DOLLAR GENERAL CORP
Form 10-Q
June 08, 2010

**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 April 30, 2010**

**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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [ ] 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 341,004,089 shares of common stock outstanding on May 28, 2010.

**PART I FINANCIAL INFORMATION**

**ITEM 1.**

**FINANCIAL STATEMENTS.**

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands)*

April 30,
2010

January 29,
2010

**ASSETS**

(Unaudited)

(see Note 1)

Current assets:

| | | |
|---|---|---|
| Cash and cash equivalents | $ 222,709 | $ 222,076 |
| Merchandise inventories | 1,604,754 | 1,519,578 |
| Income taxes receivable | - | 7,543 |
| Prepaid expenses and other current assets | 111,115 | 96,252 |

| | | |
|---|---|---|
| Total current assets | 1,938,578 | 1,845,449 |
| Net property and equipment | 1,360,868 | 1,328,386 |
| Goodwill | 4,338,589 | 4,338,589 |
| Intangible assets, net | 1,276,173 | 1,284,283 |
| Other assets, net | | |

62,868

66,812

Total assets

$

8,977,076

$

8,863,519

**LIABILITIES AND SHAREHOLDERS EQUITY**

Current liabilities:

| | | |
|---|---|---|
| Current portion of long-term obligations | $ 3,547 | $ 3,671 |
| Accounts payable | 789,274 | 830,953 |
| Accrued expenses and other | 332,251 | 342,290 |
| Income taxes payable | 34,686 | |

4,525

Deferred income taxes payable

46,282

25,061

Total current liabilities

1,206,040

1,206,500

Long-term obligations

3,399,887

3,399,715

Deferred income taxes

540,010

546,172

Other liabilities

277,989

302,348

Commitments and contingencies

| | |
|---|---|
| Redeemable common stock | |
| | 16,624 |
| | 18,486 |
| Shareholders equity: | |
| Preferred stock | |
| | - |

| | | |
|---|---|---|
| | | - |
| Common stock | 298,371 | 298,013 |
| Additional paid-in capital | 2,928,855 | 2,923,377 |
| Retained earnings | 339,071 | 203,075 |
| Accumulated other comprehensive loss | (29,771) | (34,167) |

| | | |
|---|---|---|
| Total shareholders equity | 3,536,526 | 3,390,298 |
| Total liabilities and shareholders equity | $ 8,977,076 | $ 8,863,519 |

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

*(In thousands, except per share amounts)*

| | For the 13 weeks ended | |
|---|---|---|
| | April 30, 2010 | May 1, 2009 |
| Net sales | $ 3,111,314 | $ 2,779,937 |
| Cost of goods sold | 2,111,558 | 1,924,579 |
| Gross profit | | |

999,756

855,358

Selling, general and administrative

709,033

630,489

Operating profit

290,723

224,869

Interest income

(6)

(94)

| | |
|---|---|
| Interest expense | |
| | 72,018 |
| | 89,235 |
| Other (income) expense | |
| | 145 |
| | 1,667 |
| Income before income taxes | |
| | 218,566 |
| | 134,061 |
| Income tax expense | |
| | 82,570 |

| | | |
|---|---|---|
| | | 51,055 |
| Net income | $ 135,996 | $ 83,006 |
| Earnings per share: | | |
| Basic | $ 0.40 | $ 0.26 |

Diluted

$

0.39

$

0.26

Weighted average shares outstanding:

Basic

340,819

317,870

Diluted

344,397

318,298

*See notes to condensed consolidated financial statements.*

**DOLLAR GENERAL CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

*(In thousands)*

| | For the 13 weeks ended | |
|---|---|---|
| | April 30, 2010 | May 1, 2009 |
| *Cash flows from operating activities:* | | |
| Net income | | |

$

135,996

$

83,006

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

63,252

64,531

Deferred income taxes

10,029

15,461

Tax benefit of stock options

(4,806)

-

Non-cash share-based compensation

4,979

2,938

Other non-cash gains and losses

1,633

1,260

Change in operating assets and liabilities:

| | |
|---|---|
| Merchandise inventories | |
| (85,176) | |
| (39,040) | |
| Prepaid expenses and other current assets | |
| (13,503) | |
| (3,012) | |
| Accounts payable | |
| (36,954) | |
| 10,578 | |

| | | |
|---|---|---|
| Accrued expenses and other | (30,961) | (50,368) |
| Income taxes | 42,510 | 23,336 |
| Other | (26) | 203 |
| Net cash provided by operating activities | 86,973 | |

108,893

*Cash flows from investing activities:*

Purchases of property and equipment

(90,998)

(51,825)

Proceeds from sale of property and equipment

258

152

Net cash used in investing activities

(90,740)

(51,673)

*Cash flows from financing activities:*

Issuance of common stock

285

620

Repayments of long-term obligations

(463)

(999)

Repurchases of equity

(228)

(252)

Tax benefit of stock options

4,806

-

Net cash provided by (used in)

| | |
|---|---|
| financing activities | |
| | 4,400 |
| | (631) |
| Net increase in cash and cash equivalents | |
| | 633 |
| | 56,589 |
| Cash and cash equivalents, beginning of period | |
| | 222,076 |

377,995

Cash and cash equivalents, end of period

$

222,709

$

434,584

*Supplemental schedule of non-cash investing and financing activities:*

Purchases of property and equipment awaiting

| | | |
|---|---|---|
| processing for payment, included in Accounts payable | $ 25,669 | $ 18,913 |

*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 fiscal year ended January 29, 2010 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 2010 fiscal year will end on January 28, 2011 and its 2009 fiscal year ended on January 29, 2010.

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 April 30, 2010 and results of operations for the 13-week quarterly accounting periods ended April 30, 2010 and May 1, 2009 have been made.

The condensed consolidated balance sheet as of January 29, 2010 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 charges of zero and $0.8 million in the 13-week periods ended April 30, 2010 and May 1, 2009, 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

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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.

In June 2009, the FASB issued new accounting guidance relating to variable interest entities. This standard amends previous standards and requires 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. This standard was effective as of January 30, 2010, the beginning of the Company s 2010 fiscal year. The impact of the adoption of this guidance on the Company s condensed consolidated financial statements was not material.

**2.**

**Comprehensive income**

Comprehensive income consists of the following:

| | 13 Weeks Ended *(in thousands)* | |
|---|---|---|
| | April 30, 2010 | May 1, 2009 |

| | | |
|---|---|---|
| Net income | $ 135,996 | $ 83,006 |
| Unrealized net gain (loss) on hedged transactions, net of income tax expense (benefit) of $3,400 and $(922) respectively (see Note 6) | 4,396 | (996) |
| Comprehensive income | $ 140,392 | $ |

82,010

3.

**Earnings per share**

Earnings per share is computed as follows (in thousands, except per share data):

| | |
|---|---|
| 13 Weeks Ended April 30, 2010 | |
| 13 Weeks Ended May 1, 2009 | |
| Net Income | |
| Shares | |
| Per Share Amount | |
| Net Income | |
| Shares | |

Per Share Amount

Basic earnings per share

$

135,996

340,819

$

0.40

$

83,006

317,870

$

0.26

Effect of dilutive share-based awards

3,578

428

Diluted earnings per share

$

135,996

344,397

$

0.39

$

83,006

318,298

$

0.26

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 based on the dilutive effect of stock options using the treasury stock method.

Options to purchase shares of common stock that were outstanding at the end of the respective periods, but were not included in the computation of diluted earnings per share

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because the effect of exercising such options would be antidilutive, were 0.3 million and 3.0 million in the 2010 and 2009 periods, respectively.

**4.**

**Income taxes**

Under the accounting standards for income taxes, 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 accounting standards for income taxes which require 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.

The Internal Revenue Service ( IRS ) is examining the Company s federal income tax returns for fiscal years 2005 and 2006. The 2004 and earlier years are not open for examination. The 2007, 2008 and 2009 fiscal years, while not currently under examination, are subject to examination at the discretion of the IRS. The Company has various state income tax examinations that are currently in progress. The estimated 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 2006 and forward remain open for examination by the various state taxing authorities.

As of April 30, 2010, the total reserves for uncertain tax benefits, interest expense related to income taxes and potential income tax penalties were $46.0 million, $8.9 million and $1.2 million, respectively, for a total of $56.1 million. Of this amount, $55.0 million is reflected in noncurrent Other liabilities in the condensed consolidated balance sheet with the remaining $1.1 million reducing deferred tax assets related to net operating loss carry forwards. The reserve for uncertain tax positions decreased during the period ended April 30, 2010 by $21.6 million due principally to the reduction of a liability associated with an accounting method utilized by the Company for income tax return filing purposes. The Company believes it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately $14.9 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 various uncertainties related to accounting methods employed by the Company. The full amount of this reasonably possible change is included in noncurrent Other liabilities in the condensed consolidated balance sheet as of April 30, 2010. Also, as of April 30, 2010, approximately $40.1 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 rate for the 13-week period ended April 30, 2010 was 37.8% compared to a rate of 38.1% for the 13-week period ended May 1, 2009 which represents a net decrease of 0.3%.



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**5.**

**Assets and liabilities measured at fair value**

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, fair value accounting standards establish 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 using the income approach 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 April 30, 2010, 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 s long-term obligations classified in Level 2 of the fair value hierarchy are valued at cost. The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of April 30, 2010.

| | *(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 April 30, 2010 |
|---|---|---|
| Assets: | | |
| Trading securities (a) | $ | 8,570 |
| | $ | - |
| | $ | |

-

$

8,570

Liabilities:

Long-term obligations (b)

3,562,716

24,180

-

3,586,896

Derivative financial instruments (c)

-

49,578

-

49,578

Deferred compensation (d)

15,770

-

-

15,770

(a)

Reflected at fair value in the condensed consolidated balance sheet as Prepaid expenses and other current assets of $2,111 and Other assets, net of $6,459.

(b)

Reflected at book value in the condensed consolidated balance sheet as Current portion of long-term obligations of $3,547 and Long-term obligations of $3,399,887.

(c)

Reflected in the condensed consolidated balance sheet as non-current Other liabilities.

(d)

Reflected at fair value in the condensed consolidated balance sheet as Accrued expenses and other current liabilities of $2,111 and non-current Other liabilities of $13,659.

**6.**

**Derivatives and hedging activities**

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 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 the hedge accounting standards.

**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 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.

The Company is exposed to certain risks arising from uncertainties of future market values caused by the fluctuation in the prices of commodities. From time to time the Company may enter into derivative financial instruments to protect against future price changes related to these commodity prices.

**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 movements. 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 13-week periods ended April 30, 2010 and

May 1, 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.

As of April 30, 2010, the Company had three interest rate swaps with a combined notional value of $1.17 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. 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 $37.1 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 strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of April 30, 2010, the Company had no such non-designated hedges. As of May 1, 2009, the Company had one diesel fuel commodity swap hedging monthly usage of diesel fuel through January 2010 with a total 11.4 million gallons notional during the remaining term that was not designated as a hedge in a qualifying hedging relationship.

The tables below present the fair value of the Company s derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of April 30, 2010 and January 29, 2010 (in thousands):

**Tabular Disclosure of Fair Values of Derivative Instruments**

**Asset Derivatives**

**Liability Derivatives**

Balance Sheet Classification

Fair Value

Balance Sheet Classification

Fair Value

**Derivatives designated as hedging instruments**

Interest rate swaps:

As of April 30, 2010

Other liabilities

$

49,578

As of January 29, 2010

Other liabilities

$

57,058

9

The tables below present 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 13-week periods ended April 30, 2010 and May 1, 2009 (in thousands):

**Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statement of Income For the 13-weeks ended April 30, 2010**

**Derivatives in 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

$

4,543

Interest expense

$

12,340

Other (income) expense

$

145

**Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statement of Income For the 13-weeks ended May 1, 2009**

**Derivatives in 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 |
| $ |
| 13,817 |
| Interest expense |
| $ |
| 11,898 |
| Other (income) expense |
| $ |
| 158 |

| Derivatives Not Designated as Hedging Instruments | 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 | $ 1,508 |

**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 April 30, 2010, 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 $51.2 million. If the Company had breached any of these provisions at April 30, 2010, it could have been required to post full collateral or settle its obligations under the agreements at an estimated termination value of $51.2 million. As of April 30, 2010, the Company had not breached any of these provisions or posted any collateral related to these 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. On March 23, 2007, the court conditionally certified a nationwide class. On December 2, 2009, notice was mailed to over 28,000 current or former Dollar General store managers, and approximately 3,860 individuals opted into the lawsuit.

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 and expects to ask the court to decertify the class at the conclusion of the discovery period. 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. Approximately 2,100 individuals have opted into the lawsuit.

On April 19, 2010, the plaintiffs moved for class certification relating to their Title VII claims. The Company filed its response to the certification motion in June 2010, and will move for decertification of the Equal Pay Act class. We do not anticipate a ruling on these motions before the end of the summer.

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, alleged 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 sought 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.

On April 5, 2010, the Court denied the plaintiff s motion for class certification. Subsequently, the Company resolved the matter for an amount that was immaterial to the Company s financial statements.

In October 2008, the Company terminated an interest rate swap as a result of the counterparty s declaration of bankruptcy. This declaration of bankruptcy constituted a default under the contract governing the swap, giving the Company the right to terminate. The Company subsequently settled the swap in November 2008 for approximately $7.6 million, including interest accrued to the date of termination. On May 14, 2010, the Company received a

demand from the counterparty for an additional payment of approximately $19 million claiming that the valuation used to calculate the $7.6 million was commercially unreasonable.  The Company does not believe that this additional payment is owed and believes the methodology it used to calculate the settlement amount was commercially reasonable and appropriate.  Accordingly, the Company intends to vigorously defend any claim in this regard that may be asserted by the counterparty; however, no assurances can be given that the Company will be successful in the defense on the merits or otherwise.

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 without limitation 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.

**8.**

**Share-based payments**

The Company s Second Amended and Restated Equity Appreciation Rights Plan provides for the granting of equity appreciation rights to nonexecutive managerial employees.  During the 13-week period ended April 30, 2010, 679,777 of such equity appreciation rights, affecting 873 employees, vested in conjunction with a secondary offering of the Company s common stock, resulting in selling, general and administrative expenses for share-based awards of $13.3 million and for related payroll taxes of $1.0 million.

**9.**

**Segment reporting**

The Company manages its business on the basis of one reportable segment. As of April 30, 2010, all of the Company s operations were located within the United States, with the exception of a Hong Kong subsidiary and a liaison office in India, the collective assets and revenues of which are not material. Net sales grouped by classes of similar products are presented below.

13 Weeks
Ended

*(In thousands)*

| | April 30, 2010 | May 1, 2009 |
|---|---|---|
| Classes of similar products: | | |
| Consumables | $ 2,231,500 | $ 1,995,809 |
| Seasonal | 430,051 | |

356,452

Home products

224,867

216,883

Apparel

224,896

210,793

Net sales

$

3,111,314

$

2,779,937

**10.**

**Related party transactions**

Affiliates of Kohlberg Kravis Roberts & Co. ( KKR ) and Goldman, Sachs & Co. indirectly own a substantial portion of the Company s common stock. A Member and a Director of KKR and a Managing Director of Goldman, Sachs & Co. serve on the Company s Board of Directors.

Affiliates of KKR and Goldman, Sachs & Co. (among other entities) may be lenders under the Company s senior secured term loan facility ( Term Loan Facility ) with an original July 2007 principal amount of $2.3 billion and a principal balance as of April 30, 2010 of approximately $1.96 billion. The Company paid approximately $14.8 million and $20.0 million of interest on the Term Loan Facility during the 13 week periods ended April 30, 2010 and May 1, 2009, respectively.

Goldman, Sachs & Co. is a counterparty to an amortizing interest rate swap with a $383.3 million notional amount as of April 30, 2010, entered into in connection with the Term Loan Facility. The Company paid Goldman, Sachs & Co. approximately $4.7 million and $4.1 million in the periods ended April 30, 2010 and May 1, 2009, respectively, pursuant to this swap.

The Company entered into a sponsor advisory agreement, dated July 6, 2007, with KKR and Goldman, Sachs & Co. pursuant to which those entities provided management and advisory services to the Company. Under the terms of the sponsor advisory agreement, among other things, the Company was obliged to pay to those entities an annual management fee, initially $5.0 million and subject to annual escalation. The Company completed its initial public offering of common stock in November 2009 and concurrently terminated the advisory agreement. The Company periodically reimburses KKR for incidental expenses incurred on behalf of the Company. The Company reimbursed KKR for incidental expenses of $0.1 million for the period ended April 30, 2010 and incurred advisory fees and other expenses for the period ended May 1, 2009 of $1.3 million. In addition, on July 6, 2007, the Company entered into a separate indemnification agreement with the parties to the sponsor advisory agreement, pursuant to which the Company agreed to provide customary indemnification to such parties and their affiliates.

Affiliates of KKR and Goldman, Sachs & Co. served as underwriters in connection with the Company s initial public offering of its common stock and in connection with the secondary offering of the Company s common stock held by certain existing shareholders that was completed in April 2010. The Company did not sell shares of common stock, receive proceeds from such shareholders sale of shares of common stock or pay any underwriting fees in connection with the secondary offering.

**11.**

**Subsequent events**

On May 6, 2010, the Company repurchased in the open market $50.0 million aggregate principal amount of 10.625% senior notes due 2015 at a price of 111.0% plus accrued and unpaid interest. The pretax loss on this transaction of approximately $6.5 million will be reflected in the Company s consolidated financial statements for the second quarter of 2010.

**12.**

**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.

**April 30, 2010**

**DOLLAR GENERAL CORPORATION**

**GUARANTOR SUBSIDIARIES**

**OTHER SUBSIDIARIES**

**ELIMINATIONS**

**CONSOLIDATED**

**TOTAL**

**BALANCE SHEET:**

ASSETS

Current assets:

Cash and cash equivalents

$

93,598

$

103,819

$

25,292

$

-

$

222,709

| | |
|---|---|
| Merchandise inventories | |
| | - |
| | 1,604,754 |
| | - |
| | - |
| | 1,604,754 |
| Deferred income taxes | |
| | 5,995 |
| | - |

4,113

(10,108)

-

Prepaid expenses and other current assets

673,089

3,189,489

3,204

(3,754,667)

111,115

Total current assets

772,682

4,898,062

32,609

(3,764,775)

1,938,578

Net property and equipment

101,759

1,259,001

108

-

1,360,868

Goodwill

4,338,589

-

-

-

4,338,589

Intangible assets, net

1,200,112

76,061

-

-

1,276,173

Deferred income taxes

-

-

38,791

(38,791)

-

Other assets, net

4,555,530

8,334

297,161

(4,798,157)

62,868

| | | | | | |
|---|---|---|---|---|---|
| Total assets | $ 10,968,672 | $ 6,241,458 | $ 368,669 | $ (8,601,723) | $ 8,977,076 |

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:

Current portion of long-term obligations

$

1,822

$

1,725

$

-

$

-

$

3,547

Accounts payable

3,154,734

1,329,601

46,067

(3,741,128)

789,274

Accrued expenses and other

81,479

210,049

54,262

(13,539)

332,251

Income taxes payable

24,338

234

10,114

-

34,686

Deferred income taxes payable

-

56,390

-

(10,108)

46,282

Total current liabilities

3,262,373

1,597,999

110,443

(3,764,775)

1,206,040

Long-term obligations

3,646,331

2,785,242

13,178

(3,044,864)

3,399,887

Deferred income taxes

398,161

180,640

-

(38,791)

540,010

| Other liabilities |
|---|
| 108,657 |
| 26,547 |
| 142,785 |
| - |
| 277,989 |

| Redeemable common stock |
| --- |
| 16,624 |
| - |
| - |
| - |
| 16,624 |

Shareholders
equity:

| | |
|---|---|
| Preferred stock | |
| | - |
| | - |
| | - |
| | - |
| | - |
| Common stock | |
| | 298,371 |
| | 23,855 |

100

(23,955)

298,371

Additional paid-in capital

2,928,855

431,253

19,900

(451,153)

2,928,855

Retained earnings

339,071

1,195,922

82,263

(1,278,185)

339,071

Accumulated other comprehensive loss

(29,771)

-

-

-

(29,771)

Total shareholders equity

3,536,526

1,651,030

102,263

(1,753,293)

3,536,526

| | | | |
|---|---|---|---|
| Total liabilities and shareholders equity | $ 10,968,672 | $ 6,241,458 | $ 368,669 |

$

(8,601,723)

$

8,977,076

16

| | January 29, 2010 |
|---|---|
| | DOLLAR GENERAL CORPORATION |
| | GUARANTOR SUBSIDIARIES |
| | OTHER SUBSIDIARIES |
| | ELIMINATIONS |
| | CONSOLIDATED TOTAL |
| BALANCE SHEET: | |

ASSETS

Current assets:

| | | | | | |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 97,620 | $ 103,001 | $ 21,455 | $ - | $ 222,076 |

| | |
|---|---|
| Merchandise inventories | |
| | - |
| | 1,519,578 |
| | - |
| | - |
| | 1,519,578 |
| Income taxes receivable | |
| | 9,924 |
| | 1,645 |

-

(4,026)

7,543

Deferred income taxes

16,066

-

3,559

(19,625)

-

Prepaid expenses and other current

assets

625,157

3,040,792

704

(3,570,401)

96,252

Total current assets

748,767

4,665,016

25,718

(3,594,052)

1,845,449

Net property and equipment

99,452

1,228,829

105

-

1,328,386

Goodwill

4,338,589

-

-

-

4,338,589

Intangible assets, net

1,201,223

83,060

-

-

1,284,283

Deferred income taxes

-

-

36,405

(36,405)

-

Other assets, net

4,288,270

| |
|---|
| 8,920 |
| 297,757 |
| (4,528,135) |
| 66,812 |

| | | | | | |
|---|---|---|---|---|---|
| Total assets | $ 10,676,301 | $ 5,985,825 | $ 359,985 | $ (8,158,592) | $ 8,863,519 |

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:

Current portion of long-term obligations

$

1,822

$

1,849

$

-

$

-

$

3,671

Accounts payable

3,033,723

1,311,063

46,818

(3,560,651)

830,953

Accrued expenses and other

72,320

226,571

53,149

(9,750)

342,290

Income taxes payable

4,086

-

4,465

(4,026)

4,525

Deferred income taxes payable

-

44,686

-

(19,625)

25,061

Total current liabilities

3,111,951

1,584,169

104,432

(3,594,052)

1,206,500

Long-term obligations

3,645,820

2,689,492

13,178

(2,948,775)

3,399,715

| | |
|---|---|
| Deferred income taxes | |
| | 394,045 |
| | 188,532 |
| | - |
| | (36,405) |
| | 546,172 |
| Other liabilities | |
| | 115,701 |
| | 40,065 |

146,582

-

302,348

Redeemable common stock

18,486

-

-

-

18,486

Shareholders equity:

Preferred stock

-

-

-

-

-

Common stock

298,013

23,855

100

(23,955)

298,013

Additional paid-in capital

2,923,377

431,253

19,900

(451,153)

2,923,377

Retained earnings

203,075

1,028,459

75,793

(1,104,252)

203,075

Accumulated other comprehensive loss

(34,167)

-

-

-

(34,167)

| Total shareholders equity |
| --- |
| 3,390,298 |
| 1,483,567 |
| 95,793 |
| (1,579,360) |
| 3,390,298 |

| | | | | |
|---|---|---|---|---|
| Total liabilities and shareholders equity | $ 10,676,301 | $ 5,985,825 | $ 359,985 | $ (8,158,592) |
| | | | | $ 8,863,519 |

17

**For the 13-weeks ended April 30, 2010**

**DOLLAR GENERAL CORPORATION**

**GUARANTOR SUBSIDIARIES**

**OTHER SUBSIDIARIES**

**ELIMINATIONS**

**CONSOLIDATED**

**TOTAL**

**STATEMENTS OF INCOME:**

Net sales

$

87,464

$

3,111,314

$

19,648

$

(107,112)

$

3,111,314

Cost of goods sold

-

2,111,558

-

-

2,111,558

Gross profit

87,464

999,756

19,648

(107,112)

999,756

Selling, general and administrative expenses

79,619

721,863

14,663

(107,112)

709,033

Operating profit

7,845

277,893

4,985

-

290,723

Interest income

(11,017)

(2,710)

(4,953)

18,674

(6)

Interest expense

79,457

11,230

5

(18,674)

72,018

Other (income) expense

145

-

-

-

145

Income (loss)
before income taxes

(60,740)

269,373

9,933

-

218,566

Income tax expense
(benefit)

(22,803)

101,910

3,463

-

82,570

Equity in subsidiaries earnings, net of taxes

173,933

-

-

(173,933)

-

Net income

$

135,996

$

167,463

$

6,470

$

(173,933)

$

135,996

**For the 13 weeks ended May 1, 2009**

**DOLLAR GENERAL CORPORATION**

| GUARANTOR SUBSIDIARIES | OTHER SUBSIDIARIES | ELIMINATIONS | CONSOLIDATED TOTAL |
|---|---|---|---|

**STATEMENTS OF INCOME:**

| | |
|---|---|
| Net sales | $ 62,846 |

$

2,779,937

$

21,473

$

(84,319)

$

2,779,937

Cost of goods sold

-

1,924,579

-

-

1,924,579

Gross profit

62,846

855,358

21,473

(84,319)

855,358

Selling, general and administrative expenses

57,134

643,416

14,258

(84,319)

630,489

Operating profit

5,712

211,942

7,215

-

224,869

Interest income

(12,542)

(1,081)

(4,226)

17,755

(94)

Interest expense

94,261

12,724

5

(17,755)

89,235

Other (income) expense

1,667

-

-

-

1,667

Income (loss) before income taxes

(77,674)

200,299

11,436

-

134,061

Income tax expense (benefit)

(29,690)

76,830

3,915

-

51,055

Equity in subsidiaries earnings, net of taxes

130,990

-

-

(130,990)

-

Net income

$

83,006

$

123,469

$

7,521

$

(130,990)

$

83,006

18

| |
|---|
| **For the 13 weeks ended April 30, 2010** |
| **DOLLAR GENERAL CORPORATION** |
| **GUARANTOR SUBSIDIARIES** |
| **OTHER SUBSIDIARIES** |
| **ELIMINATIONS** |
| **CONSOLIDATED TOTAL** |
| **STATEMENTS OF CASH FLOWS:** |

*Cash flows from operating activities:*

Net income

$

135,996

$

167,463

$

6,470

$

(173,933)

$

135,996

Adjustments to reconcile net income to net cash provided by (used in) operating activities:

| | |
|---|---|
| Depreciation and amortization | |
| | 8,518 |
| | 54,724 |
| | 10 |
| | - |
| | 63,252 |
| Deferred income taxes | |
| | 9,157 |

3,812

(2,940)

-

10,029

Tax benefit of stock options

(4,806)

-

-

-

(4,806)

Non-cash share-based compensation

4,979

-

-

-

4,979

Other non-cash gains and losses

346

1,287

-

-

1,633

Equity in subsidiaries earnings, net

(173,933)

-

-

173,933

-

Change in operating assets and liabilities:

Merchandise inventories

-

(85,176)

-

-

(85,176)

Prepaid expenses and other current assets

(1,202)

(12,382)

81

-

(13,503)

Accounts payable

(16,314)

(20,634)

(6)

-

(36,954)

Accrued expenses and other

1,567

(29,844)

(2,684)

-

(30,961)

Income taxes

34,982

1,879

5,649

-

42,510

Other

1

(28)

1

-

(26)

Net cash provided by (used in) operating activities

(709)

81,101

6,581

-

86,973

*Cash flows from investing activities:*

Purchases of property and equipment

(6,086)

(84,899)

(13)

-

(90,998)

Proceeds from sale of property and equipment

-

258

-

-

258

Net cash used in investing activities

(6,086)

(84,641)

(13)

-

(90,740)

*Cash flows from financing activities:*

Issuance of common stock

285

-

-

-

| | |
|---|---|
| | 285 |
| Repayments of long-term obligations | - |
| | (463) |
| | - |
| | - |
| | (463) |
| Repurchases of equity | (228) |
| | - |

-

-

(228)

Tax benefit of stock options

4,806

4,806

| | |
|---|---|
| Changes in intercompany note balances, net | |
| | (2,090) |
| | 4,821 |
| | (2,731) |
| | - |
| | - |
| Net cash provided by (used in) financing activities | |
| | 2,773 |
| | 4,358 |

(2,731)

-

4,400

Net increase (decrease) in cash and cash equivalents

(4,022)

818

3,837

-

633

| | |
|---|---|
| Cash and cash equivalents, beginning of period | |
| | 97,620 |
| | 103,001 |
| | 21,455 |
| | - |
| | 222,076 |
| Cash and cash equivalents, end of period | |
| | $ |
| | 93,598 |
| | $ |
| | 103,819 |

$

25,292

$

-

$

222,709

19

**For the 13 weeks ended May 1, 2009**

| **DOLLAR GENERAL CORPORATION** | **GUARANTOR SUBSIDIARIES** | **OTHER SUBSIDIARIES** | **ELIMINATIONS** | **CONSOLIDATED TOTAL** |
|---|---|---|---|---|

**STATEMENTS OF CASH FLOWS:**

*Cash flows from operating activities:*

Net income

$

83,006

$ 123,469

$ 7,521

$ (130,990)

$ 83,006

Adjustments to reconcile net income to net cash provided by (used in) operating activities:

| | |
|---|---|
| Depreciation and amortization | |
| | 8,833 |
| | 55,639 |
| | 59 |
| | - |
| | 64,531 |
| Deferred income taxes | |
| | 9,587 |

4,939

935

-

15,461

Non-cash
share-based
compensation

2,938

-

-

-

2,938

Other non-cash gains and losses

900

360

-

-

1,260

Equity in subsidiaries earnings, net

(130,990)

-

-

130,990

-

Change in operating assets and liabilities:

| | |
|---|---|
| Merchandise inventories | |
| | - |
| | (39,040) |
| | - |
| | - |
| | (39,040) |
| Prepaid expenses and other current assets | |
| | 740 |
| | (4,118) |

366

-

(3,012)

Accounts payable

(5,886)

16,469

(5)

-

10,578

| | |
|---|---|
| Accrued expenses and other | |
| | (26,202) |
| | (21,070) |
| | (3,096) |
| | - |
| | (50,368) |
| Income taxes | |
| | 19,012 |
| | 1,215 |
| | 3,109 |

-

23,336

Other

(55)

258

-

-

203

Net cash provided by (used in) operating activities

(38,117)

138,121

8,889

-

108,893

*Cash flows from investing activities:*

| | |
|---|---|
| Purchases of property and equipment | |
| | (2,057) |
| | (49,746) |
| | (22) |
| | - |
| | (51,825) |
| Proceeds from sale of property and equipment | |
| | - |

152

-

-

152

Net cash used in investing activities

(2,057)

(49,594)

(22)

-

(51,673)

*Cash flows from financing activities:*

Issuance of common stock

620

-