

Sun Dollar, L.P.  
Form 424B3  
July 10, 2008

**Filed Pursuant to Rule 424(b)(3)**

**Registration Nos. 333-150096, 333-150096-01 to 333-150096-17**

DOLLAR GENERAL CORPORATION

SUPPLEMENT NO. 4 TO

MARKET MAKING PROSPECTUS DATED

APRIL 16, 2008

THE DATE OF THIS SUPPLEMENT IS JULY 10, 2008

On June 16, 2008, Dollar General Corporation filed the attached Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2008.

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

FORM 10-Q

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

For the quarterly period ended May 2, 2008

Commission File Number: 001-11421

DOLLAR GENERAL CORPORATION

*(Exact Name of Registrant as Specified in Its Charter)*

TENNESSEE  
*(State or other jurisdiction of  
incorporation or organization)*

61-0502302  
*(I.R.S. Employer  
Identification No.)*

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

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

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

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

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [X]

Smaller reporting company [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

The registrant had 555,479,897 shares of common stock outstanding on June 12, 2008.

**PART I FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****DOLLAR GENERAL CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS***(In thousands)*

	May 2, 2008 (Unaudited)	February 1, 2008 (see Note 1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 115,904	\$ 100,209
Short-term investments	48,571	19,611
Merchandise inventories	1,317,097	1,288,661
Income taxes receivable	33,813	32,501
Deferred income taxes	15,247	17,297
Prepaid expenses and other current assets	64,508	59,465
Total current assets	1,595,140	1,517,744
Net property and equipment	1,250,570	1,274,245
Goodwill	4,344,930	4,344,930
Intangible assets, net	1,359,090	1,370,557
Other assets, net	113,269	148,955
Total assets	\$ 8,662,999	\$ 8,656,431
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term obligations	\$ 2,830	\$ 3,246
Accounts payable	592,071	551,040
Accrued expenses and other	356,915	300,956
Income taxes payable	2,924	2,999

Edgar Filing: Sun Dollar, L.P. - Form 424B3

Total current liabilities	954,740	858,241
Long-term obligations	4,176,121	4,278,756
Deferred income taxes	490,035	486,725
Other liabilities	302,384	319,714
Redeemable common stock	9,112	9,122
Shareholders' equity:		
Preferred stock	-	-
Common stock	277,740	277,741
Additional paid-in capital	2,482,409	2,480,062
Retained earnings (accumulated deficit)	1,097	(4,818)
Accumulated other comprehensive loss	(30,639)	(49,112)
Total shareholders' equity	2,730,607	2,703,873
Total liabilities and shareholders' equity	\$ 8,662,999	\$ 8,656,431

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

*(In thousands except per share amounts)*

	Successor	Predecessor
	For the 13 weeks ended	
	May 2, 2008	May 4, 2007
Net sales	\$ 2,403,498	\$ 2,275,267
Cost of goods sold	1,710,421	1,642,207
Gross profit	693,077	633,060
Selling, general and administrative	582,504	577,692
Operating profit	110,573	55,368
Interest income	(957)	(2,573)
Interest expense	100,871	6,167
Income before income taxes	10,659	51,774
Income taxes	4,743	16,899
Net income	\$ 5,916	\$ 34,875

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

*(In thousands)*

	Successor	Predecessor
	For the 13 weeks ended	
	May 2, 2008	May 4, 2007
<i>Cash flows from operating activities:</i>		
Net income	\$ 5,916	\$ 34,875
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,406	50,451
Deferred income taxes	(5,600)	(4,948)
Noncash share-based compensation	2,346	3,469
Tax benefit from stock option exercises	-	(3,529)
Change in operating assets and liabilities:		
Merchandise inventories	(28,436)	(11,977)
Prepaid expenses and other current assets	(3,545)	(552)
Accounts payable	52,860	(62,870)
Accrued expenses and other	67,897	25,647
Income taxes	(1,387)	(1,736)
Other	104	456
Net cash provided by operating activities	151,561	29,286
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(35,373)	(34,101)
Purchases of short-term investments	(9,903)	-
Sales of short-term investments	12,976	6,000
Purchases of long-term investments	-	(5,670)
Proceeds from sale of property and equipment	94	169
Net cash used in investing activities	(32,206)	(33,602)
<i>Cash flows from financing activities:</i>		
Borrowings under revolving credit facility	-	-
Repayments of borrowings under revolving credit facility	(102,500)	-
Repayments of long-term obligations	(1,045)	(2,653)

Edgar Filing: Sun Dollar, L.P. - Form 424B3

Payment of cash dividends	-		(15,712)
Proceeds from exercise of stock options	-		34,281
Repurchases of common stock	(10)		-
Tax benefit from stock option exercises	-		3,529
Other financing activities	(105)		-
Net cash provided by (used in) financing activities	(103,660)		19,445
Net increase in cash and cash equivalents	15,695		15,129
Cash and cash equivalents, beginning of period	100,209		189,288
Cash and cash equivalents, end of period	\$ 115,904	\$	204,417

*Supplemental schedule of noncash investing and financing activities:*

Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 8,620	\$	10,639
Purchases of property and equipment under capital lease obligations	\$ -	\$	163

*See notes to condensed consolidated financial statements.*



**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**1.**

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Such financial statements consequently do not include all of the disclosures normally required by U.S. GAAP or those normally made in the Company's Annual Report on Form 10-K. Accordingly, the reader of this Quarterly Report on Form 10-Q should refer to the Company's Annual Report on Form 10-K for the year ended February 1, 2008 for additional information.

The Company was acquired on July 6, 2007 through a merger with Buck Acquisition Corp. (Buck) accounted for as a reverse acquisition (Merger). The Merger was funded primarily through debt financings and cash equity contributions from investment funds affiliated with Kohlberg Kravis Roberts & Co., L.P. (KKR), GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), Citi Private Equity, Wellington Management Company, LLP, CPP Investment Board (USRE II) Inc. and other equity co-investors (collectively, the Investors). Although the Company continued as the same legal entity after the Merger, the accompanying condensed consolidated financial statements are presented for the Predecessor for the 13-week period ended May 4, 2007 and Successor for the 13-week period ended May 2, 2008 as a result of the Company applying purchase accounting and a new basis of accounting beginning on July 7, 2007. As a result of purchase accounting, the pre-Merger and post-Merger financial results are not comparable.

Buck's results of operations (a net loss of \$1.2 million) for the period from its formation on March 6, 2007 to May 4, 2007 are not reflected in the condensed consolidated financial statements for the period ended May 4, 2007. This loss was related to certain derivative financial instruments entered into by Buck prior to the Merger, as discussed further in Note 3, and Buck had no other assets, liabilities, or operations prior to the Merger.

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 May 2, 2008 and results of operations for the 13-week quarterly accounting periods ended May 2, 2008 and May 4, 2007 have been made.

The condensed consolidated balance sheet as of February 1, 2008 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 in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. 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.

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

As discussed in Note 3, effective February 2, 2008 the Company changed its accounting for the fair value of certain financial assets and liabilities in connection with the adoption of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. The adoption resulted in a \$4.7 million decrease in liability balances associated with interest rate swaps that the Company uses in an attempt to manage interest rate risk, with the offset reflected in other comprehensive income.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). SFAS 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company plans to adopt SFAS 162 once it is effective. The Company is in the process of determining the potential impact of this standard on its financial statements.

2.

**Comprehensive income**

Comprehensive income consists of the following:

	Successor	Predecessor
	13 Weeks Ended	
	May 2,	May 4,
	2008	2007
<i>(in thousands)</i>		
Net income	\$ 5,916	\$ 34,875
Unrealized net gain on hedged transactions, net of income taxes (see Note 3)	18,473	-

Reclassification of net loss on derivatives		-		46
Comprehensive income	\$	24,389	\$	34,921

**3.****Assets and liabilities measured at fair value**

On February 2, 2008, the Company adopted components of SFAS No. 157, Fair Value Measurements . 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 observable for the asset or liability, either directly or indirectly. 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 typically 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.

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 in October 2007. As a result of these swaps, the Company is paying an all-in fixed interest rate of 7.683% on a notional amount equal to \$1.6 billion as of May 2, 2008. In February 2008 the Company entered into an additional interest rate swap, which was designated as a cash flow hedge at its inception, resulting in the Company paying an all in fixed interest rate of 5.58% on a notional amount of \$350.0 million as of May 2, 2008. The Company uses these interest rate swaps to manage its interest rate risk.

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 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 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. However, as of May 2, 2008, 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 are classified in Level 2 of the fair value hierarchy.

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of May 2, 2008, aggregated by the level in the fair value hierarchy within which those measurements fall.

<i>(In thousands)</i>	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 May 2, 2008
<b>Assets:</b>				
Available-for-sale securities (a)	\$ 48,571	\$ -	\$ -	\$ 48,571
Trading securities (b)	14,702	-	-	14,702
Derivative financial instruments (c)	-	270	-	270
<b>Liabilities:</b>				
Derivative financial instruments (d)	-	53,156	-	53,156

(a) Reflected in the condensed consolidated balance sheet as short-term investments.

(b) Reflected in the condensed consolidated balance sheet as other current assets of \$2,904 and other assets, net of \$11,798.

(c) Reflected in the condensed consolidated balance sheet as other assets, net

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

The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of May 2, 2008.

**4.**

**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.

7

---

## Inventory management

In 2006, the Company undertook an initiative to discontinue its historical inventory packaway model for virtually all merchandise by the end of fiscal 2007 and recorded a reserve for lower of cost or market inventory impairment estimates. This reserve was reduced by \$12.3 million during the 13-week period ended May 4, 2007, to account for sales of products with markdowns below cost, higher than anticipated shrink during the period, and adjustments to the estimates of the remaining below cost markdowns to be taken. In connection with this strategic change, the Company incurred higher markdowns and writedowns on inventory in the first 13-week period of 2007 than in the 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 2006 and 2007, the Company implemented plans to close, in addition to those stores that might be closed in the ordinary course of business, approximately 460 stores, all of which were closed by the end of fiscal 2007. Of such stores, 281 were closed as of May 4, 2007, and the Company incurred pretax costs of \$20.7 million in the 13-week period ended May 4, 2007, including \$15.3 million of lease contract termination costs, \$1.5 million of inventory liquidation fees, \$1.1 million of inventory markdowns below cost, and \$2.8 million of other associated costs.

All expenses associated with exit and disposal activities are included in selling, general and administrative ( SG&A ) expenses with the exception of the below-cost inventory adjustments, which are included in cost of goods sold in the condensed consolidated statement of income for the 13-week period ended May 4, 2007.

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

	Balance, February 1, 2008	2008 Expenses	2008 Payments and Other	Balance, May 2, 2008
Lease contract termination costs	\$ 20.1	\$ 0.1	\$ 3.9	\$ 16.3
Other associated store closing costs	1.0	-	0.7	0.3
Total	\$ 21.1	\$ 0.1	\$ 4.6	\$ 16.6

## 5.

## Commitments and contingencies



**Leases**

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 ). In such event, the Company's net cost of acquiring the underlying assets could approximate \$112 million. At this time, the Company does not believe the resolution of such issues would result in the purchase of these DCs; however, the payments associated with such an outcome would have a negative impact on the Company's liquidity. To

minimize the uncertainty associated with such possible interpretations, the Company is negotiating the restructuring of these leases and the related underlying debt. The ultimate resolution of these negotiations may result in additional losses, which may be material.

## 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 FLSA and seeks to recover overtime pay, liquidated damages, and attorneys' fees and costs. On August 15, 2006, the Richter plaintiff filed a motion in which she asked the court to certify a nationwide class of current and former store managers. The Company opposed the plaintiff's motion. On March 23, 2007, the court conditionally certified a nationwide class 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 currently pending in the Eleventh Circuit involving claims similar to those raised in this action. That stay has been extended through June 30, 2008. During the stay, the statute of limitations will be tolled for potential class members. At its conclusion, the court will determine whether to extend the stay or to permit this action to proceed. 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.

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 persons to whom the notice was sent were required to opt into the suit by March 11, 2008. 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 the 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 November 9, 2007, the Company was served with an action entitled *Sheneica Nunn, et al. v. Dollar General Corporation, et al.* (Circuit Court for Dane County, Wisconsin, Case No. 07CV4178) in which the plaintiff, on behalf of herself and a putative class of African-American applicants, alleged that the Company's criminal background check process disparately impacts African-Americans in violation of Title VII of the Civil Rights Act of 1964, as amended, and the Wisconsin Fair Employment Act. Subsequent to removal of the case to federal court in the United States District Court for the Western District of Wisconsin, the Company resolved the matter for an amount that is immaterial to 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 matter is currently in discovery. The Company believes that the foregoing lawsuit is without merit and continues to defend the action vigorously; however, if the Company is not successful in that defense, its resolution could have a material adverse effect on the Company's financial statements as a whole.

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 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 our operating results if changes to the Company's business operation are required.

## 6.

### **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 has elected to record income tax related interest and penalties as a component of the provision for income tax expense.