

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 06/16/98 for the Period Ending 05/02/98

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

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 6/16/1998 For Period Ending 5/2/1998

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 1, 1998

Commission file number 0-4769

DOLLAR GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

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

104 Woodmont Blvd.
Suite 500
Nashville, Tennessee 37205
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (615) 783-2000

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 June 8, 1998 was 167,162,069.

Dollar General Corporation

Form 10-Q

For the Quarter Ended May 1, 1998

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(In thousands)

	May 1, 1998 (Unaudited)	Jan. 30, 1998 (Audited)	May 2, 1997 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 37,241	\$ 7,128	\$ 33,388
Merchandise inventories	692,658	631,954	540,956
Deferred income taxes	6,283	5,743	3,747
Other current assets	20,449	21,884	18,669
Total current assets	756,631	666,709	596,760
Property and equipment, at cost	415,974	391,911	315,645
Less: accumulated depreciation	162,692	150,466	121,885
	253,282	241,445	193,760
Other assets	6,591	6,684	5,487
Total assets	\$1,016,504	\$ 914,838	\$ 796,007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 715	\$ 1,450	\$ 1,940
Short-term borrowings	119,650	21,933	50,000
Accounts payable	179,120	179,958	152,724
Accrued expenses	87,065	92,027	61,382
Income taxes	11,227	12,343	955
Total current liabilities	397,777	307,711	267,001
Long-term debt	406	1,294	1,807
Deferred income taxes	21,669	21,937	7,847
Shareholders' equity:			
Preferred stock	858	858	858
Common stock	83,719	83,526	53,672
Additional paid-in capital	395,938	379,954	350,387
Retained earnings	316,664	320,085	314,962
	797,179	784,423	719,879
Less treasury stock	200,527	200,527	200,527
Total shareholders' equity	596,652	583,896	519,352
Total liabilities and shareholders' equity	\$1,016,504	\$ 914,838	\$ 796,007

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 May 1, 1998	May 2, 1997
Net Sales	\$705,260	\$520,014
Cost of goods sold	514,928	378,159
Gross profit	190,332	141,855
Selling, general and administrative expense	140,940	110,335
Operating profit	49,392	31,520
Interest expense	939	526
Income before taxes on income	48,453	30,994

Provision for taxes on income	18,049	11,700
Net income	\$ 30,404	\$ 19,294
Diluted earnings per share	\$ 0.18	\$ 0.11
Weighted average diluted shares	171,988	170,340
Basic earnings per share	\$ 0.21	\$ 0.13

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)

	Three Months Ended	
	May 1, 1998	May 2, 1997
Operating activities:		
Net income	\$ 30,404	\$ 19,294
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	12,364	8,577
Deferred income taxes	(808)	2,218
Change in operating assets and liabilities:		
Merchandise inventories	(60,704)	(64,853)
Accounts payable	(838)	49,201
Accrued expenses	(4,962)	(9,059)
Income taxes	(1,116)	(9,047)
Other	1,720	(953)
Net cash used by operating activities	(23,940)	(4,622)
Investing activities:		
Purchase of property and equipment	(24,393)	(27,822)
Proceeds from sale of property and equipment	0	34,074
Net cash provided (used) by investing activities	(24,393)	6,252
Financing activities:		
Issuance of short-term borrowings	128,535	147,404
Repayments of short-term borrowings	(30,818)	(135,873)
Issuance of long-term debt	0	190
Repayments of long-term debt	(1,623)	(1,055)
Payments of cash dividend	(8,076)	(6,477)
Proceeds from exercise of stock options	11,926	12,715
Repurchase of common stock	(26,066)	0
Tax benefit of stock option exercises	4,568	8,291
Net cash provided by financing activities	78,446	25,195
Net increase in cash and cash equivalents	30,113	26,825
Cash and cash equivalents, beginning of period	7,128	6,563
Cash and cash equivalents, end of period	\$ 37,241	\$ 33,388

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 30, 1998 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 May 1, 1998 and May 2, 1997, respectively, 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.

2. Changes in shareholders' equity for the three months ended May 1, 1998 and May 2, 1997 were as follows (dollars in thousands except per share amounts):

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balances, January 31, 1997	\$ 858	\$53,105	\$329,948	\$302,145	\$200,527	\$485,529
Net income				19,294		19,294
Cash dividend, \$.05 per common share, as declared				(5,723)		(5,723)
Cash dividend, \$.44 per preferred share				(754)		(754)
Issuance of common stock under employee stock incentive plans		567	12,148			12,715
Tax benefit of stock options exercised			8,291			8,291
Balances, May 2, 1997	\$ 858	\$53,672	\$350,387	\$314,962	\$200,527	\$519,352
Balances, January 30, 1998	\$ 858	\$83,526	\$379,954	\$320,085	\$200,527	\$583,896
Net Income				30,404		30,404
Cash dividend, \$.04 per common share, as declared				(7,062)		(7,062)
Cash dividend, \$.61 per preferred share				(1,047)		(1,047)
Issuance of common stock under employee stock incentive plans		543	11,416			11,959
Stock repurchase		(350)		(25,716)		(26,066)
Tax benefit of stock options exercised			4,568			4,568
Balances, May 1, 1998	\$ 858	\$83,719	\$395,938	\$316,664	\$200,527	\$596,652

3. Earnings Per Share

Amounts are in thousands except per share data and shares have been adjusted for the March 23, 1998, and September 22, 1997, five-for-four common stock splits.

May 1, 1998

	Income	Shares	Per-Share Amount
Net Income	\$30,404		
Less: preferred stock dividends	1,047		
Basic Earnings per Share			
Income available to common shareholders	\$29,357	141,043	\$0.21
Stock options outstanding		4,765	
Convertible preferred stock	1,047	26,180	
Diluted Earnings per Share			
Income available to common stockholders plus assumed conversions	\$30,404	171,988	\$0.18

May 2, 1997

Income	Shares	Per-Share Amount
--------	--------	---------------------

Net Income	\$19,294		
Less: preferred stock dividends	754		
Basic Earnings per Share			
Income available to common shareholders	\$18,540	140,226	\$0.13
Stock options outstanding		3,934	
Convertible preferred stock	754	26,180	
Diluted Earnings per Share			
Income available to common stockholders plus assumed conversions	\$19,294	170,340	\$0.11

4. Subsequent Event

On June 1, 1998 stockholders of Dollar General Corporation approved a change in the state of incorporation of Dollar General Corporation from Kentucky to Tennessee by approving the Agreement and Plan of Merger by and between Dollar General Corporation, a Kentucky corporation ("Dollar General-KY"), and Dollar General Corporation-TN, a Tennessee corporation and wholly-owned subsidiary of Dollar General-KY.

The Articles of Merger were filed with the respective office of the Secretary of State for the State of Tennessee and the Commonwealth of Kentucky and effective on June 2, 1998. Pursuant to the Agreement and Plan of Merger, Dollar General-TN is the surviving corporation and is the successor registrant under Rule 12g-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon effectiveness of the merger, Dollar General-TN's name was changed to "Dollar General Corporation" as set forth in the Agreement and Plan of Merger.

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 the Company believes the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included herein 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; 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 the risk factors listed in the Annual Report on Form 10-K for the year ended January 30, 1998. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of interruptions in suppliers' operations or unanticipated events.

The following text contains references to years 1999, 1998, 1997 and 1996 which represent fiscal years ending or ended January 29, 1999, January 30, 1998, and January 31, 1997 and 1996, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements, including the 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 to a period other than the same period of the previous year will reflect the seasonal nature of the Company's business.

THREE MONTHS ENDED MAY 1, 1998 AND MAY 2, 1997

NET SALES. Net sales for the first quarter of fiscal 1999 increased \$185.3 million, or 35.6%, to \$705.3 million from \$520.0 million for the comparable period of fiscal 1998. The increase resulted from 460 net additional stores being in operation as of May 1, 1998 as compared with May 2, 1997 and an increase of 19.4% in same-store sales. Same store sales growth was a 1.6% increase for the same period last year.

The Company regards same stores as those opened prior to the beginning of the previous fiscal year which have remained open throughout the previous fiscal year and the period reported. Sales were negatively affected during the first and second quarters of fiscal 1998 as the Company refurbished more than 2,400 stores to the latest prototype.

GROSS PROFIT. Gross profit for the quarter was \$190.3 million, or 27.0% of net sales, compared to \$141.9 million, or 27.3% of net sales, in the same period last year. This decrease was primarily driven by greater markdowns and higher freight costs which more than offset lower inventory shrinkage. The increase in freight costs was driven by better in-stock levels of the 700 new faster-turning items. For the second quarter of fiscal 1999, management expects gross margin, as a percent of sales, to increase slightly as we anniversary the initial stocking and related freight costs of the 700 items.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE. SG&A expenses for the quarter totaled \$140.9 million, or 20.0% of

net sales, compared with \$110.3 million, or 21.2% of net sales last year. Higher same-store sales for the quarter enabled the Company to leverage payroll costs significantly. Total SG&A expense increased 27.7% primarily as a result of 460 net additional stores being in operation as compared to last year. For the second quarter, management expects SG&A, as a percentage of sales, to decrease slightly as a result of the continued leverage provided by the expected double digit same store sales increases.

INTEREST EXPENSE. Interest expense increased to \$0.9 million, or 0.13% of sales, compared with \$0.5 million or 0.10% of sales, in the comparable period last year. This increase was primarily a result of higher average borrowings. During the first quarter, the Company repurchased 701,000 shares of common stock at an average cost of \$37.18 per share. For the second quarter, management expects interest expense, as percent of sales, to increase slightly as a result of higher inventory levels related to the introduction of a new apparel program.

PROVISIONS FOR TAXES ON INCOME. The effective income tax rate for the quarter was 37.3% compared with 37.8% in the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities - Cash flows used in operating activities totaled \$23.9 million during the quarter compared with \$4.6 million in the comparable period last year. This increase in use of cash was primarily the result of decreased accounts payable as a result of overall shorter payment terms related to the new product mix.

Cash flows from investing activities - Cash used by investing activities totaled \$24.4 million during the quarter compared with cash provided by investing activities of \$6.3 million in the comparable period last year. The increase in cash used by investing activities was primarily the result of the \$33.8 million received in 1997 from the sale/leaseback of the South Boston, Virginia distribution center. Current period cash used resulted primarily from \$24.4 million in expenditures primarily from opening 166 new stores.

Cash flows from financing activities - The Company's repayment of short-term borrowings during the first three months of fiscal 1999 totaled \$30.8 million compared with \$135.9 million in the comparable period last year.

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 \$155.0 million at May 1, 1998. The Company had short-term bank lines of credit borrowings of \$119.7 million outstanding as of May 1, 1998 and \$50.0 million as of May 2, 1997. 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.

Capital requirements for the construction of new stores, new distribution centers and the new corporate headquarters complex will continue to be funded under the Company's \$225.0 million leveraged lease facility. The company began funding construction costs under this facility in the third quarter of fiscal 1998. As of May 1, 1998 \$38.8 million of construction costs had been funded under this facility. During the first quarter of fiscal 1999 the Company entered into a five year interest rate swap agreement to fix the interest rate on \$50.0 million of this leveraged lease facility.

The Company's liquidity position is set forth in the following table (dollars in thousands):

	May 1, 1998	January 30, 1998	May 2, 1997
Current ratio	1.9x	2.2x	2.2x
Total borrowings/equity	20.2%	4.2%	10.3%
Working Capital	\$358,854	\$329,759	
Average daily use of debt (fiscal year-to-date)	\$ 81,122	\$ 90,882	\$ 41,373
Maximum outstanding short-term debt (fiscal year-to-date)	\$122,131	\$184,725	\$ 64,855

ACCOUNTING PRONOUNCEMENTS

The Company will adopt Statement of Financial Accounting Standards (SFAS) No. 131 "Disclosures about Segments of an Enterprise and Related Information" for the year ended January 29, 1999. The Company will adopt Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," for the year ending January 28, 2000. Management does not believe adoption of these pronouncements will have a significant impact on the Company's financial reporting or have a material impact on its operating results or financial position.

YEAR 2000

The Company has considered the impact of the year 2000 on its computer systems and applications. An action plan has been developed which includes establishing a task force to evaluate the Company's major vendors' year 2000 compliance. The Company is in the process of installing

a new, previously planned general ledger system that will be year 2000 compliant. Previously planned software and equipment upgrades and revisions are expected to remedy year 2000 compliance issues. The Company believes the impact of the year 2000 and related costs of compliance will not have any material impact on its operations or liquidity.

PART II - OTHER INFORMATION

Item 1. Not applicable.

Item 2. Not applicable.

Item 3. Not applicable.

Item 4. Not applicable.

Item 5. Not applicable.

Item 6. A. Exhibits

10(a) ISDA Master Agreement dated March 11, 1998 by and among Dollar General Corporation and SunTrust Bank, Atlanta

10(b) Amendment to Master Agreement dated March 31, 1998 by and among Dollar General Corporation, Atlantic Financial Group, LTD.,

Certain Financial Institutions parties hereto as lenders, and SunTrust Bank, Nashville, N.A. as agent for the Lenders

27 Financial Data Schedule (for SEC use only)

B. Reports on Form 8-K

None

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)

June 13, 1997

*/s/Phil Richards
Phil Richards, Vice President
Chief Financial Officer*

ARTICLE 5

CIK: 0000029534

NAME: DOLLAR GENERAL CORP.

MULTIPLIER: 1000

PERIOD TYPE	3 MOS	3 MOS
FISCAL YEAR END	JAN 29 1999	JAN 30 1998
PERIOD END	MAY 01 1998	MAY 02 1997
CASH	37241	33388
SECURITIES	0	0
RECEIVABLES	0	0
ALLOWANCES	0	0
INVENTORY	692658	540956
CURRENT ASSETS	20449	18669
PP&E	415974	315645
DEPRECIATION	162692	121885
TOTAL ASSETS	1016504	796007
CURRENT LIABILITIES	397777	267001
BONDS	0	0
PREFERRED MANDATORY	0	0
PREFERRED	858	858
COMMON	83719	53672
OTHER SE	512075	464822
TOTAL LIABILITY AND EQUITY	1016504	796007
SALES	705260	520014
TOTAL REVENUES	705260	520014
CGS	514928	378159
TOTAL COSTS	140940	110335
OTHER EXPENSES	0	0
LOSS PROVISION	0	0
INTEREST EXPENSE	939	526
INCOME PRETAX	48453	30994
INCOME TAX	18049	11700
INCOME CONTINUING	30404	19294
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	30404	19294
EPS PRIMARY	0.21	0.13
EPS DILUTED	0.18	0.11

EXHIBIT 10(A)

ISDA
International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of March 11, 1998

SunTrust Bank, Atlanta and Dollar General Corporation

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:-

1. Interpretation

(a) Definitions. The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) Inconsistency. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) Single Agreement. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(I) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) Change of Account. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) Netting. If on any date amounts would otherwise be payable:-

(i) in the same currency; and

(ii) in respect of the same Transaction.

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date). This election may be made separately for different groups or Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) Deduction or Withholding for Tax.

(i) Gross-Up. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any governmental revenue authority, then in effect, If a party is so required to deduct or withhold, then that party("X") will:-

(1) promptly notify the other party("Y") of such requirement:

(2) pay to the relevant authorities the full amount required to be deducted or withheld(including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y:

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:- (A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(I), 4(a)(iii) or 4(d); or (B) the failure of a representation made by y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) Liability. If:-

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section

2(d)(I)(4)

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X, then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(iii) or 4(d).

(e) Default Interest: Other Amounts. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6 (c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis daily compounding and the actual number of days elapsed. If prior to the occurrence or effective designation any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations Each party represents to the other party (which representations will be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:-

(a) Basic Representations.

(i) Status. It is duly organized and validly existing under the laws jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) Powers. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery, and performance;

(iii) No Violation or Conflict. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) Obligations Binding. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) Absence of Certain Events. No Event or Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstances would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) Absence of Litigation. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) Accuracy of Specified Information. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this

Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) Payer Tax Representation. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) Payee Tax Representations. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:-

(a) Furnish Specified Information. It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:-

(i) any forms, documents specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document

without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification, in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) Maintain Authorizations. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) Comply with Laws. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) Tax Agreement. It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) Payment of Stamp Tax. Subject to Section 11. It will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

(5) Events of Default and Termination Events

(a) Events of Default. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:-

(i) Failure to Pay or Deliver. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is given to the party;

(ii) Breach of Agreement. Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation with this Section 4(a)(i), 4(a)(iii) or 4(d) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) Credit Support Default.

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than Transaction to which such Credit Support Document relates without the written consent of the other party); or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) Misrepresentation. A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) Default under Specified Transaction. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a

Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or

(3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) Cross Default. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of

(1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period):

(vii) Bankruptcy. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:-

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors rights, or

a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to consideration, amalgamation or merger); (6) seeks or becomes subject to the appointment of

an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets and has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7)(inclusive); or (9) takes any action in furtherance of, or

indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) Merger Without Assumption. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:-

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement: or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) Termination Events. The occurrence at any time with respect to a party or any Specified Entity of such party of any event specified below constitutes an illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:-

(i) Illegality. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section

4(b)) for such party (which will be the Affected Party):-

(1) to perform any absolute or contingent obligation to make payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction: or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document

(ii) Tax Event. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an indemnifiable Tax under Section

2(d)(i)(4) (except in respect of interest under

Section 2(e), 6(d)(ii) or 6(e) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section

2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) Tax Event Upon Merger. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section

2(d)(i)(4) (except in respect of interest under

Section 2(e), 6(d)(ii) or 6(e) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) Credit Event Upon Merger. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) Additional Termination Event. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) Event of Default and Illegality. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) Right to Terminate Following Event of Default. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination date in respect of all outstanding Transactions, If however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3),

(5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) Right to Terminate Following Termination Events.

(i) Notice. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) Transfer to Avoid Termination Event. If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected

Party, or if a Tax Event Upon Merger occurs and the Burdened party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section

6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices of Affiliates so that such Termination Event ceases to exist. If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under

Section 6(b)(i). Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) Two Affected Parties. If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after thereof is given

Section 6(b)(i) on action to avoid that Termination Event.

(iv) Right to Terminate. If:-

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party, either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is continuing, designate a day not earlier than the day such notice is effective as an early Termination Date in respect of all Affected Transactions.

(c) Effect of Designation.

(i) If notice designating an Early Termination date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination date shall be determined pursuant to Section 6(e).

(d) Calculations.

(i) Statement. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be evidence of the existence and accuracy of such quotation.

(ii) Payment Date. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business days after the day on which notice of the amount payable is effective (in the case of an early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) Payments on Early Termination. If Early Termination date occurs, the following provisions shall apply based on the parties election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this

Section will be subject to any Set-off.

(i) Events of Default. If the Early Termination date results from an Event of Default:-

(1) First Method and Market Quotation. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non- defaulting Party, if a positive number, the Non- defaulting Party's Loss in respect of this Agreement.

(a) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non- defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) Termination Events. If the Early Termination Date results from a Termination Event:-

(1) One Affected Party. There is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotations applies, or

Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party, respectively, and if Loss applies and fewer than all the Transactions are being terminated. Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:- (A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and (B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y"). If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) Adjustment for Bankruptcy. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this

Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) Pre-Estimate. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre- estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:-

(a) a party may make such transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest any amount payable to it from a Defaulting Party under Section 6(e). Any purported transfer that is not in compliance with Section will be void.

8. Contractual Currency

(a) Payment in the Contractual Currency. Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) Judgments. To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) Separate Indemnities. To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) Evidence of Loss. For the purpose of this Section 8, it will be sufficient for the party to demonstrate that it would have suffered a loss had an actual exchange or purpose been made.

(9) Miscellaneous

(a) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) Amendments. No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) Survival of Obligations. Without prejudice to Sections 2(a)(iii) and 6(e)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) Remedies Cumulative. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) Counterparts and Confirmations.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or

through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) No Waiver of Rights. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) Headings. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

(10) Offices: Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organization of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office, This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. Expenses A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) Effectiveness. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:-

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by transmission report generated by the sender's facsimile machine).

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted: or

(v) if sent by electronic messaging system, on the date that electronic message is received, unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) Change of Addresses. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) Governing Law. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) Jurisdiction. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:-

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party. Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) Service of Process. Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings,. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in

Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) Waiver of Immunities. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions As used in this Agreement:- "additional Termination Event" has the meaning specified in Section 5(b). "Affected Party" has the meaning specified in Section 5(b). "Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions. "Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person. "Applicable rate" means:-

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate. "Burdened Party" has meaning specified in Section 5(b). "Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into. "consent" includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent. "Credit Event Upon Merger" has the meaning specified in Section 5(b). "Credit Support Document" means any agreement of instrument that is specified as such in this Agreement. "Credit Support Provider" has the meaning specified in the Schedule. "Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum. "Defaulting Party" has the meaning specified in Section 6(a). "Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv). "Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule. "Illegality" has the meaning specified in Section 5(b). "Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document). "law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and "lawful" and "unlawful" will be construed accordingly. "Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial center, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction. "Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets. "Market Quotations" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded, but without limitation, any payment or delivery that would, but for the relevant early Termination Date is to be included, The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined. "Non-defaulting Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount. "Non-defaulting Party" has the meaning specified in Section 6(a). "Office" means a branch or office of a party, which may be such party's head or home office. "Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both would constitute an Event of Default. "Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria the such party applies generally at the time in deciding whether to offer or to make an extension of credit and

(b) to the extent practicable, from among such dealers having an office in the same city. "Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organized, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made. "Scheduled Payment Date" means a date on which a payment of delivery is to be made under Section 2(a)(i) with respect to a Transaction. "Set-off" means set-off, offset, combination of accounts, right of retention or

withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer. "Settlement Amount" Means, with respect to a party and Early Termination Date, the sum of:-

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result. "Specified Entity" has the meaning specified in the Schedule. "Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money. "Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to his Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation. "Stamp Tax" means any stamp, registration, documentation or similar tax. "Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax. "Tax Event" has the meaning specified in Section 5(b). "Tax Event Upon Merger" has the meaning specified in Section 5(b). "Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date). "Termination Currency" has the meaning specified in the Schedule. "Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties. "termination Event" means an Illegality, a Tax Event Upon Merger or, if specified to be evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts. "Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

AMENDMENT TO MASTER AGREEMENT

This Amendment to Master Agreement, dated as of March 31, 1998 (this "Amendment ") is among DOLLAR GENERAL CORPORATION, a Kentucky corporation (" Dollar "), ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (the " Lessor "), certain financial institutions parties hereto as lenders (the Lenders "), and SUNTRUST BANK, NASHVILLE, N. A., a national banking association, 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 (the " Master Agreement ").
2. The parties hereto desire to amend the Master Agreement to provide for an increase in the aggregate limit on funded amounts thereunder.

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

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

SECTION 2. Limits on Funded Amounts. Section 2.2 (c) of the Master Agreement is hereby amended by deleting the number " \$100,000,000 " where it appears in the first sentence thereof and substituting therefor the number " \$225,000,000 " .

SECTION 3. Schedule 2.2 . Schedule 2.2 to the Master Agreement is hereby deleted in its entirety and replaced by Schedule 2.2 to this Amendment.

SECTION 4. Conditions Precedent. The effectiveness of this Amendment shall be subject to the receipt by the Agent of the following documents: (i) this Amendment duly executed by the parties hereto; (ii) a new A note and B note, duly executed by the Lessor, for each Lender; and (iii) a Certificate of the Secretary or the Assistant Secretary of Dollar with attached Resolutions duly authorizing the execution, delivery and performance of this Amendment by Dollar.

SECTION 5. 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, 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.

SECTION 6. Reaffirmation of Guaranty. Dollar hereby reaffirms and acknowledges that, after giving effect to this Amendment, the Guaranty remains in full force and effect.

SECTION 7. Additions of Lender. Bank One, National Association (" BankOne ") is hereby added as a Lender under the Operative Documents and agrees to be bound as Lender, and shall have all of the rights of a Lender, under the Operative Documents as though it were an original signatory thereto.

SECTION 8. Payments. On the date hereof, those Lenders that are increasing their Commitment Percentages or are being added as Lenders shall increase their Loans (and shall make a corresponding payment) and those Lenders that are decreasing their Commitment Percentages shall reduce their Loans (and shall receive a corresponding payment), such that, after giving effect thereto, each Funding Party's Funded Amount shall be equal to its Commitment Percentage (as set forth on Schedule 2.2 to this Amendment) of the aggregate Funded Amounts.

SECTION 9. 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. This 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.

IN WITNESS WHEREOF, the parties hereto have caused this amendent 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
Name Printed: Philip W. Richards
Title: Vice President and Chief

Financial Officer

ATLANTIC FINANCIAL GROUP, LTD. as

Lessor

By: Atlantic Financial Managers, Inc., its

General Partner

Name Printed: Stephen Brookshire

Title: President

End of Filing

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