Registration Statement on Form S-4 filed August 1, 2000.)

10.3 Registration Rights Agreement dated as of June 21, 2000, among Dollar General Corporation, the subsidiaries therein named, and Credit Suisse First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC and Wachovia Securities, Inc. (Incorporated by reference to the Company's Registration Statement on Form S-4 filed August 1, 2000.)

10.4 Amendment to Master Agreement dated as of July 31, 2000, among Dollar General Corporation, Atlantic Financial Group, Ltd., Three Pillars Funding Corporation, Suntrust Bank, and Suntrust Equitable Securities Corporation

10.5 Third Amendment to Credit Agreement dated as of July 31, 2000 among Dollar General Corporation, Suntrust Bank, and other named banks and lending institutions.

10.6 Fourth Amendment to Credit Agreement dated as of July 31, 2000 among Dollar General Corporation, Suntrust Bank, and other named banks and lending institutions.

27 Financial Data Schedule (for SEC use only)

B. Reports on Form 8-K:

On June 8, 2000, the Company filed a Current Report on Form 8-K (Item 5 Only) to report a press release issued on June 7, 2000, announcing the Company's plans to raise approximately $200 million through a Rule 144A debt transaction with registration rights.

On June 22, 2000, the Company filed a Current Report on Form 8-K (Item 5 Only) to report a press release issued on June 20, 2000, announcing the private placement of $200 million 8 5/8% Notes due 2010.

SIGNATURES

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

DOLLAR GENERAL CORPORATION
(Registrant)

September 8, 2000 *By: /s/ Brian M. Burr*
Brian M. Burr
Executive Vice President and
Chief Financial Officer

Exhibit 10.4

FIRST AMENDMENT TO MASTER AGREEMENT

This First Amendment to Master Agreement, dated as of July 31, 2000 (this "Amendment"), is among DOLLAR GENERAL CORPORATION, a Tennessee corporation ("Dollar"), ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (the "Lessor"), THREE PILLARS FUNDING CORPORATION, a Delaware corporation (the "Lender"), certain financial institutions parties hereto as liquidity banks (the "Liquidity Banks"), SUNTRUST BANK, a Georgia banking corporation (formerly known as SunTrust Bank, Nashville, N.A.), as agent for the Lender (in such capacity, the "Agent") and for the Liquidity Banks (in such capacity, the "Liquidity Agent"), and SUNTRUST EQUITABLE SECURITIES CORPORATION, a Tennessee corporation, as administrator (the "Administrator").

BACKGROUND

1. Dollar, certain subsidiaries of Dollar, the Lessor, the Lender, the Agent, the Liquidity Agent, the Liquidity Banks, First Union National Bank, as Syndication Agent, Bank of America, National Association, as Documentation Agent, Bank One, NA (formerly known as The First National Bank of Chicago) and Wachovia Bank, N.A., as Co-Agents, and the Administrator are parties to that certain Master Agreement, dated as of June 11, 1999 (the "Master Agreement").

2. The parties hereto desire to amend the Master Agreement in certain respects as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SECTION Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Master Agreement.

2. SECTION Consolidated Debt to Total Capitalization Ratio. Section 5.1(m)(ii) of the Master Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

(ii) Consolidated Funded Debt to Consolidated EBITDAR Ratio. Permit, as of the last day of any fiscal quarter, the ratio of Consolidated Funded Debt to Consolidated EBITDAR to be greater than 2.0 to 1.0.

3. SECTION Definition. Appendix A to the Master Agreement is hereby amended by adding the following definition thereto in the appropriate alphabetical order:

"Consolidated EBITDAR" shall mean for any fiscal period of Dollar, an amount equal to Consolidated EBITR, plus (i) consolidated depreciation and (ii) consolidated amortization, all as determined in accordance with GAAP.

4. SECTION Representations and Warranties. Dollar hereby represents and warrant that, after giving effect to this Amendment (i) each representation and warranty of each Lessee contained in the Operative Documents is true and correct in all Material respects on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties were true and correct in all Material respects on and as of such earlier date,
(ii) no Event of Default, Potential Event of Default or Construction Force Majeure Event has occurred and is continuing, (iii) each Operative Document to which any Lessee is a party is in full force and effect with respect to it and
(iv) no event that could reasonably be expected to have a Material Adverse Effect has occurred since January 29, 1999.

5. SECTION Reaffirmation of Guaranty. Dollar hereby reaffirms and acknowledges that, after giving effect to this Amendment, the Guaranty Agreement remains in full force and effect.

6. SECTION Miscellaneous. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Tennessee. This Amendment may be executed by the parties hereto in separate counterparts (including by facsimile) each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same agreement. The Master Agreement, as amended hereby, remains in full force and effect. Any reference to the Master Agreement from and after the date hereof shall be deemed to refer to the Master Agreement as amended hereby, unless otherwise expressly stated. Dollar hereby agrees to pay, or promptly reimburse the Agent for, all costs and expenses incurred by the Agent in connection with this Amendment, including, without limitation, all reasonable attorneys' fees and disbursements.

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

DOLLAR GENERAL CORPORATION, as a Lessee and as Guarantor

By:

Name Printed:

Title:

ATLANTIC FINANCIAL GROUP, LTD., as Lessor

By: Atlantic Financial Managers, Inc., its General Partner

By:

Name Printed: Stephen Brookshire Title: President

SUNTRUST BANK (formerly known as SunTrust Bank, Nashville, N.A.), as Agent, Liquidity Agent and as a Liquidity Bank

By:

Name Printed:

Title:

THREE PILLARS FUNDING CORPORATION, as Lender

By:

Name Printed:

Title:

BANK ONE, NA (formerly known as The First National Bank of Chicago), as a Liquidity Bank

By:

Name Printed:

Title:

BARCLAYS BANK, PLC, as a Liquidity Bank

By:

Name Printed:

Title:

FIRSTAR BANK, N.A., as a Liquidity Bank

By:

Name Printed:

Title:

PNC BANK, N.A., as a Liquidity Bank

By:

Name Printed:

Title:

FIRST UNION NATIONAL BANK, as a Liquidity Bank

By:

Name Printed:

Title:

WACHOVIA BANK, N.A., as a Liquidity Bank

By:

Name Printed:

Title:

BANK OF AMERICA, NATIONAL ASSOCIATION, as a Liquidity Bank

By:

Name Printed:

Title:

SUNTRUST EQUITABLE SECURITIES CORPORATION, as Administrator

By:

Name Printed:

Title:

Exhibit 10.5

THIRD AMENDMENT TO CREDIT AGREEMENT

ENTERED INTO as of this 31st day of July, 2000 by and among DOLLAR GENERAL CORPORATION, a Tennessee corporation (the "Borrower"), and SUNTRUST BANK, successor-in-interest to SunTrust Bank, Nashville, N.A. ("SunTrust") and such other banks and lending institutions as shown on the signature pages hereto (collectively referred to as the "Lenders"), and SUNTRUST BANK, successor-in-interest to SunTrust Bank, Nashville, N.A., in its capacity as agent for the Lenders (the "Agent").

RECITALS:

1. The Borrower, the Lenders, and the Agent are parties to a Credit Agreement dated September 2, 1997, as amended by a First Amendment to Credit Agreement dated July 31, 1998, and as amended by a Second Amendment to Credit Agreement dated April 29, 1999 (herein the Credit Agreement, as amended, shall be referred to as the "Credit Agreement").

2. The Borrower, the Lenders, and the Agent desire to amend the Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 1.1. of the Credit Agreement shall be amended as of the date hereof to include the following definition of "Consolidated EBITDAR":

"Consolidated EBITDAR" shall mean for any fiscal period of the Borrower, an amount equal to Consolidated EBITR, plus (i) consolidated depreciation and (ii) consolidated amortization, all as determined in accordance with GAAP.

2. Section 7.1.(b), Consolidated Funded Debt to Total Capitalization Ratio, of the Credit Agreement shall be deleted in its entirety and replaced with the following as of the date hereof:

(b) Consolidated Funded Debt to Consolidated EBITDAR Ratio. Permit, as of the last day of any fiscal quarter, the ratio of Consolidated Funded Debt to Consolidated EBITDAR to be greater than 2.0 to 1.0.

3. The Borrower reaffirms its obligations under the Credit Agreement, and the Borrower agrees that such obligations are valid and binding, enforceable in accordance with their terms, subject to no defense, counterclaim, or objection.

4. This Agreement may be signed in counterparts.

BORROWER:

DOLLAR GENERAL CORPORATION

By:

Title:

AGENT:

SUNTRUST BANK

By:

Title:

LENDERS:

SUNTRUST BANK

By:

Title:

FIRST UNION NATIONAL BANK

By:

Title:

WACHOVIA BANK, N.A.

By:

Title:

BANK OF AMERICA, N.A.

By:

Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By:

Title:

BANK ONE, N.A.

By:

Title:

AMSOUTH BANK

By:

Title:

FIFTH THIRD BANK

By:

Title:

KEY BANK NATIONAL ASSOCIATION

By:

Title:

FIRSTAR BANK, N.A.

By:

Title:

PNC BANK, N.A.

By:

Title:

**UNION PLANTERS BANK OF
MIDDLE TENNESSEE, N.A.**

By:

Title:

FOURTH AMENDMENT TO MASTER AGREEMENT

This Fourth Amendment to Master Agreement, dated as of July 31, 2000 (this "Amendment"), is among DOLLAR GENERAL CORPORATION, a Tennessee corporation ("Dollar"), ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (the "Lessor"), certain financial institutions parties hereto as lenders (the "Lenders"), and SUNTRUST BANK, a Georgia banking corporation (formerly known as SunTrust Bank, Nashville, N.A.), as agent for the Lenders (in such capacity, the "Agent").

BACKGROUND

1. Dollar, certain subsidiaries of Dollar, the Lessor, the Lenders and the Agent are parties to that certain Master Agreement, dated as of September 2, 1997, as amended by the Amendment to Master Agreement, dated as of March 31, 1998, by the Second Amendment to Master Agreement, dated as of July 31, 1998, and by the Amendment to Lease Agreement and Third Amendment to Master Agreement, dated as of April 29, 1999 (the "Master Agreement").

2. The parties hereto desire to amend the Master Agreement in certain respects as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SECTION Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Master Agreement.

2. SECTION Consolidated Debt to Total Capitalization Ratio. Section 5.1(m)(ii) of the Master Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

(ii) Consolidated Funded Debt to Consolidated EBITDAR Ratio. Permit, as of the last day of any fiscal quarter, the ratio of Consolidated Funded Debt to Consolidated EBITDAR to be greater than 2.0 to 1.0.

3. SECTION Definition. Appendix A to the Master Agreement is hereby amended by adding the following definition thereto in the appropriate alphabetical order:
"Consolidated EBITDAR" shall mean for any fiscal period of Dollar, an amount equal to Consolidated EBITR, plus (i) consolidated depreciation and (ii) consolidated amortization, all as determined in accordance with GAAP.

4. SECTION Representations and Warranties. Dollar hereby represents and warrant that, after giving effect to this Amendment (i) each representation and warranty of each Lessee contained in the Operative Documents is true and correct in all Material respects on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties were true and correct in all Material respects on and as of such earlier date,
(ii) no Event of Default, Potential Event of Default or Construction Force Majeure Event has occurred and is continuing, (iii) each Operative Document to which any Lessee is a party is in full force and effect with respect to it and
(iv) no event that could reasonably be expected to have a Material Adverse Effect has occurred since January 31, 1997.

5. SECTION Reaffirmation of Guaranty. Dollar hereby reaffirms and acknowledges that, after giving effect to this Amendment, the Guaranty Agreement remains in full force and effect.

6. SECTION Miscellaneous. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Tennessee. This Amendment may be executed by the parties hereto in separate counterparts (including by facsimile) each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same agreement. The Master Agreement, as amended hereby, remains in full force and effect. Any reference to the Master Agreement from and after the date hereof shall be deemed to refer to the Master Agreement as amended hereby, unless otherwise expressly stated. Dollar hereby agrees to pay, or promptly reimburse the Agent for, all costs and expenses incurred by the Agent in connection with this Amendment, including, without limitation, all reasonable attorneys' fees and disbursements.

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

DOLLAR GENERAL CORPORATION, as a Lessee and as Guarantor

By:

Name Printed:

Title:

ATLANTIC FINANCIAL GROUP, LTD., as Lessor

By: Atlantic Financial Managers, Inc.,
its General Partner

By:

Name Printed: Stephen Brookshire Title: President

SUNTRUST BANK (formerly known as SunTrust Bank, Nashville, N.A.), as Agent and as a Lender

By:

Name Printed:

Title:

BANK ONE, NA (formerly known as The First National Bank of Chicago), as a Lender

By:

Name Printed:

Title:

KEYBANK NATIONAL ASSOCIATION, as a Lender

By:

Name Printed:

Title:

AMSOUTH BANK, as a Lender

By:

Name Printed:

Title:

UNION PLANTERS BANK, N.A., as a Lender

By:

Name Printed:

Title:

PNC BANK, NATIONAL ASSOCIATION,
(formerly known as PNC Bank,
Kentucky, Inc.), as a Lender

By:

Name Printed:

Title:

FIRSTAR BANK, N.A. (formerly known as Mercantile Bank National Association), as a Lender

By:

Name Printed:

Title:

FIRST UNION NATIONAL BANK, as a Lender

By:

Name Printed:

Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Lender

By:

Name Printed:

Title:

WACHOVIA BANK, N.A. (formerly known as Wachovia Bank of Georgia, N.A.), as a Lender

By:

Name Printed:

Title:

BANK OF AMERICA, N.A. (formerly known as Nationsbank, N.A.), as a Lender

By:

Name Printed:

Title:

FIFTH THIRD BANK, as a Lender

By:

Name Printed:

Title:

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS	6 MOS
FISCAL YEAR END	JAN 2 2001	JAN 28 2000
PERIOD END	JUL 28 2000	JUL 30 1999
CASH	14,040	30,087
SECURITIES	0	0
RECEIVABLES	0	0
ALLOWANCES	0	0
INVENTORY	1,062,175	951,109
CURRENT ASSETS	1,164,356	1,035,338
PP&E	736,444	523,601
DEPRECIATION	286,774	219,978
TOTAL ASSETS	1,626,962	1,348,578
CURRENT LIABILITIES	423,561	491,824
BONDS	0	0
PREFERRED MANDATORY	0	0
PREFERRED	0	858
COMMON	164,548	133,116
OTHER SE	781,811	703,184
TOTAL LIABILITY AND EQUITY	1,626,962	1,348,578
SALES	2,014,497	1,759,803
TOTAL REVENUES	2,014,497	1,759,803
CGS	1,459,815	1,284,274
TOTAL COSTS	417,863	350,458
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	5,604	2,776
INCOME PRETAX	131,215	122,295
INCOME TAX	47,565	44,332
INCOME CONTINUING	83,650	77,963
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	83,650	77,963
EPS BASIC	0.25	0.27
EPS DILUTED	0.25	0.23