Corbus Barclay
Form 4
May 18, 2018

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Corbus Barclay
(Last) (First) (Middle)
C/O CLEAN ENERGY FUELS CORP., 4675 MACARTHUR COURT, SUITE 800
(Street)
NEWPORT BEACH, CA 92660
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Clean Energy Fuels Corp. [CLNE]

3. Date of Earliest Transaction (Month/Day/Year)
05/18/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, Strategic Development

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/18/2018		P		15,000 (1)	A	$ 2.3598	549,113	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Corbus Barclay C/O CLEAN ENERGY FUELS CORP. 4675 MACARTHUR COURT, SUITE 800 NEWPORT BEACH, CA 92660			SVP, Strategic Development	

Signatures

/s/ J. Nathan Jensen, Attorney-in-Fact	05/18/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares reported in this Form 4 were purchased in separate transactions at prices ranging from $2.355 to $2.37, with a weighted average purchase price of $2.3598. The reporting person undertakes to provide to the Issuer, any security holder of the Issuer, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares purchased at each separate price within the price range set forth in this footnote.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. r the date on which the person became an interested shareholder unless the "business combination" or the transaction in which the shareholder becoming an "interested shareholder" is approved by our Board of Directors prior to the date the "interested shareholder" attained that status.

"Business combinations" for this purpose generally include:

mergers, consolidations, or share exchanges;

sales, leases, exchanges, mortgages, pledges, or other transfers of assets representing 10% or more of the market value of consolidated assets, the market value of our outstanding shares, or our consolidated net income;

- issuances or transfers of shares from us to the interested shareholder;
- plans of liquidation;
- transactions in which the interested shareholder's proportionate share of the outstanding shares of any class of securities is increased; or
- financing arrangements pursuant to which the interested shareholder, directly or indirectly, receives a benefit except proportionately as a shareholder.

Subject to certain exceptions, an "interested shareholder" generally is a person who, together with his or her affiliates and associates, owns, or within five years did own, 10% or more of our outstanding voting stock.

After the five-year moratorium, we may complete a business combination if the transaction complies with all applicable charter and bylaw requirements and applicable Tennessee law and:

- is approved by at least two-thirds of the outstanding voting stock not beneficially owned by the interested shareholder; or
- meets certain fair price criteria including, among others, the requirement that the per share consideration received in any such business combination by each of the shareholders is equal to the highest of (a) the highest per share price paid by the interested shareholder during the preceding five-year period for shares of the same class or series plus interest thereon from such date at a treasury bill rate less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash since such earliest date, up to the amount of such interest, (b) the highest preferential amount, if any, such class or series is entitled to receive on liquidation, or (c) the market value of the shares on either the date the business combination is announced or the date when the interested shareholder reaches the 10% threshold, whichever is higher, plus interest thereon less dividends as noted above.

Although we are currently subject to the Tennessee Business Combination Act, we intend to elect not to be subject to such Act effective upon the closing of this offering.

We have not elected to be governed by the Tennessee Control Share Acquisition Act which prohibits certain shareholders from exercising in excess of 20% of the voting power in a corporation acquired in a "control share acquisition" unless such voting rights have been previously approved by the disinterested shareholders. We can give no assurance that we will or will not elect, through a

157

charter or bylaw amendment, to be governed by the Tennessee Control Share Acquisition Act in the future.

The Tennessee Greenmail Act prohibits us from purchasing or agreeing to purchase any of our securities, at a price in excess of fair market value, from a holder of 3% or more of our securities who has beneficially owned such securities for less than two years, unless the purchase has been approved by a majority of the outstanding shares of each class of our voting stock or we make an offer of at least equal value per share to all holders of shares of such class. The Tennessee Greenmail Act may make a change of control more difficult.

The Tennessee Investor Protection Act applies to tender offers directed at corporations, such as Dollar General, that have "substantial assets" in Tennessee and that are either incorporated in or have a principal office in Tennessee. The Investor Protection Act requires an offeror making a tender offer for an offeree company to file a registration statement with the Commissioner of Commerce and Insurance. When the offeror intends to gain control of the offeree company, the registration statement must indicate any plans the offeror has for the offeree. The Commissioner may require additional information material concerning the takeover offer and may call for hearings. The Investor Protection Act does not apply to an offer that the offeree company's board of directors recommends to shareholders.

In addition to requiring the offeror to file a registration statement with the Commissioner, the Investor Protection Act requires the offeror and the offeree company to deliver to the Commissioner all solicitation materials used in connection with the tender offer. The Investor Protection Act prohibits fraudulent, deceptive, or manipulative acts or practices by either side and gives the Commissioner standing to apply for equitable relief to the Chancery Court of Davidson County, Tennessee, or to any other chancery court having jurisdiction whenever it appears to the Commissioner that the offeror, the offeree company or any of its respective affiliates has engaged in or is about to engage in a violation of the Investor Protection Act. Upon proper showing, the chancery court may grant injunctive relief. The Investor Protection Act further provides civil and criminal penalties for violations.

Transfer Agent and Registrar

Wells Fargo Shareowner Services is the transfer agent and registrar for our common stock.

Listing

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "DG."

SHARES ELIGIBLE FOR FUTURE SALE

After our 2007 merger and prior to this offering, there has not been a public market for our common stock, and we cannot predict what effect, if any, market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options, in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the closing of this offering, we will have outstanding an aggregate of approximately 340,644,825 shares of common stock. In addition, options to purchase an aggregate of approximately 13,647,907 shares of our common stock will be outstanding as of the closing of this offering. Of these options, 4,393,857 will have vested at or prior to the closing of this offering and approximately 9,254,050 will vest over the next six years. All of the management shareholders are subject to a management stockholder's agreement that restricts transfers of stock (including any stock acquired upon the exercise of vested options) for a period of five years beginning either July 6, 2007 or from their relevant hire or promotion date, depending on the agreement, subject to certain exceptions. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares acquired by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described below. Subject to the transfer restrictions contained in the management stockholder's agreement, any remaining outstanding shares of common stock (other than shares issued to non-affiliates pursuant to a Registration Statement on Form S-8, which shares are freely transferable) may be sold under Rule 144, which we summarize below.

Pursuant to Rule 144, 306,061,227 shares (excluding 11,400,000 shares that may be sold by the selling shareholder in this offering) will be eligible for sale at various times after the date of this prospectus, subject to transfer restrictions contained in the management stockholder's agreement, the limited partnership agreement of Parent and, in the case of our officers and directors, the selling shareholder and the Investors (through their investment in Parent), subject to the lock-up agreements.

In connection with this offering, the Senior Management Shareholders agreed to waive their piggyback rights in consideration of our releasing such shareholders from the transfer restrictions contained in the Management Stockholder's Agreements after the expiration of the 180-day restricted period contained in the underwriting agreement with respect to a number of shares of our common stock equal to the number of shares of our common stock that such Senior Management Shareholders could have required us to register in this offering. In addition, we have also agreed to waive such transfer restrictions for all other employees subject to the Management Stockholders' Agreement after the expiration of the 180-day restricted period contained in the underwriting agreement with respect to a number of shares of our common stock equal to the number of shares of common stock such employees could have required us to register in this offering had we elected to grant piggyback rights to such employees.

Rule 144

In general, under Rule 144 as in effect on the date of this prospectus, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock for at least six months, would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available and, after owning such shares for at least one year, would be entitled to sell an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common

Table of Contents

stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which was equal to approximately 3,179,620 shares as of July 31, 2009; or

- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Lock-Up Agreements

In connection with this offering, we, our executive officers and directors, the selling shareholder and the Investors (through their investment in Parent) have agreed with the underwriters, subject to certain exceptions, not to sell, dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of common stock, during the period ending 180 days after the date of this prospectus, except with the prior written consent of each of Citigroup Global Markets Inc., Goldman, Sachs & Co. and KKR Capital Markets LLC. The Company understands that Citigroup Global Markets Inc., Goldman, Sachs & Co. and KKR Capital Markets LLC do not have any pre-established conditions to waiving the terms of the lock-up agreements and that they grant waivers after evaluating the unique facts and circumstances of each individual's or entity's request for such a waiver. This agreement does not apply to any existing employee benefit plans.

The 180-day restricted period described in the preceding paragraph will be automatically extended (to the extent that the applicable FINRA, NASD and NYSE rules that restrict any underwriter from publishing or distributing a research report in connection with the expiration of such 180-day period remain in effect) if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or announces material news or a material event; or

- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period,

in which case the restrictions described in this paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event. See "Underwriting."

Registrations on Form S-8

We have filed registration statements on Form S-8 under the Securities Act to register shares of common stock issuable under our 1998 Stock Incentive Plan and our 2007 Stock Incentive Plan. As a result, shares issued pursuant to such stock incentive plans, including upon exercise of stock options, will be eligible for resale in the public market without restriction, subject to the Rule 144 limitations applicable to affiliates, the 180-day lock-up period, as applicable, and the management stockholder's agreements, as applicable, described above.

As of July 31, 2009, 617,817 Rollover Options (all of which are vested) and 12,801,526 options (3,692,418 of which are vested and an additional 108,578 of which will vest on or prior to November 11, 2009) were outstanding under our 1998 Stock Incentive Plan and our 2007 Stock Incentive Plan, respectively, and an additional 1,504,642 shares were reserved for future issuance under our 2007 Stock Incentive Plan. Our Board of Directors and our shareholders approved the increase in the number of

Table of Contents

shares authorized for issuance under our 2007 Stock Incentive Plan to 31,142,858, effective upon the closing of this offering.

Registration Rights

Pursuant to shareholders agreements, we have granted certain members of our management and other shareholders the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act covering resales of our common stock held by them or to piggyback on such registration statements in certain circumstances. These shares will represent approximately 90.0% of our outstanding common stock after this offering, or 88.5% if the underwriters exercise their option to purchase additional shares in full. These shares also may be sold under Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates.

For a description of rights some holders of common stock have to require us to register the shares of common stock they own, see "Certain Relationships and Related Party Transactions Relationships with Investors Registration Rights Agreement."

Table of Contents

UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material United States federal income and estate tax consequences of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset by a non-U.S. holder.

A "non-U.S. holder" means a beneficial owner of our common stock that is not, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes);
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, "controlled foreign corporation," "passive foreign investment company" or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership and upon certain determinations made at the partner level. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership and disposition of the common stock, as well as the consequences to you arising under the laws of any other applicable taxing jurisdiction, in light of your particular circumstances.

Dividends

Dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, of the gross amount of the dividends paid. However, dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment of the non-U.S. holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the United States Internal Revenue Service.

Gain on Disposition of Common Stock

Any gain realized by a non-U.S. holder on the disposition of our common stock generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a "United States real property holding corporation" for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock.

In the case of a non-U.S. holder described in the first bullet point immediately above, the gain will be subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. In the case of an individual non-U.S. holder described in the second bullet point immediately above, except as otherwise provided by an applicable income tax treaty, the gain, which may be offset by United States source capital losses, will be subject to a flat 30% tax even though the individual is not considered a resident of the United States under the Code.

We believe we are not and do not anticipate becoming a "United States real property holding corporation" for United States federal income tax purposes.

Table of Contents

Federal Estate Tax

Our common stock that is owned (or treated as owned) by an individual who is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death will be included in such individual's gross estate for United States federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise, and, therefore, may be subject to United States federal estate tax.

Information Reporting and Backup Withholding

We must report annually to the United States Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty or agreement.

A non-U.S. holder will be subject to backup withholding on dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the United States Internal Revenue Service.

Table of Contents

UNDERWRITING

Citigroup Global Markets Inc., Goldman, Sachs & Co., KKR Capital Markets LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. are acting as joint book-running managers for the offering and as representatives of the underwriters named below. We, the selling shareholder and the representatives have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter named below has severally agreed to purchase and we and the selling shareholder have agreed to sell the number of shares indicated in the following table.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	7,502,000
Goldman, Sachs & Co.	7,502,000
KKR Capital Markets LLC	7,502,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	3,410,000
J.P. Morgan Securities Inc.	3,410,000
Barclays Capital Inc.	1,705,000
Wells Fargo Securities, LLC	1,705,000
Deutsche Bank Securities Inc.	682,000
HSBC Securities (USA) Inc.	682,000
Total	34,100,000

The underwriters are committed to take and pay for all of the shares of common stock being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares of common stock than the total number set forth in the table above, the underwriters have an option to buy up to an additional 5,115,000 shares from the selling shareholder. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling shareholder. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 5,115,000 additional shares.

	Paid by the Company	Paid by the Selling Shareholder	
		No Exercise	Full Exercise
Per Share	$ 1.2075	$ 1.2075	$ 1.2075
Total	$ 27,410,250	$ 13,765,500	$ 19,941,863

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $0.7245 per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We, our executive officers and directors, the selling shareholder and the Investors (through their investment in Parent) each have agreed with the underwriters, not to dispose of or hedge any of our respective shares of common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of each of Citigroup Global Markets Inc., Goldman, Sachs & Co. and KKR Capital Markets LLC. The Company understands that Citigroup Global

Markets Inc., Goldman, Sachs & Co. and KKR Capital Markets LLC do not have any pre-established conditions to waiving the terms of the lock-up agreements and that they grant waivers after evaluating the unique facts and circumstances of each individual's or entity's request for such a waiver.

The 180-day restricted period described in the preceding paragraph will be automatically extended if (to the extent that the applicable FINRA, NASD and NYSE rules that restrict any underwriter from publishing or distributing a research report in connection with the expiration of such 180-day period remain in effect): (1) during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

At our request, the underwriters are reserving up to 1,705,000 shares of common stock for sale at the initial public offering price to our directors, officers and employees and certain persons who are otherwise associated with us through a directed share program. The number of shares of common stock available for sale to the general public in the public offering will be reduced to the extent these persons purchase these reserved shares. Any shares not so purchased will be offered by the underwriters to the general public on the same basis as other shares offered hereby. We have agreed to indemnify the administrator of the directed share program against certain liabilities and expenses relating to, arising out of, or in connection with the directed share program as well as liabilities caused by the failure of directed share program participants to pay for and accept delivery of shares of common stock which were subject to a properly confirmed agreement to purchase.

After our 2007 merger and prior to the offering, there has been no public market for the shares. Consequently, the initial public offering price has been negotiated among us and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses. We cannot assure you, however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in the shares will develop and continue after this offering.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "DG."

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market in accordance with Regulation M under the Securities Exchange Act of 1934 where applicable. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of

Table of Contents

various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts, will be approximately $4.1 million. Expenses of the offering exclude amounts payable pursuant to our monitoring agreement.

We and the selling shareholder have agreed to indemnify the underwriters against certain liabilities under the Securities Act including liabilities arising out of, or based upon certain material misstatements or omissions. If we or the selling shareholder are unable to provide this indemnification, we or the selling shareholder, as applicable, will contribute to payments the underwriters may be required to make because of any of those liabilities.

KKR Capital Markets LLC was registered as a broker-dealer in September 2007. Since September 2007, KKR Capital Markets LLC has acted as an underwriter in three public equity offerings.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and other services for us for which they received or will receive customary fees and expenses.

Furthermore, certain of the underwriters and their respective affiliates may, from time to time, enter into arms-length transactions with us in the ordinary course of their business.

Goldman, Sachs & Co. and KKR provide management and advisory services to us and our affiliates pursuant to a monitoring agreement with us and Parent executed in connection with our 2007 merger. In connection with entering into the monitoring agreement, we and Parent also entered into a separate indemnification agreement with Goldman, Sachs & Co. and KKR, pursuant to which we agreed to provide customary indemnification to such parties and their affiliates. Upon the completion of this offering, pursuant to our monitoring agreement, we will pay a fee of approximately $64 million from cash generated from operations to KKR and Goldman, Sachs & Co. (which amount will include a transaction fee equal to 1%, or approximately $5 million, of the estimated proceeds from this offering and approximately $59 million in connection with its termination).

In connection with our 2007 merger, Goldman, Sachs & Co. and Citigroup Global Markets Inc. and their affiliates participated in several related transactions with us. Specifically, Citigroup Global Markets Inc., Wells Fargo Securities, LLC (formerly known as Wachovia Capital Markets, LLC) and Goldman Sachs Credit Partners L.P., an affiliate of Goldman, Sachs & Co., along with other institutions, served as joint lead arranger and joint bookrunner with respect to the credit agreements and related security and other agreements consisting of (i) a $2.3 billion senior secured term loan facility and (ii) a senior secured asset-based revolving credit facility of up to $1.125 billion (the total commitments under which are now $1.031 billion). Goldman Sachs Credit Partners L.P. and Wachovia Bank, National Association (an affiliate of Wells Fargo Securities, LLC) also served as syndication agent and documentation agent, respectively, for each of the facilities. Citicorp North America, Inc., an

Table of Contents

affiliate of Citigroup Global Markets Inc., serves as administrative agent and collateral agent for the senior secured term loan facility. Wells Fargo Retail Finance, LLC (an affiliate of Wells Fargo Securities, LLC) serves as the administrative agent and collateral agent for the senior secured asset-based revolving credit facility. Affiliates of several of the underwriters were, and we believe continue to be, lenders under the facilities. Also in connection with our 2007 merger, Goldman, Sachs & Co. and Citigroup Global Markets Inc., along with other institutions, (i) acted as initial purchasers for our issuance of the Notes and (ii) provided financial advisory services to, and received financial advisory fees from us, the Investors and their affiliates. Wells Fargo Securities, LLC (formerly known as Wachovia Capital Markets, LLC) also acted as an initial purchaser for our issuance of the Notes. Finally, in connection with our 2007 merger, we completed a cash tender offer to purchase any and all of our $200 million principal amount of our $8^{5}/_{8}$% Notes due June 2010. Goldman, Sachs & Co. acted as dealer manager and consent solicitation agent for that tender offer.

Goldman, Sachs & Co. also is a counterparty to an amortizing interest rate swap totaling $420.0 million as of July 31, 2009, entered into in connection with the senior secured term loan facility. An affiliate of Wells Fargo Securities, LLC is counterparty on two interest rate hedge transactions and a diesel fuel hedge transaction as of July 31, 2009. The first interest rate hedge consists of an amortizing $420.0 million floating-to-fixed swap maturing July 2012. The second interest rate hedge consists of a $150.0 million floating-to-fixed swap maturing February 2010. In addition, pursuant to our obligations under the registration rights agreement, we have filed and maintain a "market-making" prospectus in order to enable Goldman, Sachs & Co. to engage in market-making activities for the Notes.

As a result of our 2007 merger, we are a subsidiary of Parent, a Delaware limited partnership controlled by an affiliate of KKR. KKR has a 98% economic interest in KKR Capital Markets Holdings L.P. which owns 100% of the equity interests of KKR Capital Markets LLC. Affiliates of KKR, Goldman, Sachs & Co., Citigroup Global Markets Inc., and other equity co-investors have an indirect interest in a substantial portion of our capital stock through their investment in Parent and Buck Holdings, LLC, its general partner and a Delaware limited liability company controlled by KKR, and will continue to do so after this offering. Further, affiliates of Citigroup Global Markets Inc. and Wells Fargo Securities, LLC have an indirect interest in a portion of our capital stock through their investments in a private equity fund controlled by KKR which in turn indirectly has an indirect interest in our capital stock through its investment in Parent and Buck Holdings, LLC. In connection with our 2007 merger, we entered into a registration rights agreement pursuant to which affiliates of KKR, Goldman, Sachs & Co., Citigroup Global Markets Inc. and certain other equity co-investors have the right to require us to register such investors' shares of common stock with the SEC for sale by them to the public, subject to certain limitations. Representatives of KKR and GS Capital Partners VI Parallel, L.P. serve as members of our Board of Directors. See "Certain Relationships and Related Party Transactions Relationships with the Investors."

Affiliates of several of the underwriters hold the Notes, some of which may be retired with a portion of the net proceeds from this offering. As a result, some of the underwriters or their affiliates may receive part of the proceeds of the offering by reason of the redemption of Notes held by them. Some of the underwriters will receive a portion of the special dividend we anticipate paying prior to this offering by virtue of their direct or indirect holdings of our capital stock. The dividend will be paid with cash generated from operations.

Conflict of Interest

Goldman, Sachs & Co. and KKR Capital Markets LLC and/or their respective affiliates each own (through their investment in Parent) in excess of 10% of our issued and outstanding common stock, and may therefore be deemed to be our "affiliates" and to have a "conflict of interest" with us within the meaning of NASD Conduct Rule 2720 ("Rule 2720") of the Financial Industry Regulatory Authority, Inc. Therefore, this offering will be conducted in accordance with Rule 2720, which requires that a qualified independent underwriter ("QIU") as defined in Rule 2720 participate in the preparation of the registration statement of which this prospectus forms a part and perform its usual standard of due diligence with respect thereto. J.P. Morgan Securities Inc. has agreed to act as QIU for this offering. We have agreed to indemnify J.P. Morgan Securities Inc. against certain liabilities incurred in connection with acting as QIU for this offering, including liabilities under the Securities Act.

Goldman, Sachs & Co. and KKR provide management and advisory services to us and our affiliates pursuant to a monitoring agreement with us and Parent executed in connection with our 2007 merger. Upon the completion of this offering, pursuant to our monitoring agreement, we will pay a fee of approximately $64 million from cash generated from operations to KKR and Goldman, Sachs & Co. (which amount will include a transaction fee equal to 1%, or approximately $5 million, of the estimated proceeds from this offering and approximately $59 million in connection with its termination). The services provided by KKR and Goldman, Sachs & Co. under the monitoring agreement have included (i) corporate finance advice, (ii) recruitment and evaluation of senior management, (iii) development of strategic initiatives, and (iv) other management, consulting and financial services, including (a) the analyses of management's budgets and major capital expenditures, (b) the review of management's financial projections and financial reports, (c) negotiation and analyses of financing alternatives, and (d) monitoring of debt service and other financial metrics.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and

Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or

- used in connection with any offer for subscription or sale of the shares to the public in France.

- Such offers, sales and distributions will be made in France only:

- to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;

- to investment services providers authorized to engage in portfolio management on behalf of third parties; or

- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l'épargne).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under

170

Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The shares offered in this prospectus have not been registered under the Securities and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

This document as well as any other material relating to the shares which are the subject of the offering contemplated by this Prospectus (the "Shares") do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Shares will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange.

The Shares are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the Shares with the intention to distribute them to the public. The investors will be individually approached by the Company from time to time.

This document as well as any other material relating to the Shares is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this Prospectus (the "Shares") may be illiquid and/or subject to restrictions on their resale.

Prospective purchasers of the Shares offered should conduct their own due diligence on the Shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

Table of Contents

LEGAL MATTERS

The validity of our common stock offered hereby will be passed upon for us by Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Nashville, Tennessee. Certain other legal matters relating to this offering will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. Certain legal matters relating to this offering will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, New York. Certain partners of Simpson Thacher & Bartlett LLP, members of their respective families, related persons and others have an indirect interest, through limited partnerships that are investors in funds affiliated with KKR, in less than 1% of our common stock.

EXPERTS

The consolidated financial statements of Dollar General Corporation at January 30, 2009 (Successor) and February 1, 2008 (Successor), and for the year ended January 30, 2009 (Successor), the periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the year ended February 2, 2007 (Predecessor), appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 (Registration No. 333-161464) under the Securities Act with respect to the common stock offered in this prospectus. This prospectus is a part of the registration statement and does not contain all of the information set forth in the registration statement. For further information about us and our common stock, you should refer to the registration statement. This prospectus summarizes material provisions of contracts and other documents to which we refer you. Since the prospectus may not contain all of the information that you may find important, you should review the full text of these contracts and other documents. We have included or incorporated by reference copies of these documents as exhibits to our registration statement.

We file annual, quarterly and special reports and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at *http://www.sec.gov*. Those filings are also available to the public on our corporate web site at *http://www.dollargeneral.com*. The information we file with the SEC or contained on our corporate web site or any other web site that we may maintain is not part of this prospectus, any prospectus supplement or the registration statement of which this prospectus is a part. You may also read and copy, at SEC prescribed rates, any document we file with the SEC, including the registration statement (and its exhibits) of which this prospectus is a part, at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room.

We also intend to provide our shareholders with annual reports containing financial statements audited by our independent auditors.

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Audited Financial Statements for the Periods ended January 30, 2009, February 1, 2008, July 6, 2007 and February 2, 2007	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets of Successor as of January 30, 2009 (Successor) and February 1, 2008 (Successor)	F-3
Consolidated Statements of Operations for the Year ended January 30, 2009 (Successor), the Periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the Year ended February 2, 2007 (Predecessor)	F-4
Consolidated Statements of Shareholders' Equity for the Year ended January 30, 2009 (Successor), the Periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the Year ended February 2, 2007 (Predecessor)	F-5
Consolidated Statements of Cash Flows for the Year ended January 30, 2009 (Successor), the Periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the Year ended February 2, 2007 (Predecessor)	F-6
Notes to Consolidated Financial Statements	F-7
Unaudited Condensed Financial Statements for the 26 weeks ended July 31, 2009 and August 1, 2008	
Condensed Consolidated Balance Sheets as of July 31, 2009 and January 30, 2009	F-61
Condensed Consolidated Statements of Income for the 26 weeks ended July 31, 2009 and August 1, 2008	F-62
Condensed Consolidated Statements of Shareholders' Equity for the 26 weeks ended July 31, 2009	F-63
Condensed Consolidated Statements of Cash Flows for the 26 weeks ended July 31, 2009 and August 1, 2008	F-64
Notes to Condensed Consolidated Financial Statements	F-65

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Dollar General Corporation

We have audited the accompanying consolidated balance sheets of Dollar General Corporation and subsidiaries as of January 30, 2009 (Successor) and February 1, 2008 (Successor), and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended January 30, 2009 (Successor), the periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the year ended February 2, 2007 (Predecessor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dollar General Corporation and subsidiaries at January 30, 2009 (Successor) and February 1, 2008 (Successor), and the consolidated results of their operations and their cash flows for the year ended January 30, 2009 (Successor), the periods from March 6, 2007 to February 1, 2008 (Successor) and from February 3, 2007 to July 6, 2007 (Predecessor), and the year ended February 2, 2007 (Predecessor), in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 5 to the consolidated financial statements, effective February 3, 2007, the Company changed its method of accounting for uncertain tax positions in connection with the adoption of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes".

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
March 24, 2009, except for Note 1, regarding the Company's
reverse stock split as to which the date is October 12, 2009

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands except per share amounts)

	Successor January 30, 2009	Successor February 1, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 377,995	$ 100,209
Short-term investments		19,611
Merchandise inventories	1,414,955	1,288,661
Income taxes receivable	6,392	32,501
Deferred income taxes	4,600	17,297
Prepaid expenses and other current assets	66,183	59,465
Total current assets	1,870,125	1,517,744
Net property and equipment	1,268,960	1,274,245
Goodwill	4,338,589	4,344,930
Intangible assets, net	1,325,558	1,370,557
Other assets, net	85,967	148,955
Total assets	$ 8,889,199	$ 8,656,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 14,158	$ 3,246
Accounts payable	678,421	551,040
Accrued expenses and other	375,045	300,956
Income taxes payable	7,611	2,999
Total current liabilities	1,075,235	858,241
Long-term obligations	4,122,956	4,278,756
Deferred income taxes	556,101	486,725
Other liabilities	289,288	319,714
Commitments and contingencies		
Redeemable common stock	13,924	9,122
Shareholders' equity:		
Preferred stock, 1,000 shares authorized		
Common stock; $0.875 par value, 1,000,000 shares authorized, 317,845 and 317,418 shares issued and outstanding at January 30, 2009 and February 1, 2008, respectively	278,114	277,741

Additional paid-in capital	2,489,647	2,480,062
Retained earnings (Accumulated deficit)	103,364	(4,818)
Accumulated other comprehensive loss	(39,430)	(49,112)
Total shareholders' equity	2,831,695	2,703,873
Total liabilities and shareholders' equity	$8,889,199	$8,656,431

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share amounts)

	Successor		Predecessor	
	For the year ended January 30, 2009	March 6, 2007 through February 1, 2008(a)	February 3, 2007 through July 6, 2007	For the year ended February 2, 2007
Net sales	$ 10,457,668	$ 5,571,493	$ 3,923,753	$ 9,169,822
Cost of goods sold	7,396,571	3,999,599	2,852,178	6,801,617
Gross profit	3,061,097	1,571,894	1,071,575	2,368,205
Selling, general and administrative expenses	2,448,611	1,324,508	960,930	2,119,929
Litigation settlement and related costs, net	32,000			
Transaction and related costs		1,242	101,397	
Operating profit	580,486	246,144	9,248	248,276
Interest income	(3,061)	(3,799)	(5,046)	(7,002)
Interest expense	391,932	252,897	10,299	34,915
Other (income) expense	(2,788)	3,639		
Income (loss) before income taxes	194,403	(6,593)	3,995	220,363
Income tax expense (benefit)	86,221	(1,775)	11,993	82,420
Net income (loss)	$ 108,182	$ (4,818)	$ (7,998)	$ 137,943
Earnings (loss) per share:				
Basic	$ 0.34	$ (0.02)		
Diluted	$ 0.34	$ (0.02)		
Weighted average shares:				
Basic	317,024	316,777		
Diluted	317,503	316,777		

(a) Includes the results of operations of Buck Acquisition Corp. for the period prior to its Merger with and into Dollar General Corporation from March 6, 2007 (its formation) through July 6, 2007 (reflecting the change in fair value of interest rate swaps), and the post-Merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008. See Notes 1 and 2.

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except per share amounts)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Other Shareholders' Equity	Total
Predecessor Balances, February 3, 2006	315,679	$ 157,840	$ 462,383	$ 1,106,165	$ (794)	$ (4,799)	$ 1,720,795
Comprehensive income:							
Net income				137,943			137,943
Reclassification of net loss on derivatives					188		188
Comprehensive income							138,131
Cash dividends, $0.20 per common share				(62,472)			(62,472)
Issuance of common stock under stock incentive plans	1,573	786	19,108				19,894
Tax benefit from share-based payments			2,513				2,513
Repurchases of common stock	(4,483)	(2,242)		(77,705)			(79,947)
Reversal of unearned compensation upon adoption of SFAS 123(R) (see Note 10)	(364)	(182)	(4,997)			5,179	
Share-based compensation expense			7,578				7,578
Vesting of restricted stock and restricted stock units	149	75	(75)				
Transition adjustment upon adoption of SFAS 158					(381)		(381)
Other equity transactions	(118)	(59)	(365)	20		40	(364)
Predecessor Balances, February 2, 2007	312,436	$ 156,218	$ 486,145	$ 1,103,951	$ (987)	$ 420	$ 1,745,747
Adoption of FIN 48				(8,917)			(8,917)
Predecessor Balances as adjusted, February 2, 2007	312,436	156,218	486,145	1,095,034	(987)	420	1,736,830
Comprehensive income:							
Net loss				(7,998)			(7,998)
Reclassification of net loss on derivatives					76		76
Comprehensive loss							(7,922)
Cash dividends, $0.05 per common share				(15,710)			(15,710)
Issuance of common stock under stock incentive plans	2,496	1,248	40,294				41,542
Tax benefit from stock option exercises			3,927				3,927
Share-based compensation expense			45,458				45,458
Vesting of restricted stock and restricted stock units	126	63	(63)				
Other equity transactions	(28)	(13)	(580)	(48)		7	(634)
Elimination of Predecessor equity in connection with Merger (see Notes 1 and 2)	(315,030)	(157,516)	(575,181)	(1,071,278)	911	(427)	(1,803,491)

Predecessor Balances subsequent to Merger		$	$	$	$	$	$
Successor capital contribution, net	316,591	$ 277,018	$ 2,476,958	$	$	$	$ 2,753,976
Comprehensive loss:							
Net loss				(4,818)			(4,818)
Unrealized net loss on hedged transactions					(49,112)		(49,112)
Comprehensive loss							(53,930)
Issuance of common stock under stock incentive plans	328	287	(287)				
Issuance of restricted common stock under stock incentive plans	509	445	(445)				
Repurchases of common stock	(10)	(9)	9				
Share-based compensation expense			3,827				3,827
Successor Balances, February 1, 2008	317,418	$ 277,741	$ 2,480,062	$ (4,818)	$ (49,112)	$	$ 2,703,873
Comprehensive income:							
Net income				108,182			108,182
Unrealized net gain on hedged transactions					9,682		9,682
Comprehensive income							117,864
Issuance of common stock under stock incentive plans	484	423	(423)				
Repurchases of common stock	(57)	(50)	50				
Share-based compensation expense			9,958				9,958
Successor Balances, January 30, 2009	317,845	$ 278,114	$ 2,489,647	$ 103,364	$ (39,430)	$	$ 2,831,695

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Successor		Predecessor	
	For the year ended January 30, 2009	**March 6, 2007 through February 1, 2008(a)**	**February 3, 2007 through July 6, 2007**	**For the year ended February 2, 2007**
Cash flows from operating activities:				
Net income (loss)	$ 108,182	$ (4,818)	$ (7,998)	$ 137,943
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	247,899	150,213	83,917	200,608
Deferred income taxes	73,434	19,551	(20,874)	(38,218)
Tax benefit of stock options	(950)		(3,927)	(2,513)
Noncash inventory adjustments and asset impairments	50,671	6,113		76,599
Noncash share-based compensation	9,958	3,827	45,433	7,578
Other noncash gains and losses	2,434	5,525	5,098	5,820
Change in operating assets and liabilities:				
Merchandise inventories	(173,014)	73,356	16,424	(26,541)
Prepaid expenses and other current assets	(598)	3,739	(6,184)	(5,411)
Accounts payable	140,356	(41,395)	34,794	53,544
Accrued expenses and other liabilities	68,736	16,061	52,995	38,353
Income taxes	33,986	7,348	2,809	(35,165)
Other	14,084	84	(541)	(7,240)
Net cash provided by operating activities	575,178	239,604	201,946	405,357
Cash flows from investing activities:				
Merger, net of cash acquired		(6,738,391)		
Purchases of property and equipment	(205,546)	(83,641)	(56,153)	(261,515)
Purchases of short-term investments	(9,903)	(3,800)	(5,100)	(49,675)
Sales of short-term investments	61,547	21,445	9,505	51,525
Purchases of long-term investments		(7,473)	(15,754)	(25,756)
Purchase of promissory notes		(37,047)		
Sale and insurance proceeds related to property and equipment	1,266	533	620	3,457
Net cash used in investing activities	(152,636)	(6,848,374)	(66,882)	(281,964)
Cash flows from financing activities:				
Issuance of common stock	4,228	2,759,540		
Net borrowings (repayments) under revolving credit facility	(102,500)	102,500		
Issuance of long-term obligations		4,176,817		
Repayments of long-term obligations	(44,425)	(241,945)	(4,500)	(14,118)
Debt issuance costs		(87,392)		(584)
Payment of cash dividends			(15,710)	(62,472)
Exercises (repurchases) of stock options	(2,511)		41,546	19,894
Repurchases of common stock	(498)	(541)		(79,947)
Tax benefit of stock options	950		3,927	2,513
Net cash provided by (used in) financing activities	(144,756)	6,708,979	25,263	(134,714)
Net increase (decrease) in cash and cash equivalents	277,786	100,209	160,327	(11,321)
Cash and cash equivalents, beginning of period	100,209		189,288	200,609
Cash and cash equivalents, end of period	$ 377,995	$ 100,209	$ 349,615	$ 189,288

Supplemental cash flow information:				
Cash paid (received) for:				
Interest	$ 377,022	$ 226,738	$ 11,246	$ 24,180
Income taxes	$ 7,091	$ (30,574)	$ 26,012	$ 155,825
Supplemental schedule of noncash investing and financing activities:				
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	$ 7,474	$ 20,449	$ 13,544	$ 18,094
Purchases of property and equipment under capital lease obligations	$ 3,806	$ 592	$ 1,036	$ 5,366
Expiration of equity repurchase rights	$ 2,548	$	$	$
Exchange of shares and stock options in business combination	$	$ 7,685	$	$
Elimination of financing obligations (See Note 8)	$	$	$	$ 46,608
Elimination of promissory notes receivable (See Note 8)	$	$	$	$ 46,608

(a) Includes the cash flows of Buck Acquisition Corp. for the period prior to its Merger with and into Dollar General Corporation from March 6, 2007 (its formation) through July 6, 2007 (which were zero), and the post-Merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008. See Notes 1 and 2.

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

Basis of presentation

These notes contain references to the years 2008 and 2006, which represent fiscal years ended January 30, 2009 and February 2, 2007, respectively, each of which were 52-week accounting periods. The Company completed a merger transaction on July 6, 2007 and therefore the 2007 presentation includes separate presentation of the periods before and after the merger. The Company's fiscal year ends on the Friday closest to January 31. The consolidated financial statements include all subsidiaries of the Company, except for its not-for-profit subsidiary which the Company does not control. Intercompany transactions have been eliminated.

Dollar General Corporation (the "Company") was acquired on July 6, 2007 through a Merger (as defined and discussed in greater detail in Note 2 below) accounted for as a reverse acquisition. Although the Company continued as the same legal entity after the Merger, the accompanying consolidated financial statements are presented for the "Predecessor" and "Successor" relating to the periods preceding and succeeding the Merger, respectively. As a result of the Company applying purchase accounting and a new basis of accounting beginning on July 7, 2007, the financial reporting periods presented are as follows:

- The 2008 presentation reflects the Successor.

- The 2007 periods presented include the Predecessor period of the Company, reflecting 22 weeks of operating results from February 3, 2007 to July 6, 2007 and 30 weeks of operating results for the Successor period, reflecting the Merger of the Company and Buck Acquisition Corp. ("Buck") from July 7, 2007 to February 1, 2008.

- Buck's results of operations for the period from March 6, 2007 to July 6, 2007 (prior to the Merger on July 6, 2007) are also included in the consolidated financial statements for the Successor period described above as a result of certain derivative financial instruments entered into by Buck prior to the Merger, as further described below. Other than these financial instruments, Buck had no assets, liabilities, or operations prior to the Merger.

- The 2006 presentation reflects the Predecessor.

The consolidated financial statements for the Predecessor periods have been prepared using the Company's historical basis of accounting. As a result of purchase accounting, the pre-Merger and post-Merger consolidated financial statements are not comparable.

The Company leases three of its distribution centers ("DCs") from lessors, which meet the definition of a Variable Interest Entity ("VIE") as described by Financial Accounting Standards Board ("FASB") Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), as revised. One of these DCs has been recorded as a financing obligation whereby the property and equipment are reflected in the consolidated balance sheets. The land and buildings of the other two DCs have been recorded as operating leases in accordance with Statement of Financial Accounting Standards ("SFAS") 13, "Accounting for Leases." The Company is not the primary beneficiary of these VIEs and, accordingly, has not included these entities in its consolidated financial statements.

Business description

The Company sells general merchandise on a retail basis through 8,362 stores (as of January 30, 2009) in 35 states covering most of the southern, southwestern, midwestern and eastern United States.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

The Company has DCs in Scottsville, Kentucky; Ardmore, Oklahoma; South Boston, Virginia; Indianola, Mississippi; Fulton, Missouri; Alachua, Florida; Zanesville, Ohio; Jonesville, South Carolina and Marion, Indiana.

The Company purchases its merchandise from a wide variety of suppliers. Approximately 10% of the Company's purchases in 2008 were made from The Procter & Gamble Company. The Company's next largest supplier accounted for approximately 6% of the Company's purchases in 2008.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of three months or less when purchased. Such investments primarily consist of money market funds, certificates of deposit (which may include foreign time deposits), and commercial paper. The carrying amounts of these items are a reasonable estimate of their fair value due to the short maturity of these investments. The Company held foreign time deposits of $0 and $5.2 million as of January 30, 2009 and February 1, 2008, respectively.

Payments due from banks for third-party credit card, debit card and electronic benefit transactions classified as cash and cash equivalents totaled approximately $16.2 million and $13.9 million at January 30, 2009 and February 1, 2008, respectively.

The Company's cash management system provides for daily investment of available balances and the funding of outstanding checks when presented for payment. Outstanding but unpresented checks totaling approximately $127.6 million and $107.9 million at January 30, 2009 and February 1, 2008, respectively, have been included in Accounts payable in the consolidated balance sheets. Upon presentation for payment, these checks are funded through available cash balances or the Company's credit facilities.

The Company has certain cash and cash equivalents balances that are being held in accordance with certain insurance-related regulatory requirements which could limit the Company's ability to use these assets for general corporate purposes, as further described below under "Investments in debt and equity securities."

Investments in debt and equity securities

The Company accounts for its investment in debt and marketable equity securities in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and accordingly, classifies them as held-to-maturity, available-for-sale, or trading. Debt securities categorized as held-to-maturity are stated at amortized cost. Debt and equity securities categorized as available-for-sale are stated at fair value, with any unrealized gains and losses, net of deferred income taxes, reported as a component of Accumulated other comprehensive loss. Trading securities (primarily mutual funds held pursuant to deferred compensation and supplemental retirement plans, as further discussed in Note 9) are stated at fair value, with changes in fair value recorded in income as a component of Selling, general and administrative ("SG&A") expense.

In general, the Company invests excess cash in shorter-dated, highly liquid investments such as money market funds, certificates of deposit, and commercial paper. Such securities have been classified either as held-to-maturity or available-for-sale, depending on the type of securities purchased (debt versus equity) as well as the Company's intentions with respect to the potential sale of such securities

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

before their stated maturity dates. Given the short maturities of such investments (except for those securities described in further detail below), the carrying amounts approximate the fair values of such securities.

In years prior to 2007, the Company invested in tax-exempt auction rate securities, which are debt instruments having longer-dated (in some cases, many years) legal maturities, but with interest rates that are generally reset every 28-35 days under an auction system. There were no such investments outstanding as of January 30, 2009 or February 1, 2008.

In 2008 and 2007, the Company's South Carolina-based wholly owned captive insurance subsidiary, Ashley River Insurance Company ("ARIC"), had investments in U.S. Government securities, obligations of Government Sponsored Enterprises, short- and long-term corporate obligations, and asset-backed obligations. These investments were held pursuant to South Carolina regulatory requirements to maintain certain asset balances in relation to ARIC's liability and equity balances which could limit the Company's ability to use these assets for general corporate purposes. In May 2008, the state of South Carolina made certain changes to these regulatory requirements, which had the effect of reducing the amounts and types of investments required to be held. As a result of these changes, the Company reclassified certain investments held by ARIC from held-to-maturity to available-for-sale, and ARIC subsequently liquidated investments (primarily U.S. Government and corporate debt securities) totaling $48.6 million during 2008. At January 30, 2009, the asset balances held pursuant to these regulatory requirements equaled $20.0 million and were reflected in the Company's consolidated balance sheet as cash and cash equivalents.

Historical cost information pertaining to investments in mutual funds by participants in the Company's supplemental retirement and compensation deferral plans classified as trading securities is not readily available to the Company.

On January 30, 2009 and February 1, 2008, held-to-maturity, available-for-sale and trading securities consisted of the following (in thousands):

		Gross Unrealized		
Successor January 30, 2009	**Cost**	**Gains**	**Losses**	**Estimated Fair Value**
Held-to-maturity securities				
Other debt securities (see Note 8)	$31,388	$	$2,442	$ 28,946
Trading securities				
Equity securities	8,703			8,703
Total debt and equity securities	$40,091	$	$2,442	$ 37,649

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Successor February 1, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Held-to-maturity securities				
Bank and corporate debt	$ 24,254	$ 244	$ 107	$ 24,391
U.S. Government securities	16,652	676		17,328
Obligations of Government sponsored enterprises	9,834	40		9,874
Asset-backed securities	1,815	21	5	1,831
Other debt securities (see Note 8)	33,453		709	32,744
	86,008	981	821	86,168
Trading securities				
Equity securities	15,066			15,066
Total debt and equity securities	$ 101,074	$ 981	$ 821	$ 101,234

On January 30, 2009 and February 1, 2008, these investments were included in the following accounts in the consolidated balance sheets (in thousands):

Successor January 30, 2009	Held-to-Maturity Securities	Available-for-Sale Securities	Trading Securities
Prepaid expenses and other current assets	$	$	$ 2,055
Other assets, net			6,648
Long-term obligations (see Note 8)	31,388		
	$ 31,388	$	$ 8,703

Successor February 1, 2008	Held-to-Maturity Securities	Available-for-Sale Securities	Trading Securities
Cash and cash equivalents	$ 1,000	$	$
Short-term investments	19,611		
Prepaid expenses and other current assets			2,166
Other assets, net	31,944		12,900
Long-term obligations (see Note 8)	33,453		
	$ 86,008	$	$ 15,066

The contractual maturities of held-to-maturity securities as of January 30, 2009 were in excess of three years and were $31.4 million at cost and $28.9 million at fair value, respectively.

For the Successor year ended January 30, 2009 and period ended February 1, 2008, and the Predecessor period ended July 6, 2007 and year ended February 2, 2007, gross realized gains and losses on the sales of available-for-sale securities were not material. The cost of securities sold is based upon the specific identification method.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Merchandise inventories

Inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out ("LIFO") method as this method results in a better matching of costs and revenues. Under the Company's retail inventory method ("RIM"), the calculation of gross profit and the resulting valuation of inventories at cost are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. Costs directly associated with warehousing and distribution are capitalized into inventory. The excess of current cost over LIFO cost was approximately $50.0 million at January 30, 2009 and $6.1 million at February 1, 2008. Current cost is determined using the retail first-in, first-out method. Under the LIFO inventory method, the impacts of rising market price changes increased cost of sales (the "LIFO provision") by $43.9 million and $6.1 million during 2008 and 2007, respectively, and there was an insignificant positive impact in 2006.

In 2008, the increased commodity cost pressures mainly related to food and pet products which have been driven by fruit and vegetable prices and rising freight costs. Increases in petroleum, resin, metals, pulp and other raw material commodity driven costs also resulted in multiple product cost increases. The Company intends to address these commodity cost increases through negotiations with its vendors and by increasing retail prices as necessary. On a quarterly basis, the Company estimates the annual impact of commodity cost fluctuations based upon the best available information at that point in time.

Store pre-opening costs

Pre-opening costs related to new store openings and the construction periods are expensed as incurred.

Property and equipment

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

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

Improvements of leased properties are amortized over the shorter of the life of the applicable lease term or the estimated useful life of the asset.

Impairment of long-lived assets

When indicators of impairment are present, the Company evaluates the carrying value of long-lived assets, other than goodwill, in relation to the operating performance and future cash flows or the appraised values of the underlying assets. In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews for impairment stores open more than two years for which current cash flows from operations are negative. Impairment results when the carrying value of the assets exceeds the undiscounted future cash flows over the life of the lease. The Company's estimate of undiscounted future cash flows over the lease term is based upon historical operations of the stores and estimates of future store profitability which encompasses many factors that

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

are subject to variability and difficult to predict. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon estimated future cash flows (discounted at the Company's credit adjusted risk-free rate) or other reasonable estimates of fair market value. Assets to be disposed of are adjusted to the fair value less the cost to sell if less than the book value.

The Company recorded impairment charges included in SG&A expense of approximately $4.0 million in 2008, $0.2 million in the 2007 Predecessor period and $9.4 million in 2006 to reduce the carrying value of certain of its stores' assets as deemed necessary based on the Company's evaluation that such amounts would not be recoverable primarily due to insufficient sales or excessive costs resulting in negative current and projected future cash flows at these locations. The majority of the 2006 charges were recorded pursuant to certain strategic initiatives discussed in Note 3.

Goodwill and other intangible assets

The Company amortizes intangible assets over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment when indicators of impairment are present, based on undiscounted cash flows, and if impaired, written down to fair value based on either discounted cash flows or appraised values.

Goodwill and intangible assets with indefinite lives are tested for impairment annually or more frequently if indicators of impairment are present and written down to fair value as required. No impairment of intangible assets has been identified during any of the periods presented.

The goodwill impairment test is a two-step process that requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of the Company's reporting unit based on valuation techniques (including a discounted cash flow model using revenue and profit forecasts) and comparing that estimated fair value with the recorded carrying value, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of the "implied fair value" of goodwill would require the Company to allocate the estimated fair value of its reporting unit to its assets and liabilities. Any unallocated fair value would represent the "implied fair value" of goodwill, which would be compared to its corresponding carrying value.

Other assets

Other assets consist primarily of long-term investments, qualifying prepaid expenses, debt issuance costs which are amortized over the life of the related obligations, and utility and security deposits. Such debt issuance costs increased substantially subsequent to the Merger as further discussed in Notes 2 and 6.

Vendor rebates

The Company accounts for all cash consideration received from vendors in accordance with the provisions of Emerging Issues Task Force Issue ("EITF") 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor." Cash consideration received from a

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

vendor is generally presumed to be a rebate or an allowance and is accounted for as a reduction of merchandise purchase costs and classified as a current or long term liability, as applicable, until recognition in the statement of operations at the time the goods are sold. However, certain specific, incremental and otherwise qualifying SG&A expenses related to the promotion or sale of vendor products may be offset by cash consideration received from vendors, in accordance with arrangements such as cooperative advertising, when earned for dollar amounts up to but not exceeding actual incremental costs. The Company recognizes amounts received for cooperative advertising on performance, "first showing" or distribution, consistent with its policy for advertising expense in accordance with the American Institute of Certified Public Accountants Statement of Position 93-7, "Reporting on Advertising Costs."

Rent expense

Rent expense is recognized over the term of the lease. The Company records minimum rental expense on a straight-line basis over the base, non-cancelable lease term commencing on the date that the Company takes physical possession of the property from the landlord, which normally includes a period prior to the store opening to make necessary leasehold improvements and install store fixtures. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. Tenant allowances, to the extent received, are recorded as deferred incentive rent and are amortized as a reduction to rent expense over the term of the lease. Any difference between the calculated expense and the amounts actually paid are reflected as a liability, with the current portion in Accrued expenses and other and the long-term portion in Other liabilities in the consolidated balance sheets, and totaled approximately $7.7 million and $3.7 million at January 30, 2009 and February 1, 2008, respectively.

The Company recognizes contingent rental expense when the achievement of specified sales targets are considered probable, in accordance with EITF Issue 98-9, "Accounting for Contingent Rent." The amount expensed but not paid as of January 30, 2009 and February 1, 2008 was approximately $10.4 million and $8.3 million, respectively, and is included in Accrued expenses and other in the consolidated balance sheets (See Note 8).

In the normal course of business, based on an overall analysis of store performance and expected trends, management periodically evaluates the need to close underperforming stores. Generally, for store closures where a lease obligation still exists, the Company records the estimated future liability associated with the rental obligation on the date the store is closed in accordance with SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." The estimated future liability associated with the rental obligation for certain store closures associated with the Merger were based on EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." Key assumptions in calculating the liability include the timeframe expected to terminate lease agreements, estimates related to the sublease potential of closed locations, and estimation of other related exit costs. Liabilities are reviewed periodically and adjusted when necessary. The current portion of the closed store rent liability is reflected in Accrued expenses and other and the long-term portion in Other liabilities in the consolidated balance sheets, and totaled approximately $13.2 million at January 30, 2009 and $20.2 million at February 1, 2008.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Accrued expenses and other liabilities

Accrued expenses and other consist of the following:

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Compensation and benefits	$ 87,451	$ 60,720
Insurance	65,524	64,418
Taxes (other than taxes on income)	66,983	55,990
Other	155,087	119,828
	$ 375,045	$ 300,956

Other accrued expenses primarily include the current portion of liabilities for legal settlements, freight expense, contingent rent expense, interest, electricity, lease contract termination liabilities for closed stores, common area and other maintenance charges, store insurance liabilities and income tax related reserves.

Insurance liabilities

The Company retains a significant portion of risk for its workers' compensation, employee health, general liability, property and automobile claim exposures. Accordingly, provisions are made for the Company's estimates of such risks. The undiscounted future claim costs for the workers' compensation, general liability, and health claim risks are derived using actuarial methods. To the extent that subsequent claim costs vary from those estimates, future results of operations will be affected. Ashley River Insurance Company (or ARIC, as defined above), a South Carolina-based wholly owned captive insurance subsidiary of the Company, charges the operating subsidiary companies premiums to insure the retained workers' compensation and non-property general liability exposures. Pursuant to South Carolina insurance regulations, ARIC has cash and cash equivalents balances that may be limited for general corporate purposes, as further described above under "Investments in debt and equity securities." ARIC currently insures no unrelated third-party risk.

As a result of the Merger, the Company recorded its assumed self-insurance reserves as of the Merger date at their present value in accordance with SFAS 141, "Business Combinations", using a discount rate of 5.4%. The balance of the resulting discount was $11.7 million and $18.7 million at January 30, 2009 and February 1, 2008, respectively. Other than for reserves assumed in a business combination, the Company's policy is to record self-insurance reserves on an undiscounted basis.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Other liabilities

Other non-current liabilities consist of the following:

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Compensation and benefits	$ 8,399	$ 13,744
Insurance	139,410	123,276
Income tax related reserves	44,990	78,277
Derivatives	63,523	82,319
Other	32,966	22,098
	$289,288	$ 319,714

Other liabilities consist primarily of deferred rent, lease contract termination liabilities for closed stores, leasehold interests liabilities, and rebate obligations.

Fair value accounting

On February 2, 2008, the Company adopted components of SFAS No. 157, "Fair Value Measurements". The Company has not adopted SFAS 157 for nonfinancial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. Accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

The valuation of the Company's derivative financial instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of SFAS 157, the Company incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the CVAs associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of January 30, 2009, the Company has assessed the significance of the impact of the CVAs on the overall valuation of its derivative positions and has determined that the CVAs are not significant to the overall valuation of its derivatives. Based on the Company's review of the CVAs by counterparty portfolio, the Company has determined that the CVAs are not significant to the overall portfolio valuations, as the CVAs are deemed to be immaterial in terms of basis points and are a very small percentage of the aggregate notional value. Although some of the CVAs as a percentage of termination value appear to be more significant, primary emphasis was placed on a review of the CVA in basis points and the percentage of the notional value. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of January 30, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall.

(In thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at January 30, 2009
Assets:				
Trading securities(a)	$ 8,703	$	$	$ 8,703
Liabilities:				
Derivative financial instruments(b)		63,523		63,523

(a) Reflected in the consolidated balance sheet as Prepaid expenses and other current assets of $2,055 and Other assets, net of $6,648.

(b) Reflected in the consolidated balance sheet as Other (noncurrent) liabilities.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of January 30, 2009.

The carrying amounts reflected in the consolidated balance sheets for cash, cash equivalents, short-term investments, receivables and payables approximate their respective fair values. At January 30, 2009, the fair value of the Company's debt, excluding capital lease obligations, was approximately $3.747 billion, or approximately $380.1 million less than the carrying values of the debt, compared to a fair value of $3.783 billion at February 1, 2008, or approximately $489.2 million less than the carrying value. The estimated fair value of the debt is based primarily on quoted prices for those or similar instruments.

Derivative financial instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted (collectively, "SFAS 133"). This literature requires the Company to recognize all derivative instruments on the balance sheet at fair value, and contains accounting rules for hedging instruments, which depend on the nature of the hedge relationship. All financial instrument positions taken by the Company are intended to be used to reduce risk by hedging an underlying economic exposure.

The Company's derivative financial instruments, in the form of interest rate swaps at January 30, 2009, are related to variable interest rate risk exposures associated with the Company's long-term debt and were entered into in an attempt to manage that risk. The counterparties to the Company's derivative agreements are all major international financial institutions. The Company continually monitors its position and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties, however, there can be no assurance that such nonperformance will not occur.

Share-based payments

Effective February 4, 2006, the Company adopted SFAS 123 (Revised 2004) "Share Based Payment" ("SFAS 123(R)") and began recognizing compensation expense for share-based compensation based on the fair value of the awards on the grant date. SFAS 123(R) requires share-based compensation expense recognized since February 4, 2006 to be based on: (a) grant date fair value estimated in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation," for unvested options granted prior to the adoption date and (b) grant date fair value estimated in accordance with the provisions of SFAS 123(R) for unvested options granted after the adoption date. The Company adopted SFAS 123(R) under the modified-prospective-transition method and, therefore, results from prior periods have not been restated.

Under SFAS 123(R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the prior estimate. The forfeiture rate is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. The Company bases this estimate on historical experience or estimates of future trends, as applicable. An increase in the forfeiture rate will decrease compensation expense.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required prior to the adoption of SFAS 123(R).

The fair value of each option grant is separately estimated and amortized into compensation expense on a straight-line basis between the applicable grant date and each vesting date. The Company has estimated the fair value of all stock option awards as of the grant date by applying the Black-Scholes-Merton option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense.

The Company also accounts for nonvested restricted stock awards in accordance with the provisions of SFAS 123(R). The Company calculates compensation expense as the difference between the market price of the underlying stock on the grant date and the purchase price, if any, and recognizes such amount on a straight-line basis over the period in which the recipient earns the nonvested restricted stock and restricted stock unit award. Under the provisions of SFAS 123(R), unearned compensation is not recorded within shareholders' equity.

The Company has elected to determine its excess tax benefit pool upon adoption of SFAS 123(R) in accordance with the provisions of FASB Staff Position ("FSP") 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards." Under the provisions of this FSP, the cumulative benefit of stock option exercises included in additional paid-in capital for the periods after the effective date of SFAS 123 is reduced by the cumulative income tax effect of the pro forma stock option expense previously disclosed in accordance with the requirements of SFAS 123. (The provision of this FSP applied only to options that were fully vested before the date of adoption of SFAS 123(R). The amount of any excess tax benefit for options that are either granted after the adoption of SFAS 123(R) or are partially vested on the date of adoption were computed in accordance with the provisions of SFAS 123(R).) The amount of any excess deferred tax asset over the actual income tax benefit realized for options that are exercised after the adoption of SFAS 123(R) will be absorbed by the excess tax benefit pool. Income tax expense will be increased should the Company's excess tax benefit pool be insufficient to absorb any future deferred tax asset amounts in excess of the actual tax benefit realized. The Company has determined that its excess tax benefit pool was approximately $68 million as of the adoption of SFAS 123(R) on February 4, 2006. After the Merger and the related application of purchase accounting, the excess tax benefit pool has been reduced to zero.

Revenue and gain recognition

The Company recognizes retail sales in its stores at the time the customer takes possession of merchandise. All sales are net of discounts and estimated returns and are presented net of taxes assessed by governmental authorities that are imposed concurrent with those sales. The liability for retail merchandise returns is based on the Company's prior experience. The Company records gain contingencies when realized.

The Company recognizes gift card sales revenue at the time of redemption. The liability for the gift cards is established for the cash value at the time of purchase. The liability for outstanding gift cards was approximately $1.5 million and $1.2 million at January 30, 2009 and February 1, 2008, respectively, and is recorded in Accrued expenses and other. Through January 30, 2009, the Company has not recorded any breakage income related to its gift card program.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Advertising costs

Advertising costs are expensed upon performance, "first showing" or distribution, and are reflected net of qualifying cooperative advertising funds provided by vendors in SG&A expenses. Advertising costs were $27.8 million, $23.6 million, $17.3 million and $45.0 million in 2008, the 2007 Successor and Predecessor periods, and 2006, respectively. These costs primarily include promotional circulars, targeted circulars supporting new stores, television and radio advertising, in-store signage, and costs associated with the sponsorships of certain automobile racing activities. Vendor funding for cooperative advertising offset reported expenses by $7.8 million, $6.6 million, $2.0 million and $7.9 million in 2008, the 2007 Successor and Predecessor periods, and 2006, respectively.

Capitalized interest

To assure that interest costs properly reflect only that portion relating to current operations, interest on borrowed funds during the construction of property and equipment is capitalized. Interest costs capitalized were equal to zero in 2008 and the 2007 periods, and were approximately $2.9 million in 2006.

Income taxes

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

As discussed in Note 5, effective February 3, 2007 the Predecessor modified its method of accounting for income taxes in connection with the adoption of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement 109 ("FIN 48"). The adoption resulted in an $8.9 million decrease in retained earnings and a reclassification of certain amounts between deferred income taxes and other noncurrent liabilities to conform to the balance sheet presentation requirements of FIN 48. As of the date of adoption, the total reserve for uncertain tax benefits was $77.9 million. This reserve excludes the federal income tax benefit for the uncertain tax positions related to state income taxes, which is now included in deferred tax assets. As a result of the adoption of FIN 48, the reserve for interest expense related to income taxes was increased to $15.3 million and a reserve for potential penalties of $1.9 million related to uncertain income tax positions was recorded. As of the date of adoption, approximately $27.1 million of the reserve for uncertain tax positions would have impacted the Company's effective income tax rate subsequently if the Company were to recognize the tax benefit for these positions.

Subsequent to the adoption of FIN 48, the Company has elected to record income tax related interest and penalties as a component of the provision for income tax expense.

Income tax reserves are determined using the methodology established by FIN 48. FIN 48 requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If the Company's determinations and estimates prove to be inaccurate, the resulting adjustments could be material to the Company's future financial results.

Reverse stock split

On October 12, 2009, the Company completed a reverse stock split of 1 share for each 1.75 shares of common stock outstanding. All issued and outstanding common stock, vested and unvested stock options, restricted stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect this reverse stock split.

Earnings (loss) per share

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

Successor	Year Ended January 30, 2009		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	$ 108,182	317,024	$ 0.34
Effect of dilutive stock options		479	
Diluted earnings per share	$ 108,182	317,503	$ 0.34

Successor	March 6, 2007 through February 1, 2008		
	Net Loss	Weighted Average Shares	Per Share Amount
Basic loss per share	$ (4,818)	316,777	$ (0.02)
Effect of dilutive stock options			
Diluted loss per share	$ (4,818)	316,777	$ (0.02)

Basic earnings (loss) per share was computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted earnings (loss) per share was determined based on the dilutive effect of stock options, where applicable, using the treasury stock method.

Because of the Merger, the Company's capital structure for periods before and after the Merger are not comparable. As a result, only periods subsequent to the Merger are presented herein.

Options to purchase shares of common stock that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings (loss) per share because the effect of exercising such options would be antidilutive, were 12.1 million and 12.5 million in 2008 and the 2007 Successor period, respectively.

Management estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Basis of presentation and accounting policies (Continued)

and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities", an amendment of FASB Statement 133. SFAS 161 applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133 and related hedged items accounted for under SFAS 133. SFAS 161 requires entities to provide greater transparency through additional disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. SFAS 161 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2008. The Company plans to adopt SFAS 161 during the first quarter of 2009 and its impact is expected to be limited to the additional disclosures discussed above.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". The new standard establishes the requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest (formerly minority interest) in an acquiree; provides updated requirements for recognition and measurement of goodwill acquired in the business combination or a gain from a bargain purchase; and provides updated disclosure requirements to enable users of financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not allowed. Unless a qualifying transaction is consummated subsequent to the effective date, the adoption of this standard on the Company's financial statements is expected to be limited to any future Merger-related adjustments to uncertain tax positions that would, if subsequently recognized, impact results of operations rather than goodwill.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 provides guidance for using fair value to measure assets and liabilities. The standard also requires expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. For non-financial assets and liabilities, the effective date has been delayed to fiscal years beginning after November 15, 2008. The Company adopted components of SFAS 157 in 2008 and currently expects to adopt the components of SFAS 157 relating to nonfinancial assets and liabilities during 2009. The Company is in the process of evaluating the potential impact of this standard on its consolidated financial statements.

Reclassifications

Certain reclassifications of the 2006 and 2007 amounts have been made to conform to the 2008 presentation.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Merger

On March 11, 2007, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Buck Holdings L.P., a Delaware limited partnership ("Parent"), and Buck, a Tennessee corporation and wholly owned subsidiary of Parent. Parent is and Buck was (prior to the Merger) controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co., L.P. ("KKR"). On July 6, 2007, the transaction was consummated through a merger (the "Merger") of Buck with and into the Company. The Company survived the Merger as a subsidiary of Parent. The Company's results of operations after July 6, 2007 include the effects of the Merger.

The aggregate purchase price was approximately $7.1 billion, including direct costs of the Merger, and was funded primarily through debt financings as described more fully below in Note 6 and cash equity contributions from KKR, GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), Citigroup Capital Partners II Employee Master Fund, L.P. and affiliated funds (affiliates of Citigroup Global Markets Inc.), certain investment advisory clients of Wellington Management Company, LLP, CPP Investment Board (USRE II) Inc., and other equity co-investors (collectively, the "Investors") of approximately $2.8 billion (316.2 million shares of new common stock, $0.875 par value per share, valued at $8.75 per share). Also in connection with the Merger, certain of the Company's management employees invested in and were issued new shares, representing less than 1% of the outstanding shares, in the Company. Pursuant to the terms of the Merger Agreement, the former holders of the Predecessor's common stock, par value $0.50 per share, received $22.00 per share, or approximately $6.9 billion, and all such shares were acquired as a result of the Merger. As of January 30, 2009 and February 1, 2008, there were approximately 317,844,541 and 317,418,227 shares of Company common stock outstanding, respectively, a portion of which is redeemable as further discussed below in Note 10.

As discussed in Note 1, the Merger was accounted for as a reverse acquisition in accordance with the purchase accounting provisions of SFAS 141, "Business Combinations". Because of this accounting treatment, the Company's assets and liabilities have properly been accounted for at their estimated fair values as of the Merger date. The aggregate purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon an assessment of their relative fair values as of the Merger date.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Merger (Continued)

The allocation of the purchase price is as follows (in thousands):

Cash and cash equivalents	$ 349,615
Short-term investments	30,906
Merchandise inventories	1,368,130
Income taxes receivable	40,199
Deferred income taxes	57,176
Prepaid expenses and other current assets	63,204
Property and equipment, net	1,301,119
Goodwill	4,338,589
Intangible assets	1,396,612
Other assets, net	66,537
Current portion of long-term obligations	(7,088)
Accounts payable	(585,518)
Accrued expenses and other	(306,394)
Income taxes payable	(84)
Long-term obligations	(267,927)
Deferred income taxes	(540,675)
Other liabilities	(208,710)
Total purchase price assigned	$7,095,691

The purchase price allocation as of January 30, 2009 included approximately $4.34 billion of goodwill, none of which is expected to be deductible for tax purposes. The goodwill balance at February 1, 2008 increased by $21.3 million over the balance immediately following the Merger, representing a refinement of the purchase price allocation related to the Merger. The goodwill balance at January 30, 2009 decreased $6.3 million from February 1, 2008 due to an adjustment to income tax contingencies as further discussed in Note 5. The purchase price allocation as of January 30, 2009 and February 1, 2008 also included approximately $1.4 billion of other intangible assets, as follows:

		As of January 30, 2009		
(In thousands)	**Estimated Useful Life**	**Amount**	**Accumulated Amortization**	**Net**
Leasehold interests	2 to 17.5 years	$ 184,570	$ 64,020	$ 120,550
Internally developed software	3 years	12,300	6,492	5,808
		196,870	70,512	126,358
Trade names and trademarks	Indefinite	1,199,200		1,199,200
		$1,396,070	$ 70,512	$1,325,558

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Merger (Continued)

		As of February 1, 2008		
(In thousands)	**Estimated Useful Life**	**Amount**	**Accumulated Amortization**	**Net**
Leasehold interests	2 to 17.5 years	$ 185,112	$ 23,663	$ 161,449
Internally developed software	3 years	12,300	2,392	9,908
		197,412	26,055	171,357
Trade names and trademarks	Indefinite	1,199,200		1,199,200
		$ 1,396,612	$ 26,055	$ 1,370,557

The Company recorded amortization expense related to amortizable intangible assets for 2008 and the 2007 Successor period of $45.0 million and $26.1 million, respectively, ($40.9 million and $23.7 million, respectively, of which is included in rent expense).

For intangible assets subject to amortization, the estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows: 2009 $41.1 million, 2010 $27.3 million, 2011 $20.9 million, 2012 $17.0 million, and 2013 $12.0 million.

Fees and expenses related to the Merger totaled $102.6 million, principally consisting of investment banking fees, legal fees and stock compensation ($39.4 million as further discussed in Note 10), and are reflected in the 2007 results of operations. Capitalized debt issuance costs as of the Merger date of $87.4 million for Merger-related financing were reflected in other long-term assets in the consolidated balance sheet.

The following represents the unaudited pro forma results of the Company's consolidated operations as if the Merger had occurred on February 3, 2007 and February 4, 2006, respectively, after giving effect to certain adjustments, including the depreciation and amortization of the assets acquired based on their estimated fair values and changes in interest expense resulting from changes in consolidated debt (in thousands):

(In thousands)	**Year Ended February 1, 2008**	**Year Ended February 2, 2007**
Revenue	$ 9,495,246	$ 9,169,822
Net loss	(57,939)	(156,188)

The pro forma information does not purport to be indicative of what the Company's results of operations would have been if the acquisition had in fact occurred at the beginning of the periods presented, and is not intended to be a projection of the Company's future results of operations.

Subsequent to the announcement of the Merger Agreement, the Company and its directors, along with other parties, were named in seven putative class actions filed in Tennessee state courts alleging claims for breach of fiduciary duty arising out of the proposed Merger, all as described more fully under "Legal Proceedings" in Note 8 below.

3. Strategic initiatives

During 2006, the Company began implementing certain strategic initiatives related to its historical inventory management and real estate strategies, as more fully described below.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Strategic initiatives (Continued)

Inventory management

In November 2006, the Company undertook an initiative to discontinue its historical inventory packaway model for virtually all merchandise by the end of fiscal 2007. Under the packaway model, certain unsold inventory items (primarily seasonal merchandise) were stored on-site and returned to the sales floor until the items were eventually sold, damaged or discarded. Through end-of-season and other markdowns, this initiative resulted in the elimination of seasonal, home products and apparel packaway merchandise to allow for increased levels of newer, current-season merchandise. In connection with this strategic change, in the third quarter of 2006 the Company recorded a reserve for lower of cost or market inventory impairment estimates of $63.5 million and incurred higher markdowns and writedowns on inventory in the second half of 2006 and in 2007 than in comparable prior-year periods. As a result of the Merger and in accordance with SFAS 141, the Company's inventory balances, including the inventory associated with this strategic change, were adjusted to fair value and the related reserve was eliminated.

Exit and disposal activities

In November 2006, the Company decided to close, in addition to those stores that might be closed in the ordinary course of business, approximately 400 stores by the end of fiscal 2007, all of which were closed by February 1, 2008. Additionally, in connection with the Merger, management approved and completed a plan to close an additional 60 stores prior to February 1, 2008. The Company has recorded the following pre-tax costs associated with the closing of these approximately 460 stores (in millions):

	Total(a)	Incurred in 2006	Incurred in 2007	Merger Additions(b)	Incurred in 2008	Remaining
Lease contract termination costs(c)	$ 38.1	$ 5.7	$ 16.3	$ 12.3	$ 3.8	$
One-time employee termination benefits	1.0	0.3	0.5	0.2		
Other associated store closing costs	8.4	0.2	7.2	1.2	(0.2)	
Inventory liquidation fees	4.4	1.6	2.8			
Asset impairment & accelerated depreciation	12.8	8.3	3.6	0.9		
Inventory markdowns below cost	8.3	6.7	0.9	0.7		
Total	$ 73.0	$ 22.8	$ 31.3	$ 15.3	$ 3.6	$

(a) Reflects amounts as of January 30, 2009, which, in total, are $3.6 million greater than estimates as of February 1, 2008.

(b) These amounts were recorded as assumed liabilities in connection with the Merger.

(c) Including reversals of deferred rent accruals totaling $0.5 million, of which $0.1 million is reflected in 2006, and $0.4 million is reflected in 2007. Excludes accretion expense to be incurred in future periods.

Other associated store closing costs as listed in the table above primarily include the removal of any usable assets as well as real estate consulting and other services.

F-25

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Strategic initiatives (Continued)

Liability balances related to exit activities discussed above are as follows (in millions):

	Balance, February 1, 2008	2008 Expenses(a)	2008 Payments and Other	Balance, January 30, 2009
Lease contract termination costs	$ 20.1	$ 3.8	$ 11.3	$ 12.6
Other associated store closing costs(b)	1.0	(0.2)	0.7	0.1
Total	$ 21.1	$ 3.6	$ 12.0	$ 12.7

(a) 2008 expenses associated with exit and disposal activities are included in selling, general and administrative ("SG&A") expenses in the consolidated statement of operations.

(b) Primarily represents store closing costs including removal of store fixtures.

4. Property and equipment

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

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Land and land improvements	$ 137,779	$ 137,539
Buildings	518,933	516,482
Leasehold improvements	117,846	87,343
Furniture, fixtures and equipment	781,425	645,376
Construction in progress	5,025	2,823
	1,561,008	1,389,563
Less accumulated depreciation and amortization	292,048	115,318
Net property and equipment	$ 1,268,960	$ 1,274,245

Depreciation expense related to property and equipment was approximately $190.5 million for 2008, $116.9 million for the 2007 Successor period, $83.5 million for the 2007 Predecessor period, and $199.6 million for 2006. Amortization of capital lease assets is included in depreciation expense.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Income taxes

The provision (benefit) for income taxes consists of the following:

	Successor		Predecessor	
(In thousands)	**2008**	**March 6, 2007 through February 1, 2008**	**February 3, 2007 through July 6, 2007**	**2006**
Current:				
Federal	$10,489	$ (25,726)	$ 31,114	$101,919
Foreign	1,084	409	495	1,200
State	1,214	4,306	1,258	17,519
	12,787	(21,011)	32,867	120,638
Deferred:				
Federal	64,403	22,157	(18,750)	(34,807)
Foreign	(3)			13
State	9,034	(2,921)	(2,124)	(3,424)
	73,434	19,236	(20,874)	(38,218)
	$86,221	$ (1,775)	$ 11,993	$ 82,420

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

	Successor				Predecessor			
(Dollars in thousands)	**2008**		**March 6, 2007 through February 1, 2008**		**February 3, 2007 through July 6, 2007**		**2006**	
U.S. federal statutory rate on earnings before income taxes	$68,041	35.0%	$(2,308)	35.0%	$ 1,399	35.0%	$77,127	35.0%
State income taxes, net of federal income tax benefit	5,361	2.8	904	(13.7)	(1,135)	(28.4)	5,855	2.7
Jobs credits, net of federal income taxes	(9,149)	(4.7)	(3,022)	45.8	(2,227)	(55.7)	(5,008)	(2.3)
Increase (decrease) in valuation allowances	3,038	1.6			551	13.8	3,211	1.5
Income tax related interest expense, net of federal income tax benefit	(2,015)	(1.0)	2,738	(41.5)	(172)	(4.3)		
Nondeductible Merger-related lawsuit settlement	18,130	9.3						
Nondeductible transaction costs					13,501	337.9		
Other, net	2,815	1.4	(87)	1.3	76	1.9	1,235	0.5
	$86,221	44.4%	$(1,775)	26.9%	$11,993	300.2%	$82,420	37.4%

The 2008 effective income tax rate is an expense of 44.4%. This expense is greater than the expected U.S. statutory tax rate of 35% principally due to the non-deductibility of the settlement and related expenses associated with the Merger-related shareholder lawsuit.

The income tax rate for the Successor period ended February 1, 2008 is a benefit of 26.9%. This benefit is less than the expected U.S. statutory rate of 35% due to the incurrence of state income taxes in several of the group's subsidiaries that file their state income tax returns on a separate entity basis

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Income taxes (Continued)

and the election to include, effective February 3, 2007, income tax related interest and penalties in the amount reported as income tax expense.

The income tax rate for the Predecessor period ended July 6, 2007 is an expense of 300.2%. This expense is higher than the expected U.S. statutory rate of 35% due principally to the non-deductibility of certain acquisition related expenses.

The 2006 income tax rate was higher than the U.S. statutory rate of 35% principally due to state income taxes.

Deferred taxes reflect the effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Deferred tax assets:		
Deferred compensation expense	$ 5,350	$ 6,254
Accrued expenses and other	4,815	4,379
Accrued rent	4,830	5,909
Accrued insurance	66,091	61,887
Accrued bonuses	23,016	100
Interest rate hedges	25,327	30,891
Tax benefit of FIN 48 income tax and interest reserves	11,859	16,209
Other	12,021	9,947
State tax net operating loss carryforwards, net of federal tax	9,252	10,342
State tax credit carryforwards, net of federal tax	13,545	8,727
	176,106	154,645
Less valuation allowances	(9,808)	(1,560)
Total deferred tax assets	166,298	153,085
Deferred tax liabilities:		
Property and equipment	(156,591)	(108,675)
Inventories	(38,901)	(20,291)
Trademarks	(431,654)	(428,627)
Amortizable assets	(47,446)	(64,419)
Insurance related tax method change	(42,641)	
Other	(566)	(501)
Total deferred tax liabilities	(717,799)	(622,513)
Net deferred tax liabilities	$ (551,501)	$ (469,428)

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Income taxes (Continued)

Net deferred tax liabilities are reflected separately on the consolidated balance sheets as current and noncurrent deferred income taxes. The following table summarizes net deferred tax liabilities as recorded in the consolidated balance sheets:

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Current deferred income tax assets, net	$ 4,600	$ 17,297
Noncurrent deferred income tax liabilities, net	(556,101)	(486,725)
Net deferred tax liabilities	$ (551,501)	$ (469,428)

The Company has state net operating loss carryforwards as of January 30, 2009 that total approximately $307.7 million which will expire in 2013 through 2028. The Company also has state tax credit carryforwards of approximately $20.8 million that will expire beginning in 2009 through 2027.

The valuation allowance has been provided for federal capital losses and state tax credit carryforwards. The 2008 increase of $8.2 million was recorded as income tax expense of $3.0 million and an adjustment to goodwill of $5.2 million. The full amount of the change in the valuation allowance for the 2007 Successor period, a decrease of $4.2 million, was recorded as an adjustment to goodwill. The increase of $0.6 million in the Predecessor period ended July 6, 2007 and the increase of $3.2 million in 2006 were included in income tax expense for the respective periods. Based upon expected future income, management believes that it is more likely than not that the results of operations will generate sufficient taxable income to realize the deferred tax assets after giving consideration to the valuation allowance.

During 2008, goodwill recorded in connection with the Merger was reduced by $6.3 million principally as a result of the favorable settlement of uncertain income tax positions that existed at the time of the Merger.

The Predecessor adopted the provisions of FIN 48 effective February 3, 2007. The adoption resulted in an $8.9 million decrease in retained earnings and a reclassification of certain amounts between deferred income taxes and other noncurrent liabilities to conform to the balance sheet presentation requirements of FIN 48. As of the date of adoption, the total uncertain tax benefits were $77.9 million. This amount excludes the federal income tax benefit for the uncertain tax positions related to state income taxes, which is included in deferred tax assets. As a result of the adoption of FIN 48, the reserve for interest expense related to income taxes was increased to $15.3 million and a reserve for potential penalties of $1.9 million related to uncertain income tax positions was recorded.

Subsequent to the adoption of FIN 48, the Company has elected to record income tax related interest and penalties as a component of the provision for income tax expense.

In the Predecessor period ended July 6, 2007, the Internal Revenue Service completed an examination of the Company's federal income tax returns through fiscal year 2003 resulting in a net income tax refund. There are no unresolved issues related to this examination. None of the Company's federal income tax returns are currently under examination by the Internal Revenue Service; however, fiscal years 2005 and later are still subject to possible examination by the Internal Revenue Service. The Company has various state income tax examinations that are currently in progress. The estimated

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Income taxes (Continued)

liability related to these state income tax examinations is included in the Company's reserve for uncertain tax positions. Generally, the Company's tax years ended in 2005 and forward remain open for examination by the various state taxing authorities.

As of January 30, 2009, the total uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were $59.1 million, $11.3 million and $1.5 million, respectively, for a total of $71.9 million. Of this amount, $20.8 million and $47.3 million are reflected in current liabilities as accrued expenses and other and in other noncurrent liabilities, respectively, in the consolidated balance sheet with the remaining $3.8 million reducing deferred tax assets related to net operating loss carry forwards.

As of February 1, 2008, the total uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were $96.6 million, $19.7 million and $1.5 million, respectively, for a total of $117.8 million. Of this amount, $23.2 million and $78.3 are reflected in current liabilities as accrued expenses and other and in other noncurrent liabilities, respectively, in the consolidated balance sheet with the remaining $16.3 million reducing deferred tax assets related to net operating loss carry forwards.

The change, from the date of adoption, through the end of the Predecessor period ended July 6, 2007 in the uncertain tax benefits, interest expense related to income taxes and potential income tax penalties that impacted the consolidated statement of operations was a net increase of $10.4 million and $0.2 million and a decrease of $0.4 million, respectively. The change, from the end of the Predecessor period ended July 6, 2007, through the end of the Successor period ended February 1, 2008, in the uncertain tax benefits and interest expense related to income taxes that impacted the consolidated statement of operations was a net increase of $0.2 million and $4.2 million, respectively. There was no change in the reserve for potential income tax penalties during the Successor period ended February 1, 2008.

During 2008, the Company included in its consolidated statement of operations a net increase of $0.8 million, a net decrease of $1.0 million and a net increase of $0.3 million related to uncertain tax benefits, interest expense related to income taxes and potential tax penalties, respectively. The net decrease in interest expense related to uncertain tax positions is due to the reduction during 2008 in amounts previously accrued related to uncertain tax positions.

The Company believes that it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately $33.6 million in the coming twelve months principally as a result of the settlement of currently ongoing state income tax examinations and the anticipated filing of an income tax accounting method change request that is expected to resolve certain uncertainties related to accounting methods employed by the Company. The reasonably possible change of $33.6 million is included in both current liabilities ($20.1 million) and other noncurrent liabilities ($13.5 million) in the consolidated balance sheet as of January 30, 2009. Also, as of January 30, 2009, approximately $23.9 million of the uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Income taxes (Continued)

A reconciliation of the uncertain income tax positions from February 3, 2007 (the date of adoption) through January 30, 2009 is as follows:

(In thousands)	
Balance as of February 3, 2007	$ 77,864
Increases tax positions taken in the current year	19,568
Increases tax positions taken in prior years	1,149
Decrease tax positions taken in prior years	(9)
Statute expirations	(185)
Settlements	(1,787)
Balance as of February 1, 2008	$ 96,600
Increases tax positions taken in the current year	25,977
Decrease tax positions taken in the current year	(2,250)
Increases tax positions taken in prior years	3,271
Decrease tax positions taken in prior years	(58,607)
Statute expirations	(1,955)
Settlements	(3,979)
Balance as of January 30, 2009	$ 59,057

6. Current and long-term obligations

Current and long-term obligations consist of the following:

	Successor	
(In thousands)	**January 30, 2009**	**February 1, 2008**
Senior secured term loan facility	$2,300,000	$2,300,000
Senior secured asset-based revolving credit facility		102,500
$10^{5}/_{8}$% Senior Notes due July 15, 2015, net of discount of $20,033 and $22,083, respectively	1,154,967	1,152,917
$11^{7}/_{8}/12^{5}/_{8}$% Senior Subordinated Notes due July 15, 2017	655,891	700,000
$8^{5}/_{8}$% Notes due June 15, 2010	1,822	1,822
Capital lease obligations	9,939	10,268
Tax increment financing due February 1, 2035	14,495	14,495
	4,137,114	4,282,002
Less: current portion	(14,158)	(3,246)
Long-term portion	$4,122,956	$4,278,756

On July 6, 2007, the Company entered into two senior secured credit agreements (the "Credit Facilities"). The Credit Facilities provide financing of $3.425 billion, consisting of $2.3 billion in a senior secured term loan facility which matures on July 6, 2014, and a senior secured asset-based revolving credit facility of up to $1.125 billion, subject to borrowing base availability, which matures on July 6, 2013.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Current and long-term obligations (Continued)

Under the Credit Facilities, the Company has the right at any time to request up to $325.0 million of incremental commitments under one or more incremental term loan facilities and/or asset-based revolving credit facilities, subject to certain conditions and subject to the lender's desire to extend the incremental facilities.

The amount available under the senior secured asset-based revolving credit facility (including up to $350.0 million for letters of credit) may not exceed the borrowing base (consisting of specified percentages of eligible inventory and credit card receivables less any applicable availability reserves). The senior secured asset-based revolving credit facility includes a $1.0 billion tranche and a $125.0 million ("last out") tranche. Repayments of the senior secured asset-based revolving credit facility will be applied to the $125.0 million tranche only after all other tranches have been fully paid down. As of January 30, 2009 and February 1, 2008, the Company had outstanding borrowings of $0 and $102.5 million, respectively, under the "last out" tranche.

Borrowings under the Credit Facilities bear interest at a rate equal to an applicable margin plus, at the Company's option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable margin for borrowings is (i) under the term loan facility, 2.75% for LIBOR borrowings and 1.75% for base-rate borrowings (ii) as of January 30, 2009 and February 1, 2008, respectively, under the asset-based revolving credit facility (except in the last out tranche described above), 1.25% and 1.50% for LIBOR borrowings; 0.25% and 0.50% for base-rate borrowings and for any last out borrowings, 2.25% for LIBOR borrowings and 1.25% for base-rate borrowings. The applicable margins for borrowings under the asset-based revolving credit facility (except in the case of last out borrowings) are subject to adjustment each quarter based on average daily excess availability under the asset-based revolving credit facility. As of February 1, 2008, the average interest rate for borrowings under the revolving credit facility was 6.35%. The interest rate for borrowings under the term loan facility was 3.44% and 6.22% (without giving effect to the interest rate swaps discussed in Note 7) as of January 30, 2009 and February 1, 2008, respectively.

In addition to paying interest on outstanding principal under the Credit Facilities, the Company is required to pay a commitment fee to the lenders under the asset-based revolving credit facility for any unutilized commitments. The commitment fee rate is 0.375% per annum. The commitment fee rate will be reduced (except with regard to the last out tranche) to 0.25% per annum at any time that the unutilized commitments under the asset-based credit facility are equal to or less than 50% of the aggregate commitments under the asset-based revolving credit facility. The Company also must pay customary letter of credit fees.

The senior secured credit agreement for the term loan facility requires the Company to prepay outstanding term loans, subject to certain exceptions, with percentages of excess cash flow, proceeds of non-ordinary course asset sales or dispositions of property, and proceeds of incurrences of certain debt. In addition, the senior secured credit agreement for the asset-based revolving credit facility requires the Company to prepay the asset-based revolving credit facility, subject to certain exceptions, with proceeds of non-ordinary course asset sales or dispositions of property and any borrowings in excess of the then current borrowing base. Beginning September 30, 2009, the Company is required to repay installments on the loans under the term loan credit facility in equal quarterly principal amounts in an aggregate amount per annum equal to 1% of the total funded principal amount at July 6, 2007, with the balance payable on July 6, 2014.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Current and long-term obligations (Continued)

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

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

The Credit Facilities contain certain covenants that among other things, restrict, subject to certain exceptions, the Company's ability to engage in certain activities. These include limitations on the Company's ability to incur additional indebtedness, sell assets, incur additional liens, or make restricted payments including our ability to pay dividends, make investments or acquisitions, or repay certain indebtedness. In addition, the Company is limited in changing its lines of business or amending material agreements governing its senior indebtedness or our senior notes. The senior secured credit agreements also contain certain customary affirmative covenants and events of default. The Company was in compliance with all these covenants as of January 30, 2009.

For the year ended January 30, 2009, the Company had borrowings of $0 and repayments of $102.5 million, and for the 2007 Successor period the Company had borrowings of $1.522 billion and repayments of $1.420 billion, under the asset based revolving credit facility. For the year ended February 2, 2007, the Company had borrowings of $2.013 billion and repayments of $2.013 billion, under a prior revolving credit facility. As of January 30, 2009 and February 1, 2008, respectively, the Company had $0 and $102.5 million in borrowings, $51.0 million and $28.8 million of commercial letters of credit, and $83.7 million and $69.2 million of standby letters of credit outstanding under the asset-based revolving credit facility, with excess availability under that facility of $932.8 million and $769.2 million. As of January 30, 2009 and February 1, 2008, the Company had $2.3 billion outstanding under the term loan facility.

In addition, on July 6, 2007, in conjunction with the Merger, the Company issued $1.175 billion aggregate principal amount of 10.625% senior notes due 2015 (the "senior notes") which were issued net of a discount of $23.2 million and which mature on July 15, 2015 pursuant to an indenture, dated as of July 6, 2007 (the "senior indenture"), and $725 million aggregate principal amount of 11.875%/12.625% senior subordinated toggle notes due 2017 (the "senior subordinated notes"), which mature on July 15, 2017, pursuant to an indenture, dated as of July 6, 2007 (the "senior subordinated indenture"). The senior notes and the senior subordinated notes are collectively referred to herein as the "notes". The senior indenture and the senior subordinated indenture are collectively referred to herein as the "indentures".

Interest on the notes is payable on January 15 and July 15 of each year, beginning January 15, 2008. Interest on the senior notes is payable in cash. Cash interest on the senior subordinated notes will accrue at a rate of 11.875% per annum and PIK interest (as that term is defined below) will accrue at a rate of 12.625% per annum. For certain interest periods, the Company may elect to pay interest on the senior subordinated notes by increasing the principal amount of the senior subordinated notes or issuing new senior subordinated notes ("PIK interest").

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Current and long-term obligations (Continued)

The notes are fully and unconditionally guaranteed by each of the existing and future direct or indirect wholly owned domestic subsidiaries that guarantee the obligations under the Company's Credit Facilities.

The Company may redeem some or all of the notes at any time at redemption prices described or set forth in the indentures. In January 2009 and January 2008, the Company repurchased $44.1 million and $25.0 million, respectively, of the 11.875%/12.625% senior subordinated toggle notes due 2017, resulting in pretax gains of $3.8 million and $4.9 million, respectively.

The indentures contain certain covenants, including among other things, covenants that limit the Company's ability to incur additional indebtedness, create additional liens, sell assets, consolidate or dispose of all or substantially all of its assets, and enter into certain transactions with its affiliates. In addition, there are limitations on certain payments including the Company's ability to pay dividends, make investments or acquisitions, or repay certain indebtedness. The indentures also provide for customary events of default which, if any of them occur, would permit or require the principal of and accrued interest on the notes to be declared due and payable. The Company was in compliance with all of these covenants as of January 30, 2009.

Scheduled debt maturities for the Company's fiscal years listed below are as follows (in thousands): 2009 $14,158; 2010 $26,415; 2011 $23,779; 2012 $23,272; 2013 $23,292 thereafter $4,046,132.

On July 6, 2007, immediately after the completion of the Merger, the Company completed a cash tender offer to purchase any and all of its $200 million principal amount of 8$^5/_8$% Notes due June 2010 (the "2010 Notes"). Approximately 99% of the 2010 Notes were validly tendered and accepted for payment. The tender offer included a consent payment equal to 3% of the par value of the 2010 Notes, and such payments along with associated settlement costs totaling $6.2 million were paid and reflected as Other (income) expense in the 2007 Successor period presented. Additionally, because the Company received the requisite consents to the proposed amendments to the indenture pursuant to which the 2010 Notes were issued, a supplemental indenture to effect such amendments was executed and delivered. The amendments, which eliminated substantially all of the restrictive covenants contained in the indenture, became operative upon the purchase of the tendered 2010 Notes.

7. Derivative financial instruments

The Company uses interest rate swaps to manage its interest rate risk. In April 2007, Buck entered into interest rate swaps, contingent upon the completion of the Merger, on a portion of the loans anticipated to result from the Merger. These swaps were designated as cash flow hedges on October 12, 2007. As a result of these swaps, the Company is paying an all-in fixed interest rate of 7.68% on a notional amount equal to $866.7 million as of January 30, 2009. The notional amount of these swaps amortizes on a quarterly basis through July 31, 2012. Unrealized losses of $3.7 million for the 2007 Successor period are included in Other (income) expense in the consolidated statements of operations, reflecting the changes in fair value of these swaps prior to their designation as qualifying cash flow hedging relationships in October 2007, which were offset by earnings under the contractual provisions of the swaps of $1.7 million during the same time period.

In October 2008 the Company terminated one of the interest rate swaps entered into by Buck in April 2007 with a notional amount equal to $486.7 million as of the date of termination. The termination was the result of the bankruptcy declaration by the counterparty to the swap and this technical default gave the Company the right to terminate the derivative contract. The Company

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Derivative financial instruments (Continued)

subsequently cash settled the swap in November 2008 for approximately $7.6 million, including interest accrued to the date of termination.

The estimated fair value of the Company's terminated interest rate swap was a liability of approximately $5.0 million as of October 30, 2008 (the termination date). Based on various factors, the Company concluded that the hedge was expected to be highly effective at achieving offsetting cash flows attributable to the hedged risk, and has therefore applied hedge accounting for this interest rate swap through the termination date.

Upon termination, the Company performed the final effectiveness test, and the amount related to the gains and losses since the hedge designation date of approximately $3.7 million (after adjusting for the termination) remained in Accumulated other comprehensive loss at the termination date. Such amount is being reclassified into earnings as interest expense over the term of the original swap as the hedged forecasted transactions impact earnings and this expense is expected to be approximately $1.4 million in 2009.

In February and December 2008, the Company entered into additional interest rate swaps, each of which were designated as cash flow hedges at inception. At January 30, 2009, the Company is paying all-in fixed interest rates of 5.58% and 5.06% on notional amounts of $350.0 million and $475.0 million, respectively, pursuant to the February 2008 and December 2008 swaps. The notional amount of the February 2008 swap reduces to $150.0 million in February 2009 and matures in February 2010. The December 2008 swap amortizes to a notional amount of $300.0 million upon its maturity in January 2013.

As of January 30, 2009 and February 1, 2008, the fair value of the Company's interest rate swaps of $(63.5) million and $(82.3) million was recorded in non-current Other liabilities on the consolidated balance sheets. For the year ended January 30, 2009, the effective portion of the change in fair value of the swaps of $14.2 million was recorded in Accumulated other comprehensive loss, a separate component of equity, offset by related income taxes of $4.5 million. From the date the swaps were designated as hedges to February 1, 2008, the effective portion of the change in fair value of the swaps of ($78.6) million was recorded in Accumulated other comprehensive loss, offset by related income taxes of $29.5 million. The Company also recorded expense in Other (income) expense in the consolidated statements of operations related to hedge ineffectiveness of $1.0 million and $0.4 million during 2008 and the 2007 Successor period, respectively.

In February 2009, the Company entered into a contract to hedge approximately 50% of its anticipated 2009 fuel usage related to the transportation of merchandise. Such contract is not expected to qualify for hedge accounting treatment, and as a result, gains or losses under this contract will be recorded in Other (gains) losses in the consolidated statement of operations.

8. Commitments and contingencies

Leases

As of January 30, 2009, the Company was committed under capital and operating lease agreements and financing obligations for most of its retail stores, three of its DCs, and certain of its furniture, fixtures and equipment. The majority of the Company's stores are subject to short-term leases (usually with initial or current terms of three to five years), often with multiple renewal options. The Company also has stores subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of 10 years with multiple renewal options. Approximately 42% of the stores have provisions for contingent rentals based upon a percentage of defined sales volume. Certain leases contain

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

restrictive covenants. As of January 30, 2009, the Company is not aware of any material violations of such covenants.

The Merger and certain of the related financing transactions may be interpreted as giving rise to certain trigger events (which may include events of default) under leases for three of the Company's distribution centers ("DCs"). The Company does not believe such an interpretation would be appropriate under the terms of the leases. During the 2007 Successor period, the Company concluded that a probable loss existed in connection with the restructurings and accrued SG&A expenses totaling $12.0 million in the Successor statement of operations for the period ended February 1, 2008. As of January 30, 2009, $7.0 million of such amount has been paid. The Company believes that it has negotiated with the property owners proposed lease terms that would be implemented if the owners were to refinance or sell the property and that the resolution of these negotiations is primarily dependent on conditions in the real estate and financial markets. The Company's current position is that any remaining potential loss on the resolution of these matters would currently be properly characterized as reasonably possible rather than probable and has therefore reversed the remaining $5.0 million of SG&A expenses related to the leases during the year ended January 30, 2009. However, the possibility remains that the ultimate resolution of these matters could require the Company to make a significant cash investment to purchase these DCs.

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

In August 2007, the Company purchased a secured promissory note (the "Ardmore Note") from Principal Life Insurance Company, which had a face value of $34.3 million at the date of purchase and approximated the remaining financing obligation. The Ardmore Note represents debt issued by the third party entity from which the Company leases the Ardmore DC. The Ardmore Note is being accounted for as a "held to maturity" debt security in accordance with the provisions of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" (see Note 1). However, by acquiring the Ardmore Note, the Company holds the debt instrument pertaining to its lease financing obligation and, because a legal right of offset exists, is accounting for the acquired Ardmore Note as a reduction of its outstanding financing obligations in its consolidated balance sheets as of January 30, 2009 and February 1, 2008 in accordance with the provisions of FASB Interpretation 39, "Offsetting of Amounts Related to Certain Contracts An Interpretation of APB Opinion 10 and FASB Statement 105."

In May 2003, the Company purchased two secured promissory notes (the "South Boston Notes") from Principal Life Insurance Company totaling $49.6 million. The South Boston Notes represented debt issued by the third party entity from which the Company leased the South Boston DC. In June 2006, the Company acquired the third party entity, which owned legal title to the South Boston DC assets and had issued the related debt in connection with the original financing transaction. There was no material gain or loss recognized as a result of this transaction. Based on the Company's ownership of the third party entity at January 30, 2009, the financing obligation and South Boston Notes are eliminated in the Company's consolidated financial statements.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

Future minimum payments as of January 30, 2009 for capital and operating leases are as follows:

(In thousands)	Capital Leases	Operating Leases
2010	$ 3,144	$ 358,367
2011	2,097	308,503
2012	1,128	260,502
2013	599	211,049
2014	599	160,917
Thereafter	5,877	372,597
Total minimum payments	13,444	$1,671,935
Less: imputed interest	(3,505)	
Present value of net minimum lease payments	9,939	
Less: current portion, net	(2,658)	
Long-term portion	$ 7,281	

Capital leases were discounted at an effective interest rate of approximately 5.4% at January 30, 2009. The gross amount of property and equipment recorded under capital leases and financing obligations at January 30, 2009 and February 1, 2008, was $34.8 million and $33.5 million, respectively. Accumulated depreciation on property and equipment under capital leases and financing obligations at January 30, 2009 and February 1, 2008, was $5.3 million and $2.7 million, respectively.

Rent expense under all operating leases is as follows:

	Successor		Predecessor	
(In thousands)	2008	March 6, 2007 through February 1, 2008	February 3, 2007 through July 6, 2007	2006
Minimum rentals(a)	$370,827	$ 205,672	$ 143,188	$327,911
Contingent rentals	18,796	8,780	6,964	16,029
	$389,623	$ 214,452	$ 150,152	$343,940

(a) Excludes net contract termination costs of $2.5 million, $2.4 million, $19.1 million, and $5.7 million for the Successor periods ended January 30, 2009 and February 1, 2008 and the Predecessor periods ended July 6, 2007 and February 2, 2007, respectively. These expenses were recorded in association with the closing of stores associated with strategic initiatives as further discussed in Note 3. Also excludes amortization of leasehold interests of $40.9 million and $23.7 million included in rent expense for the Successor periods ended January 30, 2009 and February 1, 2008.

Legal proceedings

On August 7, 2006, a lawsuit entitled *Cynthia Richter, et al. v. Dolgencorp, Inc., et al.* was filed in the United States District Court for the Northern District of Alabama (Case No. 7:06-cv-01537-LSC) ("Richter") in which the plaintiff alleges that she and other current and former Dollar General store managers were improperly classified as exempt executive employees under the Fair Labor Standards Act ("FLSA") and seeks to recover overtime pay, liquidated damages, and attorneys' fees and costs. On

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

August 15, 2006, the Richter plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff's motion. On March 23, 2007, the court conditionally certified a nationwide class of individuals who worked for Dollar General as store managers since August 7, 2003. The number of persons who will be included in the class has not been determined, and the court has not approved the notice that will be sent to the class.

On May 30, 2007, the court stayed all proceedings in the case, including the sending of the Notice, to evaluate, among other things, certain appeals pending in the Eleventh Circuit involving claims similar to those raised in this action. That stay was extended through May 15, 2009. During the stay, the statute of limitations has been tolled for potential class members. If the court ultimately permits Notice to issue, the Company will have an opportunity at the close of the discovery period to seek decertification of the class, and the Company expects to file such a motion if necessary.

The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that this action is not appropriate for collective action treatment. The Company intends to vigorously defend this action. However, at this time, it is not possible to predict whether the court ultimately will permit this action to proceed collectively, and no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in its efforts to defend this action, the resolution could have a material adverse effect on the Company's financial statements as a whole.

On May 18, 2006, the Company was served with a lawsuit entitled *Tammy Brickey, Becky Norman, Rose Rochow, Sandra Cogswell and Melinda Sappington v. Dolgencorp, Inc. and Dollar General Corporation* (Western District of New York, Case No. 6:06-cv-06084-DGL, originally filed on February 9, 2006 and amended on May 12, 2006 ("Brickey")). The Brickey plaintiffs seek to proceed collectively under the FLSA and as a class under New York, Ohio, Maryland and North Carolina wage and hour statutes on behalf of, among others, assistant store managers who claim to be owed wages (including overtime wages) under those statutes. At this time, it is not possible to predict whether the court will permit this action to proceed collectively or as a class. However, the Company believes that this action is not appropriate for either collective or class treatment and that the Company's wage and hour policies and practices comply with both federal and state law. The Company plans to vigorously defend this action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise, and, if it is not successful, the resolution of this action could have a material adverse effect on the Company's financial statements as a whole.

On March 7, 2006, a complaint was filed in the United States District Court for the Northern District of Alabama (*Janet Calvert v. Dolgencorp, Inc.*, Case No. 2:06-cv-00465-VEH ("Calvert")), in which the plaintiff, a former store manager, alleged that she was paid less than male store managers because of her sex, in violation of the Equal Pay Act and Title VII of the Civil Rights Act of 1964, as amended ("Title VII"). The complaint subsequently was amended to include additional plaintiffs, who also allege to have been paid less than males because of their sex, and to add allegations that the Company's compensation practices disparately impact females. Under the amended complaint, Plaintiffs seek to proceed collectively under the Equal Pay Act and as a class under Title VII, and request back wages, injunctive and declaratory relief, liquidated damages, punitive damages and attorney's fees and costs.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

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

The plaintiffs have not yet moved for class certification relating to their Title VII claims. The Company expects such motion to be filed within the next several months and will strenuously oppose such a motion.

At this time, it is not possible to predict whether the court ultimately will permit the Calvert action to proceed collectively under the Equal Pay Act or as a class under Title VII. However, the Company believes that the case is not appropriate for class or collective treatment and that its policies and practices comply with the Equal Pay Act and Title VII. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending the Calvert action, its resolution could have a material adverse effect on the Company's financial statements as a whole.

On July 30, 2008, the Company was served with a complaint filed in the District Court for Dallas County, Iowa (*Julie Cox, et al. v. Dolgencorp, Inc., et al* Case No. LACV-034423) in which the plaintiff, a former store manager, alleges that the Company discriminates against pregnant employees on the basis of sex and retaliates against employees in violation of the Iowa Civil Rights Act. Cox seeks to represent a class of "all current, former and future employees from the State of Iowa who are employed by Dollar General who suffered from, are currently suffering from or in the future may suffer from" alleged sex/pregnancy discrimination and retaliation and seeks declaratory and injunctive relief as well as equitable, compensatory and punitive damages and attorneys' fees and costs.

The plaintiff has not yet moved for class certification. At this time, it is not possible to predict whether the court ultimately will permit the *Cox* action to proceed as a class. However, the Company believes that the case is not appropriate for class treatment and that its policies and practices comply with the Iowa Civil Rights Act. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending this action, its resolution could have a material adverse effect on the Company's financial statements as a whole.

On December 4, 2008, a complaint was filed in the United States District Court for the Western District of Tennessee (*Tressa Holt, et al v. Dollar General Corporation, et al.*, Case No.1:08-cv-01298 JDB) in which the plaintiff, on behalf of herself and a putative class of non-exempt store employees, alleges that the Company violated the Fair Labor Standards Act by failing to pay for all hours worked, including overtime hours. At this time, it is not possible to predict whether the court will permit this action to proceed collectively. However, the Company believes that this action is not appropriate for collective treatment and that the Company's wage and hour policies and practices comply with the FLSA. The Company plans to vigorously defend this action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise, and, if it is not successful,

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

the resolution of this action could have a material adverse effect on the Company's financial statements as a whole.

Subsequent to the announcement of the agreement relating to the Merger, the Company and its directors were named in seven putative class actions alleging claims for breach of fiduciary duty arising out of the Company's proposed sale to KKR. Each of the complaints alleged, among other things, that the Company's directors engaged in "self-dealing" by agreeing to recommend the transaction to the Company's shareholders and that the consideration available to such shareholders in the transaction is unfairly low. On motion of the plaintiffs, each of these cases was transferred to the Sixth Circuit Court for Davidson County, Twentieth Judicial District, at Nashville. By order dated April 26, 2007, the seven lawsuits were consolidated in the court under the caption, "In re: Dollar General," Case No. 07MD-1. On June 13, 2007, the court denied the Plaintiffs' motion for a temporary injunction to block the shareholder vote that was then held on June 21, 2007. On June 22, 2007, the Plaintiffs filed their amended complaint making claims substantially similar to those outlined above. The court on November 6, 2008 certified a class of all persons who held stock in the Company on the date of the Merger. The defendants filed for summary judgment.

On November 24, 2008, all defendants, including the Company, reached an agreement in principle to settle this lawsuit, subject to final documentation and court approval. The Company determined that the agreement would be in the best interest of the Company to avoid costly and time consuming litigation. Based on the agreement in principle, the Company recorded a charge of approximately $34.5 million in the third quarter of 2008 in connection with the proposed settlement, net of anticipated insurance proceeds of $7.5 million. In the fourth quarter, the Company ultimately collected $10 million in insurance proceeds ($2.5 million more than the anticipated amount), and on February 2, 2009, the Company funded the settlement. On February 11, 2009, the court approved the terms of the settlement. The additional $2.5 million in insurance proceeds received in the fourth quarter of 2008 has been recorded as a reduction of Litigation settlement and related costs, net in the 2008 statement of operations. Additional adjustments, not expected to be material, may be made to the estimated additional legal fees and costs.

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

Other

In August of 2008, the Consumer Product Safety Improvement Act of 2008 was signed into law. The new law addresses, among other things, the permissible levels of lead and listed phthalates in

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Commitments and contingencies (Continued)

certain products. The first tier of new standards for permissible levels of lead and phthalates became effective in February 2009; the second tier is effective in August 2009. To ensure compliance, the Company undertook a process during the fourth quarter of 2008 to identify, mark down and cease the sale of any remaining inventory that would be impacted by the new law. The effect of these markdowns resulted in a 2008 charge of $8.6 million included in Cost of goods sold in the consolidated statement of operations. The Company is continuing to evaluate its inventory for the next implementation phase of the new law, but does not currently expect the impact of this process to be material to its financial statements. Until the process is complete, however, the Company cannot definitely rule out that possibility.

9. Benefit plans

The Dollar General Corporation 401(k) Savings and Retirement Plan, which became effective on January 1, 1998, is a safe harbor defined contribution plan and is subject to the Employee Retirement and Income Security Act ("ERISA").

Participants are permitted to contribute between 1% and 25% of their pre-tax annual eligible compensation as defined in the 401(k) plan document, subject to certain limitations under the Internal Revenue Code. Employees who are over age 50 are permitted to contribute additional amounts on a pre-tax basis under the catch-up provision of the 401(k) plan subject to Internal Revenue Code limitations. The Company currently matches employee contributions, including catch-up contributions, at a rate of 100% of employee contributions up to 5% of annual eligible salary, after an employee has been employed for one year and has completed a minimum of 1,000 hours of service.

A participant's right to claim a distribution of his or her account balance is dependent on ERISA guidelines and Internal Revenue Service regulations. All active employees are fully vested in all contributions to the 401(k) plan. During 2008, the 2007 Successor and Predecessor periods, and 2006, the Company expensed approximately $8.0 million, $3.0 million, $4.3 million, and $6.4 million, respectively, for matching contributions. The Merger did not significantly impact the comparability of such expense amounts between periods.

The Company also has a nonqualified supplemental retirement plan ("SERP") and compensation deferral plan ("CDP"), called the Dollar General Corporation CDP/SERP Plan, for a select group of management and highly compensated employees. The supplemental retirement plan is a noncontributory defined contribution plan with annual Company contributions ranging from 2% to 12% of base pay plus bonus depending upon age plus years of service and job grade. Under the CDP, participants may defer up to 65% of base pay and up to 100% of bonus pay. An employee may be designated for participation in one or both of the plans, according to the eligibility requirements of the plans. The Company matches base pay deferrals at a rate of 100% of base pay deferral, up to 5% of annual salary, with annual salary offset by the amount of match-eligible salary in the 401(k) plan. All participants are 100% vested in their CDP accounts.

Effective May 22, 2008, CDP eligibility changed as follows: to be eligible for CDP salary deferrals, individuals must earn compensation in excess of the IRS limit under IRC 401(a)(17) and to be eligible for CDP bonus deferrals, individuals must earn compensation in excess of the IRS highly compensated limit under Section 414(q)(1)(B). Also, effective May 28, 2008, SERP eligibility was frozen and management or highly compensated employees hired on or after that date are not eligible for SERP participation.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Benefit plans (Continued)

As a result of the Merger which constituted a "change in control" under the CDP/SERP Plan, all previously unvested amounts under the SERP vested on July 6, 2007. For newly eligible SERP participants after July 6, 2007, the SERP accounts vest at the earlier of the participant's attainment of age 50 or the participant's being credited with 10 or more "years of service", upon termination of employment due to death or "total and permanent disability" or upon a "change in control", all as defined in the CDP/SERP Plan. The Company incurred compensation expense for these plans of approximately $1.2 million in 2008, $0.3 million in the 2007 Successor period, $0.5 million in the 2007 Predecessor period, and $0.8 million in 2006.

The CDP/SERP Plan assets are invested at the option of the participant in an account that mirrors the performance of a fund or funds selected by the Company's Compensation Committee or its delegate (the "Mutual Fund Options") or, prior to the Merger, in an account that mirrored the performance of the Company's common stock (the "Common Stock Option"). Effective August 2, 2008, the deemed fund options under the CDP/SERP Plan were changed to mirror the same fund options offered under the 401(k) plan. A participant's CDP and SERP account balances will be paid in accordance with the participant's election by (a) lump sum, (b) monthly installments over a 5, 10 or 15 year period or (c) a combination of lump sum and installments. The vested amount will be payable at the time designated by the plan upon the participant's termination of employment or retirement, except that participants may elect to receive an in-service distribution or an "unforeseeable emergency hardship" distribution of vested amounts credited to the CDP account. Account balances deemed to be invested in the Mutual Fund Options are payable in cash and, prior to the Merger, account balances deemed to be invested in the Common Stock Option were payable in shares of Dollar General common stock and cash in lieu of fractional shares.

As a result of the Merger, the CDP/SERP Plan liabilities as of the Merger date were fully funded into an irrevocable rabbi trust. All account balances deemed to be invested in the Common Stock Option were liquidated at a value of $22.00 per share and the proceeds were transferred to an existing Mutual Fund Option within the Plan.

Asset balances in the Mutual Funds Option are stated at fair market value, which is based on quoted market prices. The current portion of these balances is included in Prepaid expenses and other current assets and the long term portion is included in Other assets, net in the consolidated balance sheets. In accordance with EITF 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested," the Company's stock was recorded at historical cost and included in Other shareholders' equity, prior to the Merger. Also, prior to the Merger, the deferred compensation liability related to the Company stock for active plan participants was included in shareholders' equity and subsequent changes to the fair value of the obligation were not recognized, in accordance with the provisions of EITF 97-14. However, as a result of the Merger, Company stock is no longer an available option to Plan participants. The deferred compensation liability related to the Mutual Funds Option is recorded at the fair value of the investment options as chosen by the participants. The current portion of these balances is included in Accrued expenses and other and the long term portion is included in Other liabilities in the consolidated balance sheets.

Through January 2008, the Company sponsored a supplemental executive retirement plan for the Chief Executive Officer (called the Supplemental Executive Retirement Plan for David A. Perdue) and accounted for the plan in accordance with SFAS 158. As a result of the Merger, which constituted a change in control under the terms of this plan and the grantor trust agreement, and Mr. Perdue's subsequent resignation, Mr. Perdue became 100% vested. A deposit of approximately $6.2 million was

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Benefit plans (Continued)

made to the trust representing Mr. Perdue's lump sum vested benefit and accumulated interest, which amount was paid to Mr. Perdue on January 7, 2008, effectively terminating the plan.

Prior to the Merger, non-employee directors could defer all or a part of any fees normally paid by the Company to a voluntary nonqualified compensation deferral plan. The compensation eligible for deferral included the annual retainer, meeting and other fees, as well as any per diem compensation for special assignments, earned by a director for his or her service to the Company's Board of Directors or one of its committees. The deferred compensation was credited to a liability account, which was then invested at the option of the director, in deemed investments which mirrored either the Mutual Fund Options or the Common Stock Option and the deferred compensation was to be paid in accordance with the director's election. All deferred compensation was immediately due and payable upon a "change in control" of the Company, as defined by the Plan. As a result of the Merger, which constituted a change in control under the Plan, all accounts held in the Deferred Compensation Plan for Non-Employee Directors were distributed.

10. Share-based payments

The Company accounts for share-based payments in accordance with SFAS 123(R). Under SFAS 123(R), the fair value of each award is separately estimated and amortized into compensation expense over the service period. The fair value of the Company's stock option grants are estimated on the grant date using the Black-Scholes-Merton valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense.

The Company adopted SFAS 123(R) effective February 4, 2006 and began recognizing compensation expense for stock options based on the fair value of the awards on the grant date. The Company adopted SFAS 123(R) under the modified-prospective-transition method and, therefore, results from prior periods have not been restated. Under SFAS 123(R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period.

Prior to the Merger, the Company maintained various share-based compensation programs which included options, restricted stock and restricted stock units. In connection with the Merger, the Company's outstanding stock options, restricted stock and restricted stock units became fully vested immediately prior to the closing of the Merger and were settled in cash, canceled or, in limited circumstances, exchanged for new options of the Company, as described below. Unless exchanged for new options, each option holder received an amount in cash, without interest and less applicable withholding taxes, equal to $22.00 less the exercise price of each in-the-money option. Additionally, each restricted stock and restricted stock unit holder received $22.00 in cash, without interest and less applicable withholding taxes. Certain stock options held by Company management were exchanged for new options to purchase common stock in the Company (the "Rollover Options"). The exercise price of the Rollover Options and the number of shares of Company common stock underlying the Rollover Options were adjusted as a result of the Merger. The Rollover Options otherwise continue under the terms of the equity plan under which the original options were issued.

On July 6, 2007, the Company's Board of Directors adopted the 2007 Stock Incentive Plan for Key Employees, which Plan was subsequently amended (as so amended, the "Plan"). The Plan provides for the granting of stock options, stock appreciation rights, and other stock-based awards or dividend equivalent rights to key employees, directors, consultants or other persons having a service relationship with the Company, its subsidiaries and certain of its affiliates. The number of shares of Company

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Share-based payments (Continued)

common stock authorized for grant under the Plan is approximately 15.7 million, approximately 13.7 million of which may be granted in the form of stock options. As of January 30, 2009, 2,374,186 of such shares are available for future grants, including 1,664,691 shares which may be granted in the form of stock options.

During the 2008 and the 2007 Successor period, the Company granted options that vest solely upon the continued employment of the recipient ("Time Options") as well as options that vest upon the achievement of predetermined annual or cumulative financial-based targets ("Performance Options"). According to the award terms, 20% of the Time Options and Performance Options generally vest annually over a five-year period. In the event the performance target is not achieved in any given period, such options for that period will subsequently vest upon the achievement of a cumulative performance target. Vesting of the Time Options and Performance Options is also subject to acceleration in the event of an earlier change in control and the Performance Options are also subject to accelerated vesting, following an initial public offering of the Company upon a sale by our majority shareholders of a percentage of their stock of the Company that is greater than the percentage of the Performance Options that are already vested where our majority shareholders earn at least certain returns on their investment in such sale. Each of these options, whether Time Options or Performance Options have a contractual term of 10 years and an exercise price equal to the fair value of the stock on the date of grant.

Both the Time Options and the Performance Options are subject to various provisions set forth in a management stockholder's agreement entered into with each option holder by which the Company may require the employee, upon termination, to sell to the Company any vested options or shares received upon exercise of the Time Options or Performance Options at amounts that differ based upon the reason for the termination. In particular, in the event that the employee resigns "without good reason" (as defined in the management stockholder's agreement), then any options whether or not then exercisable are forfeited and any shares received upon prior exercise of such options are callable at the Company's option at an amount equal to the lesser of fair value or the amount paid for the shares (i.e. the exercise price). In such cases, because the employee would not benefit in any share appreciation over the exercise price, for accounting purposes, under SFAS 123(R) such options are not considered vested until the expiration of the Company's call option, which is generally five years subsequent to the date of grant. Accordingly, all references to the vesting provisions or vested status of the options discussed in this note give effect to the vesting pursuant to the provisions of SFAS 123(R) and may differ from descriptions of the vesting status of the Time Options and Performance Options located elsewhere in the Company's Annual Report on Form 10-K.

Each of the Company's management-owned shares, Rollover Options, and vested new options include certain provisions by which the holder of such shares, Rollover Options, or vested new options may require the Company to repurchase such instruments in limited circumstances. Specifically, each such instrument is subject to a repurchase right for a period of 365 days after termination due to the death or disability of the holder of the instrument that occurs generally within five years from the date of grant. In such circumstances, the holder of such instruments may require the Company to repurchase any shares at the fair market value of such shares and any Rollover Options or vested new options at a price equal to the intrinsic value of such Rollover or vested new options. Because the Company does not have control over the circumstances in which it may be required to repurchase the outstanding shares or Rollover Options, such shares and Rollover Options, valued at $9.7 million and $4.2 million, respectively, at January 30, 2009, and at $6.0 million and $3.2 million, respectively, at February 1, 2008 have been classified as Redeemable common stock in the accompanying consolidated balance sheets as

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Share-based payments (Continued)

of these dates. The values of these equity instruments are based upon the fair value and intrinsic value of the underlying stock and Rollover Options at the date of issuance. Because redemption of such shares is uncertain, such shares are not subject to re-measurement until their redemption becomes probable.

In addition to the repurchase rights upon death or disability that are common to all management held shares, Rollover Options, and vested new options, the management stockholder's agreement which the Company entered into with certain executive officers provided such officers with an additional repurchase right in the event their employment terminated for any reason prior to the expiration of this repurchase right on July 21, 2008. Such executive officers could have required the Company to repurchase their outstanding shares and Rollover Options at a price of $8.75 per share in the case of shares and the difference in $8.75 per share and the exercise price of any Rollover Options that they hold. This repurchase right existed for a period of 365 days following termination of employment within the required timeframe. As noted above, each of the shares, whether held by general members of management or executive officers, has been classified within Redeemable common stock on the accompanying consolidated balance sheet as of January 30, 2009 and February 1, 2008. In the case of the Rollover Options held by the executive officers, however, the additional repurchase rights in the event of termination of employment prior to July 21, 2008 were considered within the control of the employee, and as such, $3.6 million (representing the fixed repurchase price) related to such Rollover Options were classified in Other (noncurrent) liabilities in the accompanying consolidated balance sheet at February 1, 2008 pursuant to SFAS 123(R).

Subsequent to the Merger, the Company's Board of Directors adopted an Equity Appreciation Rights Plan (the "Rights Plan"). The Rights Plan provides for the granting of equity appreciation rights to nonexecutive managerial employees. Through January 30, 2009, 600,385 equity appreciation rights had been granted, 28,707 of such rights had been cancelled and 571,678 of such rights remain outstanding. The vesting of such rights is based upon continued employment and either a change in control of the Company or a qualified public offering as defined in the Rights Plan. Through January 30, 2009, no compensation expense related to the Rights Plan had been recognized based primarily on the uncertainty of the vesting events.

For the year ended January 30, 2009, the fair value method of SFAS 123(R) resulted in share-based compensation expense and a corresponding reduction in net income before income taxes in the amount of $10.0 million ($6.1 million net of tax, or $0.02 per diluted share) of which $8.9 million ($5.4 million net of tax) was related to stock options and $1.1 million ($0.7 million net of tax) was related to restricted stock as discussed below.

The 2007 Successor statement of operations reflects share-based compensation expense (a component of SG&A expenses) under the fair value method of SFAS 123(R) for outstanding share-based awards and a corresponding reduction of pre-tax income in the amount of $3.8 million ($2.4 million net of tax, or $0.01 per diluted share).

The Company recognized $45.4 million of share-based compensation expense in the 2007 Predecessor statement of operations ($28.5 million net of tax), including $6.0 million of compensation expense prior to the Merger included in SG&A expenses comprised of $2.3 million for stock options and $3.7 million for restricted stock and restricted stock units. The remaining $39.4 million of such expense related directly to the Merger is reflected in Transaction and related costs in the consolidated statement of operations for the Predecessor period ended July 6, 2007, for the accelerated vesting of stock options ($18.7 million) and restricted stock and restricted stock units ($20.7 million).

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Share-based payments (Continued)

For the year ended February 2, 2007, the fair value method of SFAS 123(R) resulted in additional share-based compensation expense and a corresponding reduction in net income before income taxes in the amount of $3.6 million ($2.2 million net of tax).

The fair value of each option grant is separately estimated by applying the Black-Scholes-Merton option pricing valuation model. The weighted average for key assumptions used in determining the fair value of options granted in the year ended January 30, 2009, the Successor period ended February 1, 2008, the Predecessor period ended July 6, 2007 and the year ended February 2, 2007, and a summary of the methodology applied to develop each assumption, are as follows:

	Successor Period Ended		**Predecessor Period Ended**	
	January 30, 2009	**February 1, 2008**	**July 6, 2007**	**February 2, 2007**
Expected dividend yield	0%	0%	0.91%	0.82%
Expected stock price volatility	40.2%	41.9%	18.5%	28.8%
Weighted average risk-free interest rate	2.8%	4.6%	4.5%	4.7%
Expected term of options (years)	7.4	7.5	5.7	5.7

Expected dividend yield This is an estimate of the expected dividend yield on the Company's stock. Prior to the Merger this estimate was based on historical dividend payment trends. Subsequent to the Merger, the Company is subject to limitations on the payment of dividends under its credit facilities as further discussed in Note 6. An increase in the dividend yield will decrease compensation expense.

Expected stock price volatility This is a measure of the amount by which the price of the Company's common stock has fluctuated or is expected to fluctuate. Prior to the Merger, the Company used actual historical changes in the market price of the Company's common stock and implied volatility based upon traded options, weighted equally, to calculate the volatility assumption, as it was the Company's belief that this methodology provided the best indicator of future volatility. For historical volatility, the Company calculated daily market price changes from the date of grant over a past period representative of the expected life of the options to determine volatility. Subsequent to the Merger the expected volatilities have been based upon the historical volatilities of a peer group of four companies, as the Company's common stock is not publicly traded. An increase in the expected volatility will increase compensation expense.

Weighted average risk-free interest rate This is the U.S. Treasury rate for the week of the grant having a term approximating the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Expected term of options This is the period of time over which the options granted are expected to remain outstanding. For options issued prior to the Merger, the Company took into consideration that its stock option grants prior to August 2002 were significantly different than grants issued on and after that date, and therefore that the historical and post-vesting employee behavior patterns for grants prior to that date were of little or no value in determining future expectations. As a result, the Company excluded these pre-August 2002 grants from its analysis of expected term. For pre-Merger options, the Company estimated expected term using a computation based on an assumption that outstanding options would be exercised approximately halfway through their contractual term, taking into consideration such factors as grant date, expiration date, weighted-average time-to-vest, actual exercises and post-vesting cancellations. Options granted have a maximum term of 10 years. Due to the absence of historical data for grants issued subsequent to the Merger, the Company has estimated the

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Share-based payments (Continued)

expected term as the mid-point between the vesting date and the contractual term of the option. An increase in the expected term will increase compensation expense.

All nonvested restricted stock and restricted stock unit awards granted in the 2007 Successor and Predecessor periods had a purchase price of zero. The Company records compensation expense on a straight-line basis over the restriction period based on the market price of the underlying stock on the date of grant. The nonvested restricted stock and restricted stock unit awards granted under the plan to employees during the 2007 Predecessor period were originally scheduled to vest and become payable ratably over a three-year period from the respective grant dates. The nonvested restricted stock unit awards granted under the plan to non-employee directors during the 2007 Predecessor period were originally scheduled to vest over a one-year period from the respective grant dates, but became payable as a result of the Merger as discussed above.

In accordance with the provisions of SFAS 123(R), unearned compensation is not recorded within shareholders' equity for nonvested restricted stock and restricted stock unit awards. Accordingly, during the year ended February 2, 2007, the Company reversed its unearned compensation balance as of February 3, 2006 of approximately $5.2 million, with an offset to common stock and additional paid-in capital.

At January 30, 2009, 645,313 Rollover Options were outstanding, all of which were exercisable. The aggregate intrinsic value of outstanding Rollover Options was $4.8 million with a weighted average remaining contractual term of 6.44 years, and a weighted average exercise price of $2.19. At February 1, 2008, 1,028,058 Rollover Options were outstanding, all of which were exercisable. The aggregate intrinsic value of outstanding Rollover Options was $6.7 million with a weighted average remaining contractual term of 7.36 years, and a weighted average exercise price of $2.19.

During the Predecessor period from February 3, 2007 to July 6, 2007 and year ended February 2, 2007, the weighted average grant date fair value of options granted was $5.37 and $5.86, respectively; 4,213,373 and 617,234 options vested, net of forfeitures, respectively; with a total fair value of approximately $23.6 million and $2.5 million, respectively; and the total intrinsic value of stock options exercised was $10.8 million and $6.8 million, respectively. The total intrinsic value of stock options repurchased by the Company under terms of the management stockholder's agreements during 2008 and the 2007 Successor period was $2.5 million and $0.5 million, respectively.

All stock options granted prior to the Merger in the Predecessor period ended July 6, 2007 and year ended February 2, 2007 under the terms of the Company's pre-Merger stock incentive plan were non-qualified stock options issued at a price equal to the fair market value of the Company's common stock on the date of grant, were originally scheduled to vest ratably over a four-year period, and were to expire 10 years following the date of grant.

A summary of Time Options activity during the Successor period ended January 30, 2009 is as follows:

	Options Issued	Weighted Average Exercise Price
Balance, February 1, 2008	5,448,571	$ 8.75
Granted	1,702,654	8.75
Exercised		
Canceled	(1,129,714)	8.75
Balance, January 30, 2009	6,021,511	$ 8.75

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Share-based payments (Continued)

During 2008, the weighted average grant date fair value of Time Options granted was $4.17; 894,857 Time Options vested and are exercisable, net of forfeitures, with a total fair value of approximately $4.1 million, and none of those options were exercised. At January 30, 2009, the aggregate intrinsic value of outstanding 2007 Time Options was $5.3 million with a weighted average remaining contractual term of 8.9 years. During the 2007 Successor period, the weighted average grant date fair value of Time Options granted was $4.64; no options vested or were exercised. At February 1, 2008, the aggregate intrinsic value of outstanding 2007 Time Options was $0 with a weighted average remaining contractual term of 9.6 years, and none of the outstanding Time Options were exercisable.

A summary of Performance Options activity during the Successor period ended January 30, 2009 is as follows:

	Options Issued	Weighted Average Exercise Price
Balance, February 1, 2008	5,448,571	$ 8.75
Granted	1,702,654	8.75
Exercised		
Canceled	(1,123,143)	8.75
Balance, January 30, 2009	6,028,082	$ 8.75

During 2008, the weighted average grant date fair value of Performance Options granted was $4.17; 1,056,278 Performance Options vested and are exercisable, net of forfeitures, with a total fair value of approximately $4.8 million, and none of those options were exercised. At January 30, 2009, the aggregate intrinsic value of outstanding Performance Options was $5.3 million with a weighted average remaining contractual term of 8.9 years. During the 2007 Successor period, the weighted average grant date fair value of Performance Options granted was $4.64; 1,089,714 Performance Options vested and are exercisable, net of forfeitures, with a total fair value of approximately $5.1 million, and none of those options were exercised. At February 1, 2008, the aggregate intrinsic value of outstanding 2007 Performance Options was $0 with a weighted average remaining contractual term of 9.6 years.

At January 30, 2009, the total unrecognized compensation cost related to non-vested stock options was $42.9 million with an expected weighted average expense recognition period of 3.8 years.

The Company currently believes that the performance targets related to the Performance Options will be achieved. If such goals are not met, and there is no change in control, no compensation cost relating to these Performance Options will be recognized and any compensation cost recognized to date will be reversed.

In January 2008, the Company granted 508,572 nonvested restricted shares to its Chief Executive Officer. These shares vest on the first to occur of (i) a change in control, (ii) an initial public offering, (iii) termination without cause or due to death or disability, or (iv) the last day of the Company's 2011 fiscal year. These shares represent the only outstanding restricted shares as of January 30, 2009 and February 1, 2008. For 2008 and the 2007 Successor period, the share-based compensation expense related to restricted shares before income taxes was $1.1 million ($0.7 million net of tax) and less than $0.1 million, respectively. At January 30, 2009 and February 1, 2008, the total compensation cost related to nonvested restricted stock awards not yet recognized was approximately $3.3 million and $4.4 million, respectively.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Related party transactions

Affiliates of certain of the Investors participated as (i) lenders in the Company's Credit Facilities discussed in Note 6; (ii) initial purchasers of the Company's notes discussed in Note 6; (iii) counterparties to certain interest rate swaps discussed in Note 7 and (iv) as advisors in the Merger. Certain fees were paid upon closing of the Merger to affiliates of certain of the Investors. These fees primarily included underwriting fees, advisory fees, equity commitment fees, syndication fees, Merger and acquisition fees, sponsor fees, costs of raising equity, and out of pocket expenses. The aggregate fees paid to these related parties during the Successor period ended February 1, 2008 totaled $134.9 million, portions of which have been capitalized as debt financing costs or as direct acquisition costs.

Affiliates of KKR (among other entities) are lenders under, and Citicorp North America, Inc. serves as administrative agent and collateral agent for, the Company's $2.3 billion senior secured term loan facility. The amount of principal outstanding under this term loan facility at all times since the Merger was $2.3 billion, and the Company paid no principal and approximately $133.4 million of interest on the senior secured term loan during 2008. The Company paid $0.2 million to Citicorp North America, Inc. for its services relating to this facility in 2008 as further discussed in Note 6.

Goldman, Sachs & Co. is a counterparty to an amortizing interest rate swap totaling $433.3 million as of January 30, 2009, entered into in connection with the Company's senior secured term loan facility. The Company paid Goldman, Sachs & Co. approximately $9.5 million in 2008 pursuant to the interest rate swap as further discussed in Note 7.

The Company entered into a monitoring agreement, dated July 6, 2007, with affiliates of certain of the Investors pursuant to which those entities will provide management and advisory services to the Company. Under the terms of the monitoring agreement, among other things, the Company is obliged to pay to those entities an aggregate, initial annual management fee of $5.0 million payable in arrears at the end of each calendar quarter plus all reasonable out of pocket expenses incurred in connection with the provision of services under the agreement upon request. The management fees and other expenses incurred for the Successor periods ended January 30, 2009 and February 1, 2008 totaled $6.6 million and $2.9 million, respectively. The management fee increases at a rate of 5% per year. Those entities also are entitled to receive a fee equal to 1% of the gross transaction value in connection with certain subsequent financing, acquisition, disposition, and change in control transactions, as well as a termination fee in the event of an initial public offering or under certain other circumstances. In addition, on July 6, 2007, the Company entered into a separate indemnification agreement with the parties to the monitoring agreement, pursuant to which the Company agreed to provide customary indemnification to such parties and their affiliates.

The Company uses Capstone Consulting, LLC, a team of executives who work exclusively with KKR portfolio companies providing certain consulting services. The Chief Executive Officer of Capstone served on the Company's Board of Directors until March 2009. Although neither KKR nor any entity affiliated with KKR owns any of the equity of Capstone, prior to January 1, 2007 KKR had provided financing to Capstone. The aggregate fees incurred for Capstone services for the Successor periods ended January 30, 2009 and February 1, 2008 totaled $3.0 million and $1.9 million, respectively.

The Company purchased certain of its 11.857%/12.625% senior subordinated notes held by Goldman, Sachs & Co. in the amount of $25.0 million in January 2008 as further discussed in Note 6, and paid commissions less than $0.1 million in connection therewith.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Capital stock

On November 29, 2006 and September 30, 2005, the Predecessor's Board of Directors authorized the Company to repurchase up to $500 million and up to 10 million shares, respectively, of the Predecessor's outstanding common stock. These authorizations allowed for purchases in the open market or in privately negotiated transactions from time to time, subject to market conditions. The objective of these share repurchase initiatives was to enhance shareholder value by purchasing shares at a price that produced a return on investment that was greater than the Company's cost of capital. Additionally, share repurchases generally were undertaken only if such purchases resulted in an accretive impact on the Company's fully diluted earnings per share calculation. No purchases were made pursuant to the 2006 authorization, which was terminated as a result of the Merger. During 2006, the Company purchased approximately 4.5 million shares of the Predecessor pursuant to the 2005 authorization at a total cost of $79.9 million.

13. Hurricane Katrina insurance settlement

During 2006, the Company settled an insurance claim related to Hurricane Katrina and received proceeds of $13.0 million representing insurance recoveries for destroyed and damaged assets, costs incurred and business interruption coverage, which are reflected in results of operations for 2006 as a reduction of SG&A expenses. The business interruption portion of the proceeds was approximately $5.8 million. Insurance recoveries related to fixed assets losses are included in cash flows from investing activities and recoveries related to inventory losses and business interruption are included in cash flows from operating activities.

14. Segment reporting

The Company manages its business on the basis of one reportable segment. See Note 1 for a brief description of the Company's business. As of January 30, 2009, all of the Company's operations were located within the United States with the exception of an immaterial Hong Kong subsidiary which assists in the importing of certain merchandise that began operations in 2004. The following net sales data is presented in accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information."

	Successor		Predecessor	
(In thousands)	**2008**	**March 6, 2007 through February 1, 2008**	**February 3, 2007 through July 6, 2007**	**2006**
Classes of similar products:				
Consumables	$ 7,248,418	$ 3,701,724	$ 2,615,110	$ 6,022,014
Seasonal	1,521,450	908,301	604,935	1,509,999
Home products	862,226	507,027	362,725	914,357
Apparel	825,574	454,441	340,983	723,452
Net sales	$ 10,457,668	$ 5,571,493	$ 3,923,753	$ 9,169,822

15. Quarterly financial data (unaudited)

The following is selected unaudited quarterly financial data for the fiscal year ended January 30, 2009, the Successor period ended February 1, 2008, and the Predecessor period ended July 6, 2007.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Quarterly financial data (unaudited) (Continued)

Each quarterly period listed below was a 13-week accounting period. The sum of the four quarters for any given year may not equal annual totals due to rounding.

Successor (In thousands except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008:				
Net sales	$2,403,498	$2,609,384	$2,598,938	$2,845,848
Gross profit	693,077	758,035	772,287	837,698
Operating profit	110,871	143,055	103,732	222,828
Net income (loss)	5,916	27,718	(7,306)	81,854
Basic earnings (loss) per share	0.02	0.09	(0.02)	0.26
Diluted earnings (loss) per share	0.02	0.09	(0.02)	0.26

	Predecessor		Successor(a)		
(In thousands except per share data)	First Quarter	May 5, 2007 through July 6, 2007	March 6, 2007 through August 3, 2007	Third Quarter	Fourth Quarter
2007:					
Net sales	$2,275,267	$1,648,486	$699,078	$2,312,842	$2,559,573
Gross profit	633,060	438,515	184,723	646,800	740,371
Operating profit (loss)	55,368	(46,120)	(6,025)	65,703	186,466
Net income (loss)	34,875	(42,873)	(27,175)	(33,032)	55,389
Basic earnings (loss) per share			(0.09)	(0.10)	0.17
Diluted earnings (loss) per share			(0.09)	(0.10)	0.17

(a) Includes the results of operations of Buck Acquisition Corp. for the period prior to its Merger with and into Dollar General Corporation from March 6, 2007 (its formation) through July 6, 2007 (reflecting the change in fair value of interest rate swaps), and the post-Merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008. See Notes 1 and 2.

As discussed in Note 1, in the second, third, and fourth quarters of 2008, the Company recorded LIFO provisions of $16.0 million ($9.7 million net of tax, or $0.03 per diluted share), $15.7 million ($9.6 million net of tax, or $0.03 per diluted share), and $12.1 million ($7.4 million net of tax, or $0.02 per diluted share) respectively. These charges are reflected in Cost of goods sold for each quarter, respectively.

As discussed in Note 8, in the third quarter of 2008, based on the agreement in principle to settle the Merger-related shareholder litigation, the Company recorded charges of approximately $34.5 million ($37.4 million net of tax, or $0.12 per diluted share) in connection with the proposed settlement, which was net of anticipated insurance proceeds of $7.5 million. In the fourth quarter of 2008, the Company received insurance proceeds totaling $10.0 million, thus reducing the charges to $32.0 million net of insurance proceeds and increasing operating profit by the incremental $2.5 million ($1.5 million net of tax, or less than $0.01 per diluted share). These amounts are reflected as Litigation settlement and related costs, net in the respective quarters.

As discussed in Note 3, in the fourth quarter of 2008, the Company recorded net additional pre-tax expenses of $3.3 million ($2.0 million net of tax, or $0.01 per diluted share) related to

F-51

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Quarterly financial data (unaudited) (Continued)

underperforming stores closed in fiscal years 2006 and 2007. These additional expenses are related to re-evaluation of the existing lease contract termination liabilities based on current market conditions and are reflected as SG&A expense.

As discussed in Note 6, in the fourth quarter of 2008, the Company repurchased $44.1 million of the 11.875%/12.625% senior subordinated toggle notes due 2017 resulting in a net gain of $3.8 million ($2.3 million net of tax, or $0.01 per diluted share) which is recognized as Other (income) expense.

As discussed in Note 8, in the fourth quarter of 2008, the Company recorded an $8.6 million ($5.3 million net of tax, or $0.02 per diluted share) charge included in Cost of goods sold related to the markdown of certain products covered by the Consumer Products Safety Improvement Act of 2008, and reversed $5.0 million ($3.1 million net of tax, or $0.01 per diluted share) of SG&A expenses originally recorded in fiscal 2007 related to certain distribution center lease contingencies.

As discussed in Note 2, in the Predecessor period ended July 6, 2007, the Company recorded transaction and other costs related to the Merger of $56.7 million and share-based compensation expense related directly to the Merger of $39.4 million as discussed in Note 10. As discussed in Note 2, in the Successor period ended August 3, 2007, the Company recorded transaction and other costs related to the Merger of $5.6 million ($3.5 million net of tax, or $0.01 per diluted share), a loss on debt retirement related to the Merger of $6.2 million ($3.9 million net of tax, or $0.01 per diluted share) as discussed in Note 6; a contingent loss related to certain DC leases of $8.6 million ($5.4 million net of tax, or $0.02 per diluted share) as discussed in Note 8; and a gain on certain interest rate swaps discussed in Note 7 of $6.8 million ($4.3 million net of tax, or $0.01 per diluted share).

In the third quarter of 2007, the Company recorded an additional contingent loss related to certain DC leases of $3.4 million ($2.1 million net of tax, or $0.01 per diluted share) as discussed in Note 8.

As discussed in Note 6, in the fourth quarter of 2007, the Company recorded a gain on debt retirement of $4.9 million ($3.1 million net of tax, or $0.01 per diluted share).

16. Guarantor subsidiaries

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

SUCCESSOR

	As of January 30, 2009				
	DOLLAR GENERAL CORPORATION	**GUARANTOR SUBSIDIARIES**	**OTHER SUBSIDIARIES**	**ELIMINATIONS**	**CONSOLIDATED TOTAL**
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 292,637	$ 64,404	$ 20,954	$	$ 377,995
Merchandise inventories		1,414,955			1,414,955
Income tax receivable	50,601			(44,209)	6,392
Deferred income taxes	5,892		2,560	(3,852)	4,600
Prepaid expenses and other current assets	462,572	2,016,712	5,894	(2,418,995)	66,183
Total current assets	811,702	3,496,071	29,408	(2,467,056)	1,870,125
Net property and equipment	82,616	1,186,125	219		1,268,960
Goodwill	4,338,589				4,338,589
Intangible assets	1,205,667	119,891			1,325,558
Deferred income taxes			3,518	(3,518)	
Other assets, net	3,384,089	130,100	280,204	(3,708,426)	85,967
Total assets	$ 9,822,663	$ 4,932,187	$ 313,349	$ (6,179,000)	$ 8,889,199
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	$ 11,500	$ 2,658	$	$	$ 14,158
Accounts payable	2,007,625	1,035,057	46,644	(2,410,905)	678,421
Accrued expenses and other	108,504	220,142	54,489	(8,090)	375,045
Income taxes payable	1,659	48,467	1,694	(44,209)	7,611
Deferred income taxes		3,852		(3,852)	
Total current liabilities	2,129,288	1,310,176	102,827	(2,467,056)	1,075,235
Long-term obligations	4,346,258	2,383,304		(2,606,606)	4,122,956
Deferred income taxes	397,570	162,049		(3,518)	556,101
Other non-current liabilities	103,928	37,653	147,707		289,288
Redeemable common stock	13,924				13,924

Shareholders' equity:					
Preferred stock					
Common stock	278,114	23,855	100	(23,955)	278,114
Additional paid-in capital	2,489,647	553,639	19,900	(573,539)	2,489,647
Retained earnings	103,364	461,511	42,815	(504,326)	103,364
Accumulated other comprehensive loss	(39,430)				(39,430)
Total shareholders' equity	2,831,695	1,039,005	62,815	(1,101,820)	2,831,695
Total liabilities and shareholders' equity	$ 9,822,663	$ 4,932,187	$ 313,349	$ (6,179,000)	$ 8,889,199

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

SUCCESSOR

	As of February 1, 2008				
	DOLLAR GENERAL CORPORATION	**GUARANTOR SUBSIDIARIES**	**OTHER SUBSIDIARIES**	**ELIMINATIONS**	**CONSOLIDATED TOTAL**
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 8,320	$ 59,379	$ 32,510	$	$ 100,209
Short-term investments			19,611		19,611
Merchandise inventories		1,288,661			1,288,661
Income tax receivable	102,273			(69,772)	32,501
Deferred income taxes	3,966		20,626	(7,295)	17,297
Prepaid expenses and other current assets	221,408	337,741	9,341	(509,025)	59,465
Total current assets	335,967	1,685,781	82,088	(586,092)	1,517,744
Net property and equipment	83,658	1,190,131	456		1,274,245
Goodwill	4,344,930				4,344,930
Intangible assets	10,911	1,359,646			1,370,557
Deferred income taxes	43,890		47,067	(90,957)	
Other assets, net	2,629,967	1,652	111,597	(2,594,261)	148,955
Total assets	$ 7,449,323	$ 4,237,210	$ 241,208	$ (3,271,310)	$ 8,656,431
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	$	$ 3,246	$	$	$ 3,246
Accounts payable	253,477	736,844	40	(439,321)	551,040
Accrued expenses and other	62,957	188,877	55,185	(6,063)	300,956
Income taxes payable		59,264	13,507	(69,772)	2,999
Total current liabilities	316,434	988,231	68,732	(515,156)	858,241
Long-term obligations	4,257,250	1,837,715		(1,816,209)	4,278,756
Deferred income taxes		584,976		(98,251)	486,725
Other liabilities	162,644	21,191	135,879		319,714
Redeemable common stock	9,122				9,122

Shareholders' equity:					
Preferred stock					
Common stock	277,741	23,753	100	(23,853)	277,741
Additional paid-in capital	2,480,062	653,711	19,900	(673,611)	2,480,062
Retained earnings	(4,818)	127,633	16,597	(144,230)	(4,818)
Accumulated other comprehensive loss	(49,112)				(49,112)
Total shareholders' equity	2,703,873	805,097	36,597	(841,694)	2,703,873
Total liabilities and shareholders' equity	$ 7,449,323	$ 4,237,210	$ 241,208	$ (3,271,310)	$ 8,656,431

F-54

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

SUCCESSOR

	For the year ended January 30, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF OPERATIONS:					
Net sales	$ 236,682	$ 10,457,668	$ 97,917	$ (334,599)	$ 10,457,668
Cost of goods sold		7,396,571			7,396,571
Gross profit	236,682	3,061,097	97,917	(334,599)	3,061,097
Selling, general and administrative expenses	210,665	2,499,331	73,214	(334,599)	2,448,611
Litigation settlement and related costs, net	32,000				32,000
Operating profit (loss)	(5,983)	561,766	24,703		580,486
Interest income	(62,722)	(36,844)	(13,532)	110,037	(3,061)
Interest expense	427,365	74,586	18	(110,037)	391,932
Other (income) expense	(2,788)				(2,788)
Income (loss) before income taxes	(367,838)	524,024	38,217		194,403
Income taxes	(115,924)	190,146	11,999		86,221
Equity in subsidiaries' earnings, net of taxes	360,096			(360,096)	
Net income	$ 108,182	$ 333,878	$ 26,218	$ (360,096)	$ 108,182

SUCCESSOR

	March 6, 2007 through February 1, 2008				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF OPERATIONS:					
Net sales	$ 96,300	$ 5,571,493	$ 65,057	$ (161,357)	$ 5,571,493
Cost of goods sold		3,999,599			3,999,599
Gross profit	96,300	1,571,894	65,057	(161,357)	1,571,894
Selling, general and administrative expenses	102,030	1,337,311	46,524	(161,357)	1,324,508
Transaction and related costs	1,242				1,242
Operating profit (loss)	(6,972)	234,583	18,533		246,144
Interest income	(58,786)	(23,206)	(8,013)	86,206	(3,799)
Interest expense	274,104	64,991	8	(86,206)	252,897
Other (income) expense	3,639				3,639

Income (loss) before income taxes	(225,929)	192,798	26,538		(6,593)
Income taxes	(76,881)	65,166	9,940		(1,775)
Equity in subsidiaries' earnings, net of taxes	144,230			(144,230)	
Net income (loss)	$ (4,818)	$ 127,632	$ 16,598	$ (144,230)	$ (4,818)

F-55

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

PREDECESSOR

	February 3, 2007 through July 6, 2007				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF OPERATIONS:					
Net sales	$ 76,945	$ 3,923,753	$ 44,206	$ (121,151)	$ 3,923,753
Cost of goods sold		2,852,178			2,852,178
Gross profit	76,945	1,071,575	44,206	(121,151)	1,071,575
Selling, general and administrative expenses	64,827	982,321	34,933	(121,151)	960,930
Transaction and related costs	101,397				101,397
Operating profit (loss)	(89,279)	89,254	9,273		9,248
Interest income	(53,278)	(11,472)	(5,626)	65,330	(5,046)
Interest expense	19,796	55,828	5	(65,330)	10,299
Income (loss) before income taxes	(55,797)	44,898	14,894		3,995
Income taxes	(4,814)	11,924	4,883		11,993
Equity in subsidiaries' earnings, net of taxes	42,985			(42,985)	
Net income (loss)	$ (7,998)	$ 32,974	$ 10,011	$ (42,985)	$ (7,998)

PREDECESSOR

	For the year ended February 2, 2007				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF OPERATIONS:					
Net sales	$ 165,463	$ 9,169,822	$ 107,383	$ (272,846)	$ 9,169,822
Cost of goods sold		6,801,617			6,801,617
Gross profit	165,463	2,368,205	107,383	(272,846)	2,368,205
Selling, general and administrative expenses	149,272	2,154,371	89,132	(272,846)	2,119,929
Operating profit	16,191	213,834	18,251		248,276
Interest income	(126,628)	(33,521)	(11,543)	164,690	(7,002)
Interest expense	60,856	138,749		(164,690)	34,915
Income before income taxes	81,963	108,606	29,794		220,363
Income taxes	36,513	36,568	9,339		82,420
	92,493			(92,493)	

Equity in subsidiaries' earnings, net of taxes										
Net income	$	137,943	$	72,038	$	20,455	$	(92,493)	$	137,943

F-56

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

SUCCESSOR

	For the year ended January 30, 2009				
	DOLLAR GENERAL CORPORATION	**GUARANTOR SUBSIDIARIES**	**OTHER SUBSIDIARIES**	**ELIMINATIONS**	**CONSOLIDATED TOTAL**
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income	$ 108,182	$ 333,878	$ 26,218	$ (360,096)	$ 108,182
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	34,638	213,003	258		247,899
Deferred income taxes	(4,681)	16,500	61,615		73,434
Tax benefit of stock options	(950)				(950)
Noncash inventory adjustments and asset impairments		50,671			50,671
Noncash share-based compensation	9,958				9,958
Other noncash gains and losses	(3,104)	5,538			2,434
Equity in subsidiaries' earnings, net	(360,096)			360,096	
Change in operating assets and liabilities:					
Merchandise inventories		(173,014)			(173,014)
Prepaid expenses and other current assets	(2,310)	3,765	(2,053)		(598)
Accounts payable	18,717	121,546	93		140,356
Accrued expenses and other	11,427	46,177	11,132		68,736
Income taxes	56,596	(10,797)	(11,813)		33,986
Other	2,529	11,643	(88)		14,084
Net cash provided by (used in) operating activities	(129,094)	618,910	85,362		575,178
Cash flows from investing activities:					
Purchases of property and equipment	(16,467)	(189,058)	(21)		(205,546)
Purchases of short-term investments			(9,903)		(9,903)
Sales of short-term investments			61,547		61,547
Proceeds from sale of property and equipment		1,266			1,266
Net cash provided by (used in) investing activities	(16,467)	(187,792)	51,623		(152,636)
Cash flows from financing activities:					
Issuance of common stock	4,228				4,228
Net borrowings (repayments) under revolving credit facility	(102,500)				(102,500)
	(40,780)	(3,645)			(44,425)

Repayments of long-term obligations					
Repurchases of stock options	(2,511)				(2,511)
Repurchases of common stock	(498)				(498)
Tax benefit of stock options	950				950
Changes in intercompany note balances, net	570,989	(422,448)	(148,541)		
Net cash provided by (used in) financing activities	429,878	(426,093)	(148,541)		(144,756)
Net increase (decrease) in cash and cash equivalents	284,317	5,025	(11,556)		277,786
Cash and cash equivalents, beginning of year	8,320	59,379	32,510		100,209
Cash and cash equivalents, end of year	$ 292,637	$ 64,404	$ 20,954	$	$ 377,995

F-57

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

SUCCESSOR

	March 6, 2007 through February 1, 2008				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income (loss)	$ (4,818)	$ 127,632	$ 16,598	$ (144,230)	$ (4,818)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	21,634	128,431	148		150,213
Deferred income taxes	(2,120)	20,208	1,463		19,551
Noncash inventory adjustments and asset impairments		6,113			6,113
Noncash share-based compensation	3,827				3,827
Other noncash gains and losses	4,954	571			5,525
Equity in subsidiaries' earnings, net	(144,230)			144,230	
Change in operating assets and liabilities:					
Merchandise inventories		73,356			73,356
Prepaid expenses and other current assets	(1,120)	4,783	76		3,739
Accounts payable	(40,745)	12,428	(13,078)		(41,395)
Accrued expenses and other	(7,456)	6,418	17,099		16,061
Income taxes	(45,416)	44,829	7,935		7,348
Other	(3,169)	3,675	(422)		84
Net cash provided by (used in) operating activities	(218,659)	428,444	29,819		239,604
Cash flows from investing activities:					
Merger, net of cash acquired	(5,649,182)	(1,129,953)	40,744		(6,738,391)
Purchases of property and equipment	(1,617)	(82,003)	(21)		(83,641)
Purchases of short-term investments			(3,800)		(3,800)
Sales of short-term investments			21,445		21,445
Purchases of long-term investments			(7,473)		(7,473)
Purchase of promissory note		(37,047)			(37,047)
Proceeds from sale of property and equipment		533			533
Net cash provided by (used in) investing activities	(5,650,799)	(1,248,470)	50,895		(6,848,374)
Cash flows from financing activities:					
Issuance of common stock	2,759,540				2,759,540

Net borrowings (repayments) under revolving credit facility	102,500				102,500
Issuance of long-term obligations	4,176,817				4,176,817
Repayments of long-term obligations	(236,084)	(5,861)			(241,945)
Debt issuance costs	(87,392)				(87,392)
Repurchase of common stock	(541)				(541)
Changes in intercompany note balances, net	(837,062)	885,266	(48,204)		
Net cash provided by (used in) financing activities	5,877,778	879,405	(48,204)		6,708,979
Net increase in cash and cash equivalents	8,320	59,379	32,510		100,209
Cash and cash equivalents, beginning of period					
Cash and cash equivalents, end of year	$ 8,320	$ 59,379	$ 32,510	$	$ 100,209

F-58

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

PREDECESSOR

	February 3, 2007 through July 6, 2007				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income (loss)	$ (7,998)	$ 32,974	$ 10,011	$ (42,985)	$ (7,998)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	9,051	74,770	96		83,917
Deferred income taxes	(7,982)	(9,194)	(3,698)		(20,874)
Tax benefit of stock options	(3,927)				(3,927)
Noncash share-based compensation	45,433				45,433
Other noncash gains and losses		5,098			5,098
Equity in subsidiaries' earnings, net	(42,985)			42,985	
Change in operating assets and liabilities:					
Merchandise inventories		16,424			16,424
Prepaid expenses and other current assets	5,758	(11,762)	(180)		(6,184)
Accounts payable	44,909	(23,103)	12,988		34,794
Accrued expenses and other	7,897	36,021	9,077		52,995
Income taxes	(24,998)	31,741	(3,934)		2,809
Other	21	(372)	(190)		(541)
Net cash provided by operating activities	25,179	152,597	24,170		201,946
Cash flows from investing activities:					
Purchases of property and equipment	(5,321)	(50,737)	(95)		(56,153)
Purchases of short-term investments			(5,100)		(5,100)
Sales of short-term investments			9,505		9,505
Purchases of long-term investments			(15,754)		(15,754)
Proceeds from sale of property and equipment		620			620
Net cash used in investing activities	(5,321)	(50,117)	(11,444)		(66,882)
Cash flows from financing activities:					
Repayments of long-term obligations	(148)	(4,352)			(4,500)
Payment of cash dividends	(15,710)				(15,710)
	41,546				41,546

Proceeds from exercise of stock options					
Tax benefit of stock options	3,927				3,927
Changes in intercompany note balances, net	75,840	(86,988)	11,148		
Net cash provided by (used in) financing activities	105,455	(91,340)	11,148		25,263
Net increase in cash and cash equivalents	125,313	11,140	23,874		160,327
Cash and cash equivalents, beginning of year	114,310	58,107	16,871		189,288
Cash and cash equivalents, end of period	$ 239,623	$ 69,247	$ 40,745	$	$ 349,615

F-59

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Guarantor subsidiaries (Continued)

PREDECESSOR

	For the year ended February 2, 2007				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income	$ 137,943	$ 72,038	$ 20,455	$ (92,493)	$ 137,943
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	21,436	178,920	252		200,608
Deferred income taxes	(1,845)	(35,118)	(1,255)		(38,218)
Tax benefit of stock options	(2,513)				(2,513)
Noncash inventory adjustments and asset impairments		76,599			76,599
Noncash share-based compensation	7,578				7,578
Other noncash gains and losses		5,820			5,820
Equity in subsidiaries' earnings, net	(92,493)			92,493	
Change in operating assets and liabilities:					
Merchandise inventories		(26,541)			(26,541)
Prepaid expenses and other current assets	(1,042)	(13,655)	9,286		(5,411)
Accounts payable	(4,246)	39,189	18,601		53,544
Accrued expenses and other	(225)	38,564	14		38,353
Income taxes	(2,558)	(29,524)	(3,083)		(35,165)
Other	430	(7,670)			(7,240)
Net cash provided by operating activities	62,465	298,622	44,270		405,357
Cash flows from investing activities:					
Purchases of property and equipment	(13,270)	(247,788)	(457)		(261,515)
Purchases of short-term investments	(38,700)		(10,975)		(49,675)
Sales of short-term investments	38,700		12,825		51,525
Purchases of long-term investments			(25,756)		(25,756)
Sale and insurance proceeds related to property and equipment	143	3,303	11		3,457
Net cash used in investing activities	(13,127)	(244,485)	(24,352)		(281,964)
Cash flows from financing activities:					
Net borrowings (repayments) under revolving credit facility					

Repayments of long-term obligations	97	(14,215)			(14,118)
Debt issuance costs	(584)				(584)
Payment of cash dividends	(62,472)				(62,472)
Exercises of stock options	19,894				19,894
Repurchases of common stock	(79,947)				(79,947)
Tax benefit of stock options	2,513				2,513
Changes in intercompany note balances, net	75,061	(40,299)	(34,762)		
Net cash used in financing activities	(45,438)	(54,514)	(34,762)		(134,714)
Net increase (decrease) in cash and cash equivalents	3,900	(377)	(14,844)		(11,321)
Cash and cash equivalents, beginning of year	110,410	58,484	31,715		200,609
Cash and cash equivalents, end of year	$ 114,310	$ 58,107	$ 16,871	$	$ 189,288

F-60

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except per share amounts)

	Pro Forma July 31, 2009(a) (Unaudited)	July 31, 2009 (Unaudited)	January 30, 2009 (see Note 1)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 275,644	$ 515,375	$ 377,995
Merchandise inventories	1,552,586	1,552,586	1,414,955
Income taxes receivable	5,450	5,450	6,392
Deferred income taxes			4,600
Prepaid expenses and other current assets	72,368	72,368	66,183
Total current assets	1,906,048	2,145,779	1,870,125
Net property and equipment	1,273,452	1,273,452	1,268,960
Goodwill	4,338,589	4,338,589	4,338,589
Intangible assets, net	1,303,196	1,303,196	1,325,558
Other assets, net	78,928	78,928	85,967
Total assets	$8,900,213	$9,139,944	$8,889,199
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term obligations	$ 26,797	$ 26,797	$ 14,158
Accounts payable	800,308	800,308	678,421
Accrued expenses and other	304,384	304,384	375,045
Income taxes payable	18,974	19,304	7,611
Deferred income taxes	15,032	15,032	
Total current liabilities	1,165,495	1,165,825	1,075,235
Long-term obligations	4,111,023	4,111,023	4,122,956
Deferred income taxes	550,551	550,551	556,101
Other liabilities	280,726	280,726	289,288
Redeemable common stock	15,281	15,281	13,924
Shareholders' equity:			
Preferred stock			
Common stock; $0.875 par value, 1,000,000 shares authorized, 317,962 and 317,845 shares issued and outstanding at July 31, 2009 (actual and pro forma) and January 30, 2009, respectively	278,217	278,217	278,114

Additional paid-in capital	2,495,314	2,494,984	2,489,647
Retained earnings	40,229	279,960	103,364
Accumulated other comprehensive loss	(36,623)	(36,623)	(39,430)
Total shareholders' equity	2,777,137	3,016,538	2,831,695
Total liabilities and shareholders' equity	$8,900,213	$9,139,944	$8,889,199

(a) The pro forma balance sheet as of July 31, 2009 presented above reflects the payment of a special dividend and other related payments as if the special dividend had been paid on the Company's shares of common stock outstanding at July 31, 2009. See Note 10.

See notes to condensed consolidated financial statements.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands except per share amounts)

	For the 26 weeks ended July 31, 2009	August 1, 2008
Net sales	$5,681,844	$5,012,882
Cost of goods sold	3,920,444	3,561,770
Gross profit	1,761,400	1,451,112
Selling, general and administrative expenses	1,303,314	1,197,186
Operating profit	458,086	253,926
Interest income	(109)	(2,174)
Interest expense	179,180	200,305
Other (income) expense	(728)	590
Income before income taxes	279,743	55,205
Income taxes	103,147	21,571
Net income	$ 176,596	$ 33,634
Earnings per share:		
Basic	$ 0.56	$ 0.11
Diluted	0.55	0.11
Weighted average shares:		
Basic	317,907	317,411
Diluted	318,902	317,871

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances, January 30, 2009	317,845	$278,114	$2,489,647	$ 103,364	$ (39,430)	$2,831,695
Net income				176,596		176,596
Unrealized net gain on hedged transactions					2,807	2,807
Issuance of common stock	172	151	(151)			
Repurchases of common stock	(55)	(48)	(127)			(175)
Repurchases of stock options			(491)			(491)
Share-based compensation expense			6,106			6,106
Balances, July 31, 2009	317,962	$278,217	$2,494,984	$ 279,960	$ (36,623)	$3,016,538

See notes to condensed consolidated financial statements

F-63

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the 26 weeks ended July 31, 2009	August 1, 2008
Cash flows from operating activities:		
Net income	$ 176,596	$ 33,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,068	122,023
Deferred income taxes	12,568	(18,208)
Noncash share-based compensation	6,106	4,516
Noncash inventory adjustments and asset impairment	3,653	17,347
Tax benefit of stock options	(262)	(475)
Other noncash gains and losses	4,488	730
Change in operating assets and liabilities:		
Merchandise inventories	(136,262)	(218,749)
Prepaid expenses and other current assets	(4,109)	(6,060)
Accounts payable	113,978	262,415
Accrued expenses and other	(75,314)	68,692
Income taxes	12,635	18,892
Other	(1,280)	11,767
Net cash provided by operating activities	243,865	296,524
Cash flows from investing activities:		
Purchases of property and equipment	(107,305)	(80,100)
Purchases of short-term investments		(9,903)
Sales of short-term investments		58,950
Proceeds from sale of property and equipment	322	683
Net cash used in investing activities	(106,983)	(30,370)
Cash flows from financing activities:		
Issuance of common stock	2,018	
Issuance of long-term obligations	1,080	
Repayments of borrowings under revolving credit facility		(102,500)
Repayments of long-term obligations	(1,535)	(2,195)
Repurchases of common stock and stock options	(1,327)	(513)
Tax benefit of stock options	262	475
Net cash provided by (used in) financing activities	498	(104,733)
Net increase in cash and cash equivalents	137,380	161,421
Cash and cash equivalents, beginning of period	377,995	100,209
Cash and cash equivalents, end of period	$ 515,375	$ 261,630
Supplemental cash flow information:		

Cash paid for interest	$ 168,681	$ 193,236
Cash paid (received) for income taxes	$ 103,692	$ (3,830)
Supplemental schedule of noncash investing and financing activities:		
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	$ 15,383	$ 25,240
Expiration of equity repurchase rights	$	$ 2,548

See notes to condensed consolidated financial statements.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of these financial statements should refer to the Company's January 30, 2009 financial statements for additional information.

The Company's fiscal year ends on the Friday closest to January 31. Unless the context requires otherwise, references to years contained herein pertain to the Company's fiscal year. The Company's 2009 fiscal year will end on January 29, 2010 and its 2008 fiscal year ended on January 30, 2009.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the Company's customary accounting practices. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position as of July 31, 2009 and results of operations for the 26-week accounting periods ended July 31, 2009 and August 1, 2008 have been made.

The unaudited condensed consolidated balance sheet as of January 30, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

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

The Company uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation/deflation for the year. The interim LIFO calculations are subject to adjustment in the final year-end LIFO inventory valuation. The Company recorded LIFO provisions of $0.5 million and $16.0 million in the 26-week periods ended July 31, 2009 and August 1, 2008, respectively. In addition, ongoing estimates of inventory shrinkage and initial markups and markdowns are included in the interim cost of goods sold calculation. Because the Company's business is moderately seasonal, the results for interim periods are not necessarily indicative of the results to be expected for the entire year.

The Company recorded impairment charges included in SG&A expense of approximately $5.0 million in the 26-week period ended July 31, 2009 to reduce the carrying value of certain of its stores' leasehold improvement and equipment assets. The Company's impairment analysis indicated that such amounts would not be recoverable primarily due to projected future cash flows at these locations which are less than the carrying values of the assets.

Basic earnings per share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share was determined

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

1. Basis of presentation (Continued)

based on the dilutive effect of stock options, where applicable, using the treasury stock method. The amounts reflected below are in thousands except per share data.

	26-Weeks Ended July 31, 2009		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	$ 176,596	317,907	$ 0.56
Effect of dilutive stock options		995	
Diluted earnings per share	$ 176,596	318,902	$ 0.55

	26-Weeks Ended August 1, 2008		
	Net Income	Weighted Average Shares	Per Share Amount
Basic earnings per share	$ 33,634	317,411	$ 0.11
Effect of dilutive stock options		460	
Diluted earnings per share	$ 33,634	317,871	$ 0.11

Options to purchase shares of common stock that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings per share because the effect of exercising the options would be antidilutive, were 0.4 million and 9.6 million in the 2009 and 2008 periods, respectively.

During the most recent 12 month period, the Company has granted the following stock options:

Grant date	Number of Options	Exercise Price	Fair Value of Common Stock(1)	Fair Value of Option Grant(2)	Intrinsic Value(3)
August 28, 2008	1,922,832	$ 8.75	$ 8.75	$ 4.23	$
December 19, 2008	1,482,443	8.75	8.75	4.10	
March 18, 2009	491,425	9.63	9.63	4.56	
May 28, 2009	731,821	12.95	12.95	6.39	

(1) All fair valuations were determined by the Company's board of directors in consultation with management at the date of each stock option grant.

(2) As determined using the Black-Scholes-Merton valuation model at the date of each stock option grant.

(3) Intrinsic value reflects the amount by which the value of the shares (as of the grant date) exceeds the exercise price of the stock option.

F-66

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

1. Basis of presentation (Continued)

During the most recent twelve month period, the Company issued the following shares of common stock in exchange for cash equal to fair value:

Issuance Date(1)	Number of Shares	Sales Price	Fair Value of Common Stock	Intrinsic Value(2)
August 28, 2008	259,207	$ 8.75	$ 8.75	$
December 19, 2008	224,008	8.75	8.75	
March 18, 2009	64,417	9.63	9.63	
May 28, 2009	107,990	12.95	12.95	

(1) As described in Note 10 of the annual consolidated financial statements, the issuance of common stock is recorded as "Redeemable common stock" on the consolidated balance sheet, which is not included in Shareholders' Equity.

(2) Intrinsic value reflects the amount by which the value of the shares (as of the issuance date) exceeds the fair value of the common stock.

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

In June 2009 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* ("SFAS 168"). The FASB Accounting Standards Codification ("Codification") will become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants, including the Company. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of this statement to have a material effect on its financial position and results of operations.

In June 2009 the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("SFAS 167"). SFAS 167 amends Interpretation 46(R) to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity, specifies updated criteria for determining the primary beneficiary, requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity, eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, amends certain guidance for determining whether an entity is a variable interest entity, requires enhanced disclosures about an enterprise's involvement in a variable interest entity, and includes other provisions. SFAS 167 will be effective as of the beginning of the Company's first interim and annual reporting periods that begin after November 15, 2009. Earlier application is prohibited. The Company currently does not expect the impact of this statement on its consolidated financial statements to be material.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

1. Basis of presentation (Continued)

During the second quarter of 2009 the Company adopted SFAS No. 165, *Subsequent Events* ("SFAS 165"). The objective of SFAS 165 is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of this statement has not had a material effect on the Company's consolidated financial statements.

The Company adopted the provisions of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* ("SFAS 161") during the first quarter of 2009 as discussed in Note 6.

As discussed in Note 5, effective January 31, 2009 the Company changed its accounting for fair value of its nonfinancial assets and liabilities in connection with the adoption of SFAS No. 157, *Fair Value Measurements* ("SFAS 157").

2. Comprehensive income

Comprehensive income consists of the following:

	26 Weeks Ended	
(in thousands)	**July 31, 2009**	**August 1, 2008**
Net income	$ 176,596	$ 33,634
Unrealized net gain on hedged transactions, net of income tax expense of $1,513 and $14,777 respectively (see Note 6)	2,807	24,781
Comprehensive income	$ 179,403	$ 58,415

3. Income taxes

The Company reports income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109"). Under SFAS 109, the asset and liability method is used for computing the future income tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns.

Income tax reserves are determined using the methodology established by FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement 109* ("FIN 48"). FIN 48 requires companies to assess each income tax position taken using a two step approach. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position.

Subsequent to the February 3, 2007 adoption of FIN 48, the Company elected to record income tax related interest and penalties as a component of the provision for income tax expense.

The Internal Revenue Service ("IRS") is in the initial stages of an examination of the Company's federal income tax returns for fiscal year 2005. The 2004 and earlier fiscal years are not open for

F-68

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

3. Income taxes (Continued)

examination. The 2006, 2007 and 2008 fiscal years, while not currently under examination, are subject to examination at the discretion of the IRS. The Company also has various state income tax examinations in progress. Generally, the Company's 2005 and later tax years remain open for examination by the various state taxing authorities. The results of these examinations could result in changes, which changes could be material, to the Company's income tax liability. The estimated liability related to income tax examinations is included in the Company's reserve for uncertain tax positions.

As of July 31, 2009, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were $32.6 million, $8.1 million and $1.4 million, respectively, for a total of $42.1 million. Of this amount, $0.9 million and $40.2 million are reflected in current liabilities as Accrued expenses and other and in noncurrent Other liabilities, respectively, in the condensed consolidated balance sheet with the remaining $1.0 million reducing deferred tax assets related to net operating loss carry forwards. The reserve for uncertain tax positions decreased during the 26-week period ended July 31, 2009 by $26.5 million due principally to the reclassification, from the uncertain tax benefits account to the income tax payable account, of a liability associated with an accounting method utilized by the Company for income tax return filing purposes. Further, the Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately $0.5 million in the coming twelve months principally as a result of the settlement of currently ongoing state income tax examinations. The reasonably possible change of $0.5 million is included in current liabilities in the condensed consolidated balance sheet as of July 31, 2009. Also, as of July 31, 2009, approximately $32.0 million of the reserve for uncertain tax positions would impact the Company's effective income tax rate if the Company were to recognize the tax benefit for these positions.

The effective income tax rates for the 26-week periods ended July 31, 2009 and August 1, 2008 were 36.9% and 39.1%, respectively. The respective current and prior year periods included similar amounts of income tax-related interest, but because the 2009 pretax income was higher, the effective rates were impacted to a lesser degree. In addition, the 2009 period benefited from a reduction in a deferred tax valuation allowance related to state income tax credits that did not occur in 2008.

4. Current and long-term obligations

The Company has two senior secured credit facilities (the "Credit Facilities") which provide financing of up to $3.331 billion. The Credit Facilities consist of a $2.3 billion senior secured term loan facility and a senior secured asset-based revolving credit facility ("ABL Facility"), which was amended on July 31, 2009. Wells Fargo Retail Finance, LLC, became the successor administrative agent, replacing CIT Group/Business Credit, Inc., whose $94 million in commitments were also terminated. The total commitments under the ABL Facility subsequent to the amendment are $1.031 billion. The Company was in compliance with all covenants in the Credit Facilities as of July 31, 2009.

5. Assets and liabilities measured at fair value

On January 31, 2009, the Company adopted components of SFAS 157, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Assets and liabilities measured at fair value (Continued)

participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The Company has determined that the majority of the inputs used to value its derivative financial instruments fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of July 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety, as discussed in detail in Note 6, are classified in Level 2 of the fair value hierarchy. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of July 31, 2009.

(In thousands)	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at July 31, 2009
Assets:				
Trading securities(a)	$ 8,969	$	$	$ 8,969
Derivative financial instruments(b)		2,288		2,288
Liabilities:				
Long-term obligations(c)	4,227,480	16,317		4,243,797
Derivative financial instruments(d)		59,890		59,890

(a) Reflected in the condensed consolidated balance sheet as Prepaid expenses and other current assets of $1,731 and Other assets, net of $7,239.

(b) Reflected in the condensed consolidated balance sheet as Prepaid expenses and other current assets.

(c) Reflected in the condensed consolidated balance sheet as Current portion of long-term obligations of $24,822 and Long-term obligations of $4,103,464.

(d) Reflected in the condensed consolidated balance sheet as Other liabilities.

6. Derivatives and hedging activities

SFAS 161 amends and expands the disclosure requirements of FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Derivatives and hedging activities (Continued)

derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under SFAS 133.

Risk management objective of using derivatives

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

In addition, the Company is exposed to certain risks arising from uncertainties of future market values caused by the fluctuation in the prices of commodities. The Company enters into derivative financial instruments to protect against future price changes related to transportation costs associated with forecasted distribution of inventory.

Cash flow hedges of interest rate risk

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

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income (loss) (also referred to as "OCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the 26-week periods ended July 31, 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Derivatives and hedging activities (Continued)

As of July 31, 2009, the Company had four interest rate swaps with a combined notional value of $1.47 billion that were designated as cash flow hedges of interest rate risk. Amounts reported in Accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The Company terminated an interest rate swap in October 2008 due to the bankruptcy declaration of the counterparty bank. In accordance with Derivatives Implementation Group (DIG) Issue No. G3, the Company continues to report the net gain or loss related to the discontinued cash flow hedge in OCI and such net gain or loss is expected to be reclassified into earnings during the original contractual terms of the swap agreement as the hedged interest payments are expected to occur as forecasted. During the next 52-week period, the Company estimates that an additional $44.4 million will be reclassified as an increase to interest expense for all of its interest rate swaps.

Non-designated hedges of commodity risk

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to commodity price risk but do not meet the strict hedge accounting requirements of SFAS 133. In February 2009, the Company entered into a commodity hedge related to diesel fuel to limit its exposure to variability in diesel fuel prices and their effect on transportation costs. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of July 31, 2009, the Company had one diesel fuel commodity swap hedging monthly usage of diesel fuel through January 2010 with a total 7.6 million gallons notional during the remaining term that was not designated as a hedge in a qualifying hedging relationship.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the condensed consolidated balance sheet as of July 31, 2009:

Tabular Disclosure of Fair Values of Derivative Instruments
(in thousands)

	Asset Derivatives As of July 31, 2009		Liability Derivatives As of July 31, 2009	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives designated as hedging instruments under SFAS 133				
Interest rate swaps			Other liabilities	$59,890
Derivatives not designated as hedging instruments under SFAS 133				
Commodity hedges	Prepaid expenses and other current assets	$ 2,288		

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Derivatives and hedging activities (Continued)

The table below presents the pre-tax effect of the Company's derivative financial instruments on the condensed consolidated statement of income (including OCI, see Note 2) for the 26-week period ended July 31, 2009:

Tabular Disclosure of the Effect of Derivative Instruments on the Consolidated Statement of Income
For the 26-weeks ended July 31, 2009
(in thousands)

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of (Gain) or Loss Recognized in OCI on Derivative (Effective Portion)	Location of Gain or Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest Rate Swaps	$ 19,469	Interest expense	$ 23,789	Other (income) expense	$ 314

Derivatives Not Designated as Hedging Instruments Under SFAS 133	Location of Gain or Loss Recognized in Income on Derivative	Amount of (Gain) or Loss Recognized in Income on Derivative
Commodity Hedges	Other (income) expense	$ (1,043)

Credit-risk-related contingent features

The Company has agreements with all of its interest rate swap counterparties that contain a provision providing that the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on such indebtedness.

As of July 31, 2009, the fair value of interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements, was $62.7 million. As of July 31, 2009, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions at July 31, 2009, it would have been required to settle its obligations under the agreements at their termination value of $62.7 million.

As of July 31, 2009, the fair value of commodity hedges in a net asset position was $2.3 million, which excludes any adjustment for nonperformance risk related to the agreements.

7. Commitments and contingencies

Legal proceedings

On August 7, 2006, a lawsuit entitled *Cynthia Richter, et al. v. Dolgencorp, Inc., et al.* was filed in the United States District Court for the Northern District of Alabama (Case No. 7:06-cv-01537-LSC) ("Richter") in which the plaintiff alleges that she and other current and former Dollar General store managers were improperly classified as exempt executive employees under the Fair Labor Standards Act ("FLSA") and seeks to recover overtime pay, liquidated damages, and attorneys' fees and costs. On August 15, 2006, the Richter plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff's motion.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Commitments and contingencies (Continued)

On March 23, 2007, the court conditionally certified a nationwide class of individuals who worked for Dollar General as store managers since August 7, 2003. The number of persons who will be included in the class has not been determined.

On May 30, 2007, the court stayed all proceedings in the case, including the sending of the notice to the class, to evaluate, among other things, certain appeals pending in the Eleventh Circuit involving claims similar to those raised in this action. That stay has been extended on several occasions, most recently through October 31, 2009. Those appeals have been resolved, and the court has ordered that a list of potential class members be prepared and notice to those individuals be issued. During the stay, the statute of limitations was tolled for the potential class members.

The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that this action is not appropriate for collective action treatment. The Company intends to vigorously defend this action. However, at this time, it is not possible to predict whether the court ultimately will permit this action to proceed collectively, and no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in its efforts to defend this action, the resolution could have a material adverse effect on the Company's financial statements as a whole.

On May 18, 2006, the Company was served with a lawsuit entitled *Tammy Brickey, Becky Norman, Rose Rochow, Sandra Cogswell and Melinda Sappington v. Dolgencorp, Inc. and Dollar General Corporation* (Western District of New York, Case No. 6:06-cv-06084-DGL, originally filed on February 9, 2006 and amended on May 12, 2006 ("Brickey")). The Brickey plaintiffs seek to proceed collectively under the FLSA and as a class under New York, Ohio, Maryland and North Carolina wage and hour statutes on behalf of, among others, assistant store managers who claim to be owed wages (including overtime wages) under those statutes. At this time, it is not possible to predict whether the court will permit this action to proceed collectively or as a class. However, the Company believes that this action is not appropriate for either collective or class treatment and that the Company's wage and hour policies and practices comply with both federal and state law. The Company plans to vigorously defend this action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise, and, if it is not successful, the resolution of this action could have a material adverse effect on the Company's financial statements as a whole.

On March 7, 2006, a complaint was filed in the United States District Court for the Northern District of Alabama (*Janet Calvert v. Dolgencorp, Inc.*, Case No. 2:06-cv-00465-VEH ("Calvert")), in which the plaintiff, a former store manager, alleged that she was paid less than male store managers because of her sex, in violation of the Equal Pay Act and Title VII of the Civil Rights Act of 1964, as amended ("Title VII"). The complaint subsequently was amended to include additional plaintiffs, who also allege to have been paid less than males because of their sex, and to add allegations that the Company's compensation practices disparately impact females. Under the amended complaint, Plaintiffs seek to proceed collectively under the Equal Pay Act and as a class under Title VII, and request back wages, injunctive and declaratory relief, liquidated damages, punitive damages and attorney's fees and costs.

On July 9, 2007, the plaintiffs filed a motion in which they asked the court to approve the issuance of notice to a class of current and former female store managers under the Equal Pay Act. The Company opposed plaintiffs' motion. On November 30, 2007, the court conditionally certified a nationwide class of females under the Equal Pay Act who worked for Dollar General as store managers between November 30, 2004 and November 30, 2007. The notice was issued on January 11, 2008, and

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Commitments and contingencies (Continued)

persons to whom the notice was sent were required to opt into the suit by March 11, 2008. Approximately 2,100 individuals have opted into the lawsuit. The Company will have an opportunity at the close of the discovery period to seek decertification of the Equal Pay Act class, and the Company expects to file such motion.

The plaintiffs have not yet moved for class certification relating to their Title VII claims. The Company expects such motion to be filed within the next several months and will strenuously oppose such a motion.

At this time, it is not possible to predict whether the court ultimately will permit the Calvert action to proceed collectively under the Equal Pay Act or as a class under Title VII. However, the Company believes that the case is not appropriate for class or collective treatment and that its policies and practices comply with the Equal Pay Act and Title VII. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending the Calvert action, its resolution could have a material adverse effect on the Company's financial statements as a whole.

On July 30, 2008, the Company was served with a complaint filed in the District Court for Dallas County, Iowa (*Julie Cox, et al. v. Dolgencorp, Inc., et al* Case No. LACV-034423 ("Cox")) in which the plaintiff, a former store manager, alleges that the Company discriminates against pregnant employees on the basis of sex and retaliates against employees in violation of the Iowa Civil Rights Act. Cox seeks to represent a class of "all current, former and future employees from the State of Iowa who are employed by Dollar General who suffered from, are currently suffering from or in the future may suffer from" alleged sex/pregnancy discrimination and retaliation and seeks declaratory and injunctive relief as well as equitable, compensatory and punitive damages and attorneys' fees and costs.

At this time, it is not possible to predict whether the court ultimately will permit the Cox action to proceed as a class. However, the Company believes that the case is not appropriate for class treatment and that its policies and practices comply with the Iowa Civil Rights Act. The Company intends to vigorously defend the action; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise. If the Company is not successful in defending this action, its resolution could have a material adverse effect on the Company's financial statements as a whole.

On December 4, 2008, a complaint was filed in the United States District Court for the Western District of Tennessee (*Tressa Holt, et al v. Dollar General Corporation, et al.*, Case No.1:08-cv-01298 JDB) in which the plaintiff, on behalf of herself and a putative class of non-exempt store employees, alleges that the Company violated the Fair Labor Standards Act by failing to pay for all hours worked, including overtime hours. The Company resolved this matter for an amount that is not material.

On November 24, 2008, the Company and all defendants, including the Company's directors, reached an agreement in principle to settle the lawsuit pending in the Sixth Circuit Court for Davidson County, Twentieth Judicial District, at Nashville, captioned "In re: Dollar General," Case No. 07MD-1, in which the plaintiffs alleged that the Company's directors engaged in "self-dealing" by agreeing to recommend the Company's 2007 merger to shareholders and that the consideration available to such shareholders in the transaction was unfairly low. The Company determined that the agreement would be in the best interest of the Company to avoid costly and time-consuming litigation. Based on the agreement in principle, the Company recorded a charge of $32.0 million in the third and fourth quarters of 2008 in connection with the proposed settlement, which was net of insurance proceeds of $10.0 million which were collected in the fourth quarter of 2008. On February 2, 2009, the Company

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Commitments and contingencies (Continued)

funded the $40.0 million settlement and on February 11, 2009, the court approved the terms of the settlement.

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

Other

In August 2008, the Consumer Product Safety Improvement Act of 2008 was signed into law. This law addresses, among other things, the permissible levels of lead and listed phthalates in certain products. The first tier of new standards for permissible levels of lead and phthalates became effective in February 2009; the second tier became effective in August 2009. To ensure compliance, the Company undertook a process to identify, mark down and cease the sale of any remaining inventory that would be impacted by the new law. The impact of this process was not material to the Company's consolidated financial statements.

8. Segment reporting

The Company manages its business on the basis of one reportable segment. As of July 31, 2009, all of the Company's operations were located within the United States, with the exception of a Hong Kong subsidiary, the assets and revenues of which are not material. The following net sales data is presented in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

	26 Weeks Ended	
(In thousands)	**July 31, 2009**	**August 1, 2008**
Classes of similar products:		
Consumables	$4,049,005	$3,476,910
Seasonal	779,749	706,646
Home products	429,077	424,035
Apparel	424,013	405,291
Net sales	$5,681,844	$5,012,882

9. Related party transactions

KKR and GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), have an indirect interest in a substantial portion of the Company's common stock through their investments in Buck Holdings, L.P.

Affiliates of KKR and Goldman, Sachs & Co. (among other entities) are lenders under the Company's $2.3 billion senior secured term loan facility. The amount of principal outstanding under

F-76

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

9. Related party transactions (Continued)

this term loan facility at all times since the Company's 2007 merger was $2.3 billion, and the Company paid no principal and approximately $39.8 million and $70.7 million of interest on this term loan during the 26-week periods ended July 31, 2009 and August 1, 2008, respectively.

Goldman, Sachs & Co. is a counterparty to an amortizing interest rate swap totaling $420.0 million as of July 31, 2009, entered into in connection with the Company's senior secured term loan facility. The Company paid Goldman, Sachs & Co. approximately $8.3 million and $5.1 million in the 26-week periods ended July 31, 2009 and August 1, 2008, respectively pursuant to this swap.

The Company is party to a monitoring agreement with an affiliate of KKR and with Goldman, Sachs & Co. pursuant to which those entities provide management and advisory services to the Company. Under the terms of the monitoring agreement, among other things, the Company is obligated to pay to those entities an aggregate annual management fee payable in arrears at the end of each calendar quarter plus all reasonable out of pocket expenses incurred in connection with the provision of services under the agreement upon request. The fees incurred for the 26-week periods ended July 31, 2009 and August 1, 2008 totaled $2.7 million and $4.1 million, respectively. The management fee is scheduled to be $5.4 million in 2009 and increase at a rate of 5% per year. In connection with a proposed initial public offering of the Company's common stock as further discussed in Note 10, the parties intend to terminate the monitoring agreement in accordance with its terms which will include the payment of a termination fee.

From time to time the Company may use the services of Capstone Consulting, LLC, a team of executives who work exclusively with KKR portfolio companies providing certain consulting services. The Chief Executive Officer of Capstone served on the Company's Board of Directors until March 2009. The aggregate fees incurred for Capstone services for the 26-week periods ended July 31, 2009 and August 1, 2008 totaled $0.2 million and $1.7 million, respectively.

A Member and a Director of KKR and a Managing Director of Goldman, Sachs & Co. serve on the Company's Board of Directors.

10. Subsequent events

On August 20, 2009, the Company filed with the SEC a registration statement on Form S-1 relating to a proposed initial public offering of its common stock. The Company intends to use the net proceeds it receives from the offering to redeem a portion of its 10.625% senior notes due 2015 and its 11.875%/12.625% senior subordinated toggle notes due 2017. Upon the completion of the offering, and in connection with the Company's termination of the monitoring agreement with KKR and Goldman, Sachs & Co., the Company will be required to pay a fee to KKR and Goldman, Sachs & Co. (which amount will include a transaction fee equal to 1% of the estimated gross primary proceeds from the offering).

On September 8, 2009, the Company's Board of Directors declared a special dividend on the Company's outstanding common stock (including shares of restricted stock) of $0.7525 per share, or approximately $239.3 million in the aggregate, which was paid on September 11, 2009 to shareholders of record on September 8, 2009. The special dividend was paid with cash generated from operations. Pursuant to the terms of the Company's stock option plans, holders of stock options received either a pro-rata adjustment to the terms of their share-based awards or a cash payment in substitution for such adjustment as a result of the dividend. The pro forma balance sheet as of July 31, 2009 presented herein reflects the payment of this special dividend and other related payments as if it had been paid on the Company's shares of common stock outstanding at July 31, 2009 (primarily as a reduction of Cash and cash equivalents and of Retained earnings).

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

10. Subsequent events (Continued)

On October 12, 2009, the Company completed a reverse stock split of 1 share for each 1.75 shares of common stock outstanding. All issued and outstanding common stock, vested and unvested stock options, restricted stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect this reverse stock split.

As of October 23, 2009, the Company's board of directors and shareholders had approved an increase in the number of shares authorized for issuance under the Company's 2007 Stock Incentive Plan to 31,142,858, to be effective upon the closing of the proposed initial public offering of common stock.

Subsequent events pertaining to the Company have been evaluated through the time of filing this document with the SEC on November 9, 2009, which is the date these financial statements were issued.

11. Guarantor subsidiaries

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

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Guarantor subsidiaries (Continued)

	July 31, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 320,562	$ 156,735	$ 38,078	$	$ 515,375
Merchandise inventories		1,552,586			1,552,586
Income taxes receivable		5,450			5,450
Deferred income taxes			2,998	(2,998)	
Prepaid expenses and other current assets	701,556	2,279,048	6,838	(2,915,074)	72,368
Total current assets	1,022,118	3,993,819	47,914	(2,918,072)	2,145,779
Net property and equipment	78,739	1,194,563	150		1,273,452
Goodwill	4,338,589				4,338,589
Intangible assets, net	1,203,445	99,751			1,303,196
Deferred income taxes			23,133	(23,133)	
Other assets, net	3,799,867	8,169	272,348	(4,001,456)	78,928
Total assets	$ 10,442,758	$ 5,296,302	$ 343,545	$ (6,942,661)	$ 9,139,944
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	$ 24,822	$ 1,975	$	$	$ 26,797
Accounts payable	2,493,428	1,166,687	46,564	(2,906,371)	800,308
Accrued expenses and other	40,549	221,434	51,104	(8,703)	304,384
Income taxes payable	14,373		4,931		19,304
Deferred income taxes	5,838	12,192		(2,998)	15,032
Total current liabilities	2,579,010	1,402,288	102,599	(2,918,072)	1,165,825
Long-term obligations	4,334,047	2,515,240	13,178	(2,751,442)	4,111,023
Deferred income taxes	395,716	177,968		(23,133)	550,551
Other liabilities	102,166	27,498	151,062		280,726
Redeemable common stock	15,281				15,281

Shareholders' equity:									
Preferred stock									
Common stock		278,217		23,855		100		(23,955)		278,217
Additional paid-in capital		2,494,984		431,253		19,900		(451,153)		2,494,984
Retained earnings		279,960		718,200		56,706		(774,906)		279,960
Accumulated other comprehensive loss		(36,623)								(36,623)
Total shareholders' equity		3,016,538		1,173,308		76,706		(1,250,014)		3,016,538
Total liabilities and shareholders' equity	$	10,442,758	$	5,296,302	$	343,545	$	(6,942,661)	$	9,139,944

F-79

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Guarantor subsidiaries (Continued)

	January 30, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEET:					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 292,637	$ 64,404	$ 20,954	$	$ 377,995
Merchandise inventories		1,414,955			1,414,955
Income tax receivable	50,601			(44,209)	6,392
Deferred income taxes	5,892		2,560	(3,852)	4,600
Prepaid expenses and other current assets	462,572	2,016,712	5,894	(2,418,995)	66,183
Total current assets	811,702	3,496,071	29,408	(2,467,056)	1,870,125
Net property and equipment	82,616	1,186,125	219		1,268,960
Goodwill	4,338,589				4,338,589
Intangible assets, net	1,205,667	119,891			1,325,558
Deferred income taxes			3,518	(3,518)	
Other assets, net	3,384,089	130,100	280,204	(3,708,426)	85,967
Total assets	$ 9,822,663	$ 4,932,187	$ 313,349	$ (6,179,000)	$ 8,889,199
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term obligations	$ 11,500	$ 2,658	$	$	$ 14,158
Accounts payable	2,007,625	1,035,057	46,644	(2,410,905)	678,421
Accrued expenses and other	108,504	220,142	54,489	(8,090)	375,045
Income taxes payable	1,659	48,467	1,694	(44,209)	7,611
Deferred income taxes		3,852		(3,852)	
Total current liabilities	2,129,288	1,310,176	102,827	(2,467,056)	1,075,235
Long-term obligations	4,346,258	2,383,304		(2,606,606)	4,122,956
Deferred income taxes	397,570	162,049		(3,518)	556,101
Other liabilities	103,928	37,653	147,707		289,288
Redeemable common stock	13,924				13,924

Shareholders' equity:					
Preferred stock					
Common stock	278,114	23,855	100	(23,955)	278,114
Additional paid-in capital	2,489,647	553,639	19,900	(573,539)	2,489,647
Retained earnings	103,364	461,511	42,815	(504,326)	103,364
Accumulated other comprehensive loss	(39,430)				(39,430)
Total shareholders' equity	2,831,695	1,039,005	62,815	(1,101,820)	2,831,695
Total liabilities and shareholders' equity	$ 9,822,663	$ 4,932,187	$ 313,349	$ (6,179,000)	$ 8,889,199

F-80

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Guarantor subsidiaries (Continued)

	For the 26 weeks ended July 31, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:					
Net sales	$ 131,625	$ 5,681,844	$ 45,151	$ (176,776)	$ 5,681,844
Cost of goods sold		3,920,444			3,920,444
Gross profit	131,625	1,761,400	45,151	(176,776)	1,761,400
Selling, general and administrative expenses	119,670	1,326,537	33,883	(176,776)	1,303,314
Operating profit	11,955	434,863	11,268		458,086
Interest income	(26,309)	(2,145)	(9,440)	37,785	(109)
Interest expense	190,356	26,599	10	(37,785)	179,180
Other (income) expense	(728)				(728)
Income (loss) before incometaxes	(151,364)	410,409	20,698		279,743
Income taxes	(57,380)	153,720	6,807		103,147
Equity in subsidiaries' earnings, net of taxes	270,580			(270,580)	
Net income	$ 176,596	$ 256,689	$ 13,891	$ (270,580)	$ 176,596

	For the 26 weeks ended August 1, 2008				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:					
Net sales	$ 100,657	$ 5,012,882	$ 48,469	$ (149,126)	$ 5,012,882
Cost of goods sold		3,561,770			3,561,770
Gross profit	100,657	1,451,112	48,469	(149,126)	1,451,112
Selling, general and administrative expenses	93,334	1,212,240	40,738	(149,126)	1,197,186
Operating profit	7,323	238,872	7,731		253,926
Interest income	(35,722)	(17,352)	(6,819)	57,719	(2,174)
Interest expense	217,297	40,673	54	(57,719)	200,305
Other (income) expense	590				590
Income (loss) before income taxes	(174,842)	215,551	14,496		55,205
Income taxes	(57,981)	76,866	2,686		21,571
Equity in subsidiaries' earnings, net of taxes	150,495			(150,495)	

Net income	$ 33,634	$ 138,685	$ 11,810	$ (150,495)	$ 33,634

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Guarantor subsidiaries (Continued)

	For the 26-weeks ended July 31, 2009				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income	$ 176,596	$ 256,689	$ 13,891	$ (270,580)	$ 176,596
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	19,187	111,762	119		131,068
Deferred income taxes	8,362	24,259	(20,053)		12,568
Noncash share-based compensation	6,106				6,106
Noncash inventory adjustments and asset impairment		3,653			3,653
Tax benefit of stock options	(262)				(262)
Other noncash gains and losses	(78)	4,566			4,488
Equity in subsidiaries' earnings, net	(270,580)			270,580	
Change in operating assets and liabilities:					
Merchandise inventories		(136,262)			(136,262)
Prepaid expenses and other current assets	1,992	(6,723)	622		(4,109)
Accounts payable	(16,752)	130,726	4		113,978
Accrued expenses and other	(66,083)	(9,201)	(30)		(75,314)
Income taxes	63,315	(53,917)	3,237		12,635
Other	(2,267)	987			(1,280)
Net cash provided by (used in) operating activities	(80,464)	326,539	(2,210)		243,865
Cash flows from investing activities:					
Purchases of property and equipment	(5,287)	(101,968)	(50)		(107,305)
Proceeds from sale of property and equipment		322			322
Net cash used in investing activities	(5,287)	(101,646)	(50)		(106,983)
Cash flows from financing activities:					
Issuance of common stock	2,018				2,018
Issuance of long-term obligations		1,080			1,080
Repayments of long-term obligations		(1,535)			(1,535)
Repurchases of common stock and stock options	(1,327)				(1,327)
Tax benefit of stock options	262				262

Changes in intercompany note balances, net	112,723	(132,107)	19,384		
Net cash provided by (used in) financing activities	113,676	(132,562)	19,384		498
Net increase in cash and cash equivalents	27,925	92,331	17,124		137,380
Cash and cash equivalents, beginning of period	292,637	64,404	20,954		377,995
Cash and cash equivalents, end of period	$ 320,562	$ 156,735	$ 38,078	$	$ 515,375

Table of Contents

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Guarantor subsidiaries (Continued)

	For the 26-weeks ended August 1, 2008				
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	OTHER SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:					
Cash flows from operating activities:					
Net income	$ 33,634	$ 138,685	$ 11,810	$ (150,495)	$ 33,634
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	17,310	104,585	128		122,023
Deferred income taxes	(14,102)	(377)	(3,729)		(18,208)
Noncash share-based compensation	4,516				4,516
Noncash inventory adjustments and asset impairment		17,347			17,347
Tax benefit of stock options	(475)				(475)
Other noncash gains and losses		730			730
Equity in subsidiaries' earnings, net	(150,495)			150,495	
Change in operating assets and liabilities:					
Merchandise inventories		(218,749)			(218,749)
Prepaid expenses and other current assets	(671)	(3,906)	(1,483)		(6,060)
Accounts payable	20,633	241,677	105		262,415
Accrued expenses and other	21,218	36,364	11,110		68,692
Income taxes	23,564	(465)	(4,207)		18,892
Other	1,870	9,985	(88)		11,767
Net cash provided by (used in) operating activities	(42,998)	325,876	13,646		296,524
Cash flows from investing activities:					
Purchases of property and equipment	(5,699)	(74,394)	(7)		(80,100)
Purchases of short-term investments			(9,903)		(9,903)
Sales of short-term investments			58,950		58,950
Proceeds from sale of property and equipment		683			683
Net cash provided by (used in) investing activities	(5,699)	(73,711)	49,040		(30,370)
Cash flows from financing activities:					
Repayments of borrowings under revolving credit facility	(102,500)				(102,500)
Repayments of long-term obligations		(2,195)			(2,195)

Repurchases of common stock and stock options	(513)				(513)
Tax benefit of stock options	475				475
Changes in intercompany note balances, net	306,543	(237,232)	(69,311)		
Net cash provided by (used in) financing activities	204,005	(239,427)	(69,311)		(104,733)
Net increase (decrease) in cash and cash equivalents	155,308	12,738	(6,625)		161,421
Cash and cash equivalents, beginning of period	8,320	59,379	32,510		100,209
Cash and cash equivalents, end of period	$ 163,628	$ 72,117	$ 25,885	$	$ 261,630

F-83

Explanation of Responses:

Explanation of Responses:

34,100,000 Shares

Dollar General Corporation

Common Stock

PROSPECTUS

Citi
Goldman, Sachs & Co.
KKR

BofA Merrill Lynch
J.P. Morgan

Barclays Capital
Wells Fargo Securities
Deutsche Bank Securities
HSBC