

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 05/27/04 for the Period Ending 04/30/04

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

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, 2004

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No []

The number of shares of common stock outstanding on May 24, 2004, was 329,695,876.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Unaudited)
April 30, 2004 January 30, 2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 256,883	\$ 398,278
Merchandise inventories	1,277,185	1,157,141
Deferred income taxes	21,852	30,413
Other current assets	73,738	66,383
Total current assets	1,629,658	1,652,215

Property and equipment, at cost	1,775,496	1,709,722
Less accumulated depreciation and amortization	757,849	720,498
Net property and equipment	1,017,647	989,224
Other assets, net	26,464	11,270
Total assets	\$ 2,673,769	\$ 2,652,709

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Current portion of long-term obligations	\$ 16,880	\$ 16,670
Accounts payable	510,187	383,791
Accrued expenses and other	288,028	297,616
Income taxes payable	38,322	45,725
Total current liabilities	853,417	743,802

Long-term obligations	261,621	265,337
Deferred income taxes	70,648	66,650

Shareholders' equity:

Preferred stock	-	-
Common stock	164,354	168,095
Additional paid-in capital	386,158	376,930
Retained earnings	943,404	1,037,409
Accumulated other comprehensive loss	(1,108)	(1,161)
	1,492,808	1,581,273
Other shareholders' equity	(4,725)	(4,353)
Total shareholders' equity	1,488,083	1,576,920
Total liabilities and shareholders' equity	\$ 2,673,769	\$ 2,652,709

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands except per share amounts)

	For the 13 weeks ended			
	April 30, 2004		May 2, 2003	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 1,747,959	100.00%	\$ 1,569,064	100.00%
Cost of goods sold	1,235,709	70.69	1,117,158	71.20
Gross profit	512,250	29.31	451,906	28.80
Selling, general and administrative	397,700	22.75	348,955	22.24
Operating profit	114,550	6.55	102,951	6.56
Interest expense, net	6,442	0.37	9,411	0.60
Income before taxes on income	108,108	6.18	93,540	5.96
Provision for taxes on income	40,259	2.30	33,208	2.12
Net income	\$ 67,849	3.88%	\$ 60,332	3.85%
Diluted earnings per share	\$ 0.20		\$ 0.18	
Weighted average diluted shares (000s)	337,257		334,597	
Basic earnings per share	\$ 0.20		\$ 0.18	
Weighted average basic shares (000s)	334,109		333,243	
Dividends per share	\$ 0.040		\$ 0.035	

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, 2004	May 2, 2003
<i>Cash flows from operating activities:</i>		
Net income	\$ 67,849	\$ 60,332
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Depreciation and amortization	39,636	36,756
Deferred income taxes	12,559	8,500
Tax benefit from stock option exercises	2,172	224
Change in operating assets and liabilities:		
Merchandise inventories	(120,044)	(77,670)
Other current assets	(7,355)	(6,381)
Accounts payable	90,906	15,921
Accrued expenses and other	(9,175)	(9,198)
Income taxes	(7,422)	(30,555)
Other	(15,512)	1,763
Net cash provided by (used in) operating activities	53,614	(308)
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	(51,060)	(30,129)
Proceeds from sale of property and equipment	29	66
Net cash used in investing activities	(51,031)	(30,063)
<i>Cash flows from financing activities:</i>		
Repayments of long-term obligations	(4,063)	(4,086)
Payment of cash dividends	(13,319)	(11,673)
Proceeds from exercise of stock options	6,546	694
Repurchases of common stock	(133,589)	-
Other financing activities	447	64
Net cash used in financing activities	(143,978)	(15,001)
Net decrease in cash and cash equivalents	(141,395)	(45,372)
Cash and cash equivalents, beginning of period	398,278	121,318
Cash and cash equivalents, end of period	\$ 256,883	\$ 75,946

Supplemental schedule of noncash investing and financing activities:

Repurchases of common stock included in Accounts payable	\$ 18,996	\$ -
Purchases of property and equipment awaiting processing for payment, included in Accounts payable	\$ 16,494	\$ -
Purchases of property and equipment under capital lease obligations	\$ 550	\$ 117

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of presentation and accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Dollar General Corporation (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States (“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 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 January 30, 2004 for additional information.

The accompanying condensed consolidated financial statements have been prepared in accordance with the

Company's customary accounting practices and have not been audited. In management's opinion, all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the consolidated financial position and results of operations for the 13-week periods ended April 30, 2004 and May 2, 2003 have been made.

Certain prior year amounts have been reclassified to conform to the current period presentation. 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.

Accounting pronouncements

Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), expands upon current guidance relating to when a company should include in its financial statements the assets, liabilities and activities of a Variable Interest Entity ("VIE"). The consolidation requirements of FIN 46 applied immediately to VIEs created after January 31, 2003. In October 2003, the FASB deferred the effective date of FIN 46, and the consolidation requirements for "older" VIEs to the first fiscal year or interim period ending after December 15, 2003, which applied for the Company at the end of its 2003 fiscal year. Additional modifications of FIN 46 may be proposed by the FASB, and the Company will continue to monitor future developments related to this interpretation. The Company leases four of its distribution centers ("DCs") from lessors, which meet the definition of VIEs. Two of these DCs have been recorded as financing obligations whereby the property and equipment, along with the related lease obligations, are reflected in the condensed consolidated balance sheets. The other two DCs, excluding the equipment, have been recorded as operating leases in accordance with Statement of Financial Accounting Standards ("SFAS") No. 98, "Accounting for Leases." Based upon the guidance included when FIN 46 was originally released, the Company adopted the provisions of FIN 46 on August 2, 2003, and the adoption of FIN 46 did not have a material effect on the Company's financial statements as a whole.

2. Comprehensive income

Comprehensive income consists of the following (in thousands):

	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Net income	\$ 67,849	\$ 60,332
Reclassification of net loss on derivatives	53	38
Comprehensive income	\$ 67,902	\$ 60,370

3. Earnings per share

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

	13 Weeks Ended April 30, 2004		
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$ 67,849	334,109	\$ 0.20
Effect of dilutive stock options		3,148	
Diluted earnings per share	\$ 67,849	337,257	\$ 0.20

	13 Weeks Ended May 2, 2003		
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$ 60,332	333,243	\$ 0.18

Effect of dilutive stock options		1,354	
Diluted earnings per share	\$ 60,332	334,597	\$ 0.18

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 and other common stock equivalents using the treasury stock method.

4. Commitments and contingencies

Legal proceedings

Restatement-Related Proceedings. As previously disclosed in the Company's periodic reports filed with the Securities and Exchange Commission (the "SEC"), the Company restated its audited financial statements for fiscal years 1999 and 1998, and certain unaudited financial information for fiscal year 2000, by means of its Form 10-K for the fiscal year ended February 2, 2001, which was filed on January 14, 2002.

The SEC has been conducting an investigation into the circumstances giving rise to the restatement and, on January 8, 2004, the Company received notice that the SEC staff was considering recommending that the SEC bring a civil injunctive action against the Company for alleged violations of the federal securities laws in connection with circumstances relating to the restatement. The Company subsequently has reached an agreement in principle with the SEC staff to settle the matter. Under the terms of the agreement in principle, the Company, without admitting or denying the allegations in a complaint to be filed by the SEC, will consent to the entry of a permanent civil injunction against future violations of the antifraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules and will pay a \$10 million non-deductible civil penalty. The Company is not entitled to seek reimbursement from its insurers with regard to this settlement.

The agreement with the SEC staff is subject to final approval by the SEC and the court in which the SEC's complaint is filed. The Company accrued \$10 million with respect to the penalty in its financial statements for the year ended January 30, 2004. The Company can give no assurances that the SEC or the court will approve this agreement. If the agreement is not approved, the Company could be subject to different or additional penalties, both monetary and non-monetary, which could materially and adversely affect the Company's financial statements as a whole.

Other Litigation . On March 14, 2002, a complaint was filed in the United States District Court for the Northern District of Alabama to commence a collective action against the Company on behalf of current and former salaried store managers. The complaint alleges that these individuals were entitled to overtime pay and should not have been classified as exempt employees under the Fair Labor Standards Act ("FLSA"). Plaintiffs seek to recover overtime pay, liquidated damages, declaratory relief and attorneys' fees.

In the third quarter of 2003, the court denied the plaintiff's motion to allow the action to proceed as a nationwide collective action, but determined that the action could proceed collectively as to an unspecified region. However, on January 12, 2004, the court certified an opt-in class of plaintiffs consisting of all persons employed by the Company as store managers at any time since March 14, 1999, who regularly worked more than 50 hours per week and either: (1) customarily supervised less than two employees at one time; (2) lacked authority to hire or discharge employees without supervisor approval; or (3) sometimes worked in non-managerial positions at stores other than the one he or she managed. The Company's attempt to appeal this decision on a discretionary basis to the 11th Circuit Court of Appeals has been denied.

Notice has been sent to prospective class members. The deadline for individuals to opt in to the lawsuit is May 31, 2004, after which time the Court will enter a scheduling order that governs the discovery and other remaining phases of the case. The Company believes that its store managers are and have been properly classified as exempt employees under the FLSA and that the action is not appropriate for collective action treatment. The Company intends to vigorously defend the action. However, no assurances can be given that the Company will be successful in

defending this action on the merits or otherwise, and, if not, the resolution could have a material adverse effect on the Company's financial statements as a whole.

The Company is involved in other legal actions and claims arising in the ordinary course of business. The Company currently believes that such other litigation and claims, both individually and in the aggregate, will be resolved without a material 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 financial statements as a whole.

5. Stock-based compensation

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations because the Company believes the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, compensation expense is generally not recognized for plans in which the exercise price of the stock options equals the market price of the underlying stock on the date of grant and the number of shares subject to exercise is fixed. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant date for awards under these plans consistent with the methodology prescribed under SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated in the following table:

<i>(Amounts in thousands except per share data)</i>	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Net income – as reported	\$ 67,849	\$ 60,332
Less pro forma effect of stock option grants	3,538	2,702
Net income – pro forma	\$ 64,311	\$ 57,630
Earnings per share – as reported		
Basic	\$ 0.20	\$ 0.18
Diluted	\$ 0.20	\$ 0.18
Earnings per share – pro forma		
Basic	\$ 0.19	\$ 0.17
Diluted	\$ 0.19	\$ 0.17

The fair value of options granted during the first quarter of 2004 and 2003 was \$5.98 and \$2.92 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Expected dividend yield	0.9%	0.9%
Expected stock price volatility	36.8%	34.9%
Weighted average risk-free interest rate	2.4%	1.8%
Expected life of options (years)	4.0	2.8

The Black-Scholes option model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not

necessarily provide a reliable single measure of the fair value of its employee stock options.

6. Segment reporting

The Company manages its business on the basis of one reportable segment. As of April 30, 2004 and May 2, 2003, all of the Company's operations were located within the United States, with the exception of an immaterial subsidiary located in Hong Kong that was formed to assist in the process of importing certain merchandise, which began operations during the first 13 weeks of 2004. The following data is presented in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

<i>(In thousands)</i>	13 Weeks Ended	
	April 30, 2004	May 2, 2003
Classes of similar products:		
Net sales:		
Highly consumable	\$ 1,114,394	\$ 990,030
Seasonal	260,438	237,119
Home products	214,773	199,469
Basic clothing	158,354	142,446
	<u>\$ 1,747,959</u>	<u>\$ 1,569,064</u>

7. Guarantor subsidiaries

All of the Company's subsidiaries, except for its not-for-profit subsidiary whose assets and revenues are not material (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. In order to participate as a subsidiary guarantor on certain of the Company's financing arrangements, a subsidiary of the Company has entered into a letter agreement with certain state regulatory agencies to maintain a minimum balance of stockholders' equity of \$50 million in excess of the Company's debt it has guaranteed, or \$550 million as of April 30, 2004. The subsidiary of the Company was in compliance with such agreement as of April 30, 2004.

The following consolidating schedules present condensed financial information on a combined basis. Dollar amounts are in thousands.

	As of April 30, 2004			
	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEETS:				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 213,823	\$ 43,060	\$ -	\$ 256,883
Merchandise inventories	-	1,277,185	-	1,277,185
Deferred income taxes	11,823	10,029	-	21,852
Other current assets	19,537	1,603,863	(1,549,662)	73,738
Total current assets	<u>245,183</u>	<u>2,934,137</u>	<u>(1,549,662)</u>	<u>1,629,658</u>
Property and equipment, at cost	196,019	1,579,477	-	1,775,496
Less accumulated depreciation and amortization	85,382	672,467	-	757,849
Net property and equipment	<u>110,637</u>	<u>907,010</u>	<u>-</u>	<u>1,017,647</u>
Other assets, net	3,010,814	57,203	(3,041,553)	26,464

Total assets	\$ 3,366,634	\$ 3,898,350	\$ (4,591,215)	\$ 2,673,769
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term obligations	\$ 7,578	\$ 9,302	\$ -	\$ 16,880
Accounts payable	1,626,985	432,864	(1,549,662)	510,187
Accrued expenses and other	45,255	242,773	-	288,028
Income taxes payable	-	38,322	-	38,322
Total current liabilities	1,679,818	723,261	(1,549,662)	853,417
Long-term obligations	192,828	1,140,996	(1,072,203)	261,621
Deferred income taxes	5,905	64,743	-	70,648
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	164,354	23,853	(23,853)	164,354
Additional paid-in capital	386,158	1,247,290	(1,247,290)	386,158
Retained earnings	943,404	698,207	(698,207)	943,404
Accumulated other comprehensive loss	(1,108)	-	-	(1,108)
	1,492,808	1,969,350	(1,969,350)	1,492,808
Other shareholders' equity	(4,725)	-	-	(4,725)
Total shareholders' equity	1,488,083	1,969,350	(1,969,350)	1,488,083
Total liabilities and shareholders' equity	\$ 3,366,634	\$ 3,898,350	\$ (4,591,215)	\$ 2,673,769

As of
January 30, 2004

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
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BALANCE SHEETS:

ASSETS

Current assets:

Cash and cash equivalents	\$ 352,232	\$ 46,046	\$ -	\$ 398,278
Merchandise inventories	-	1,157,141	-	1,157,141
Deferred income taxes	15,412	15,001	-	30,413
Other current assets	21,363	2,338,669	(2,293,649)	66,383
Total current assets	389,007	3,556,857	(2,293,649)	1,652,215

Property and equipment, at cost	183,843	1,525,879	-	1,709,722
Less accumulated depreciation and amortization	81,281	639,217	-	720,498
Net property and equipment	102,562	886,662	-	989,224

Other assets, net	3,695,306	41,247	(3,725,283)	11,270
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Total assets	\$ 4,186,875	\$ 4,484,766	\$ (6,018,932)	\$ 2,652,709
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Current portion of long-term obligations	\$ 7,772	\$ 8,898	\$ -	\$ 16,670
Accounts payable	2,354,187	323,251	(2,293,647)	383,791
Accrued expenses and other	48,394	249,224	(2)	297,616
Income taxes payable	-	45,725	-	45,725
Total current liabilities	2,410,353	627,098	(2,293,649)	743,802

Long-term obligations	194,306	1,892,342	(1,821,311)	265,337
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Deferred income taxes	5,296	61,354	-	66,650
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	168,095	23,853	(23,853)	168,095
Additional paid-in capital	376,930	1,247,290	(1,247,290)	376,930
Retained earnings	1,037,409	632,829	(632,829)	1,037,409
Accumulated other comprehensive loss	(1,161)	-	-	(1,161)
	1,581,273	1,903,972	(1,903,972)	1,581,273
Other shareholders' equity	(4,353)	-	-	(4,353)
Total shareholders' equity	1,576,920	1,903,972	(1,903,972)	1,576,920
Total liabilities and shareholders' equity	\$ 4,186,875	\$ 4,484,766	\$ (6,018,932)	\$ 2,652,709

**For the 13 weeks ended
April 30, 2004**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:				
Net sales	\$ 44,532	\$ 1,747,959	\$ (44,532)	\$ 1,747,959
Cost of goods sold	-	1,235,709	-	1,235,709
Gross profit	44,532	512,250	(44,532)	512,250
Selling, general and administrative	36,364	405,868	(44,532)	397,700
Operating profit	8,168	106,382	-	114,550
Interest expense, net	3,782	2,660	-	6,442
Income before taxes on income	4,386	103,722	-	108,108
Provision for taxes on income	1,915	38,344	-	40,259
Equity in subsidiaries' earnings, net of taxes	65,378	-	(65,378)	-
Net income	\$ 67,849	\$ 65,378	\$ (65,378)	\$ 67,849

**For the 13 weeks ended
May 2, 2003**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:				
Net sales	\$ 36,925	\$ 1,569,064	\$ (36,925)	\$ 1,569,064
Cost of goods sold	-	1,117,158	-	1,117,158
Gross profit	36,925	451,906	(36,925)	451,906
Selling, general and administrative	33,290	352,590	(36,925)	348,955
Operating profit	3,635	99,316	-	102,951
Interest expense, net	6,926	2,485	-	9,411
Income (loss) before taxes on income	(3,291)	96,831	-	93,540
Provision (benefit) for taxes on income	(1,210)	34,418	-	33,208
Equity in subsidiaries' earnings, net of taxes	62,413	-	(62,413)	-
Net income	\$ 60,332	\$ 62,413	\$ (62,413)	\$ 60,332

**For the 13 weeks ended
April 30, 2004**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:				
<i>Cash flows from operating activities:</i>				
Net income	\$ 67,849	\$ 65,378	\$ (65,378)	\$ 67,849
Adjustments to reconcile net income to net cash				

provided by operating activities:				
Depreciation and amortization	4,887	34,749	-	39,636
Deferred income taxes	4,198	8,361	-	12,559
Tax benefit from stock option exercises	2,172	-	-	2,172
Equity in subsidiaries' earnings, net	(65,378)	-	65,378	-
Change in operating assets and liabilities:				
Merchandise inventories	-	(120,044)	-	(120,044)
Other current assets	(2,157)	(5,198)	-	(7,355)
Accounts payable	(2,004)	92,910	-	90,906
Accrued expenses and other	(3,139)	(6,036)	-	(9,175)
Income taxes	8,694	(16,116)	-	(7,422)
Other	89	(15,601)	-	(15,512)
Net cash provided by operating activities	15,211	38,403	-	53,614
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(12,030)	(39,030)	-	(51,060)
Proceeds from sale of property and equipment	8	21	-	29
Net cash used in investing activities	(12,022)	(39,009)	-	(51,031)
<i>Cash flows from financing activities:</i>				
Repayments of long-term obligations	(1,683)	(2,380)	-	(4,063)
Payment of cash dividends	(13,319)	-	-	(13,319)
Proceeds from exercise of stock options	6,546	-	-	6,546
Repurchases of common stock	(133,589)	-	-	(133,589)
Other financing activities	447	-	-	447
Net cash used in financing activities	(141,598)	(2,380)	-	(143,978)
Net decrease in cash and cash equivalents	(138,409)	(2,986)	-	(141,395)
Cash and cash equivalents, beginning of period	352,232	46,046	-	398,278
Cash and cash equivalents, end of period	\$ 213,823	\$ 43,060	\$ -	\$ 256,883

**For the 13 weeks ended
May 2, 2003**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:				
<i>Cash flows from operating activities:</i>				
Net income	\$ 60,332	\$ 62,413	\$ (62,413)	\$ 60,332
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	5,237	31,519	-	36,756
Deferred income taxes	1,821	6,679	-	8,500
Tax benefit from stock option exercises	224	-	-	224
Equity in subsidiaries' earnings, net	(62,413)	-	62,413	-
Change in operating assets and liabilities:				
Merchandise inventories	-	(77,670)	-	(77,670)
Other current assets	(3,569)	(86,622)	83,810	(6,381)
Accounts payable	15,535	82,963	(82,577)	15,921
Accrued expenses and other	(8,771)	(1,069)	642	(9,198)
Income taxes	2,327	(32,882)	-	(30,555)
Other	1,845	1,793	(1,875)	1,763
Net cash provided by (used in) operating activities	12,568	(12,876)	-	(308)
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(2,606)	(27,523)	-	(30,129)
Proceeds from sale of property and equipment	10	56	-	66
Issuance of long-term notes receivable	(36,998)	(749)	37,747	-
Contribution of capital	(10)	-	10	-
Net cash used in investing activities	(39,604)	(28,216)	37,757	(30,063)

<i>Cash flows from financing activities:</i>				
Issuance of long-term obligations	749	36,998	(37,747)	-
Repayments of long-term obligations	(1,991)	(2,095)	-	(4,086)
Payment of cash dividends	(11,673)	-	-	(11,673)
Proceeds from exercise of stock options	694	-	-	694
Other financing activities	64	-	-	64
Issuance of common stock, net	-	10	(10)	-
Net cash provided by (used in) financing activities	(12,157)	34,913	(37,757)	(15,001)
<hr/>				
Net decrease in cash and cash equivalents	(39,193)	(6,179)	-	(45,372)
Cash and cash equivalents, beginning of period	72,799	48,519	-	121,318
Cash and cash equivalents, end of period	\$ 33,606	\$ 42,340	\$ -	\$ 75,946

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

Forward-Looking Statements

Except for specific historical information, many of the matters discussed in this Form 10-Q may express or imply projections of revenues or expenditures, statements of plans and objectives for future operations, growth or initiatives, statements of future economic performance, or statements regarding the outcome or impact of pending or threatened litigation. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors that may cause the actual performance of the Company to differ materially from those expressed or implied by these statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. The words "believe," "anticipate," "project," "plan," "expect," "estimate," "objective," "forecast," "goal," "intend," "will likely result," or "will continue" and similar expressions generally identify forward-looking statements. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements. The factors that may result in actual results differing from such forward-looking information include, but are not limited to: transportation and distribution delays or interruptions; the impact on transportation costs from the "driver hours of service" regulations adopted by the Federal Motor Carriers Safety Administration; the Company's ability to negotiate effectively the cost and purchase of merchandise; inventory risks due to shifts in market demand; changes in product mix; interruptions in suppliers' businesses; the inability to execute operating initiatives; costs and potential problems and interruptions associated with implementation of new or upgraded systems and technology; fuel price and interest rate fluctuations; a continued rise in insurance costs; a deterioration in general economic conditions caused by acts of war or terrorism; temporary changes in demand due to weather patterns; seasonality of the Company's business; delays associated with building, opening and operating new stores; delays associated with building, opening, expanding or converting new or existing DCs; the reputational and financial impact of the Securities and Exchange Commission ("SEC") inquiry related to the restatement of certain of the Company's financial statements further described in Part II, Item 1 of this Form 10-Q; and other factors described in the Company's Form 10-K for the fiscal year ended January 30, 2004, filed with the SEC on March 16, 2004, and from time to time in the Company's filings with the SEC, press releases and other communications.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-Q. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this Form 10-Q or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any further disclosures the Company may make on related subjects in its public disclosures or documents filed with the SEC.

Accounting Periods

The following text contains references to years 2004 and 2003, which represent fiscal years ending or ended January 28, 2005 and January 30, 2004, respectively, both of which will be or was a 52-week accounting period. This discussion and analysis should be read with, and is qualified in its entirety by, the Condensed Consolidated Financial Statements and the notes thereto.

Results of Operations

The following discussion of the Company's financial performance is based on the Condensed Consolidated Financial Statements set forth herein. The nature of the Company's business is moderately seasonal. Historically, sales in the fourth quarter have been higher than sales achieved in each of the first three quarters of the fiscal year. Expenses, and to a greater extent operating income, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of the Company's business may affect comparisons between periods. The following table contains results of operations data for the first 13 weeks of each of 2004 and 2003, and the dollar and percentage variances among those periods:

<i>(amounts in millions, excluding per share amounts)</i>	<u>13 Weeks Ended</u>		<u>2004 vs. 2003</u>	
	April 30, 2004	May 2, 2003	\$ change	% change
Net sales by category:				
Highly consumable	\$ 1,114.4	\$ 990.0	\$ 124.4	12.6%
<i>% of net sales</i>	63.75%	63.10%		
Seasonal	260.4	237.1	23.3	9.8
<i>% of net sales</i>	14.90%	15.11%		
Home products	214.8	199.5	15.3	7.7
<i>% of net sales</i>	12.29%	12.71%		
Basic clothing	158.4	142.4	15.9	11.2
<i>% of net sales</i>	9.06%	9.08%		
Net sales	\$ 1,748.0	\$ 1,569.1	\$ 178.9	11.4%
Cost of goods sold	1,235.7	1,117.2	118.6	10.6
<i>% of net sales</i>	70.69%	71.20%		
Gross profit	512.3	451.9	60.3	13.4
<i>% of net sales</i>	29.31%	28.80%		
Selling, general and administrative	397.7	349.0	48.7	14.0
<i>% of net sales</i>	22.75%	22.24%		
Operating profit	114.6	103.0	11.6	11.3
<i>% of net sales</i>	6.55%	6.56%		
Interest expense, net	6.4	9.4	(3.0)	(31.5)
<i>% of net sales</i>	0.37%	0.60%		
Income before taxes on income	108.1	93.5	14.6	15.6
<i>% of net sales</i>	6.18%	5.96%		
Provision for taxes on income	40.3	33.2	7.1	21.2
<i>% of net sales</i>	2.30%	2.12%		
Net income	\$ 67.8	\$ 60.3	\$ 7.5	12.5%
<i>% of net sales</i>	3.88%	3.85%		
Diluted earnings per share	\$ 0.20	\$ 0.18	\$ 0.02	11.1%
Weighted average diluted shares	337.3	334.6	2.7	0.8

13 WEEKS ENDED APRIL 30, 2004 AND MAY 2, 2003

Net Sales . Increases in net sales resulted primarily from 601 net new stores and a same-store sales increase of 3.0% for the 2004 period compared to the 2003 period. Stores opened since the beginning of 2003 accounted for

\$132.5 million of the increase in sales while \$46.4 million is attributable to an increase in same-store sales. Same-store sales calculations for a given period include only those stores that were open both at the end of that period and at the beginning of the preceding fiscal year. The Company monitors its sales internally by the four major categories noted in the table above.

The Company's same-store sales increase in the 2004 period compared to the 2003 period was due to a number of factors, including but not limited to: increased sales of candy and snacks of approximately \$20 million, which can be partially attributed to certain promotional items as well as the introduction of new products, and an increase of approximately \$17 million in sales of food and perishable products, which can be partially attributed to the ongoing installation of coolers in existing stores.

Gross Profit . The gross profit rate increased 51 basis points in the 2004 period as compared with the 2003 period due to a number of factors, including but not limited to: higher average mark-ups on the Company's beginning inventory in 2004 as compared to 2003 (resulting in approximately 46 basis points of gross margin improvement) and higher initial mark-ups on merchandise received during the 2004 period as compared with the 2003 period (resulting in approximately 10 basis points of gross margin improvement), partially offset by an increase in markdowns (resulting in a decline in gross margin of approximately 16 basis points).

The increased average mark-up on beginning inventory represents the cumulative impact of higher margin purchases over time. The improvement in merchandise received during 2004 was achieved primarily from an increase in purchases of highly consumable products with a slightly higher initial markup as well as increased purchases of certain higher margin basic clothing items, and a 39% increase in various performance-based vendor rebates. The increase in markdowns can be attributed to an increase in certain promotional markdowns and an increase in end-of-season markdowns on certain seasonal merchandise in the 2004 period compared to the 2003 period.

In the 2004 period the Company's shrink, expressed in retail dollars as a percentage of sales, was 3.13% compared to 3.10% in the 2003 period.

Selling, General and Administrative ("SG&A") Expense . The increase in SG&A expense as a percentage of sales in the 2004 period as compared with the 2003 period was due to a number of factors, including but not limited to increases in the following expense categories that were in excess of the 11.4 percent increase in sales: increased costs for professional fees (increased 123.7%) primarily due to consulting fees associated with the Company's 2004 store work-flow project; the cost of workers' compensation and other insurance programs (increased 51.5%) primarily due to adverse loss development patterns resulting principally from an increase in medical and legal costs compared to previous years; and store occupancy costs (increased 16.3%) primarily due to rising average monthly rentals associated with the Company's leased store locations.

Interest Expense, Net . The decrease in net interest expense in the 2004 period compared to the 2003 period is due primarily to the May 2003 purchase of promissory notes related to the Company's DC in South Boston, Virginia, and a reduction in amortization of debt issuance costs due primarily to the previously disclosed termination of a \$150 million revolving credit facility. All of the Company's outstanding indebtedness at April 30, 2004 is fixed rate debt.

Provision for Taxes on Income . The effective income tax rates for the 2004 and 2003 periods were 37.2%, and 35.5%, respectively. The higher tax rate in 2004 is due in part to the expiration of certain federal jobs tax credits for employees hired after December 31, 2003. The Company estimates that the expiration of these federal credit programs increased its 2004 effective tax rate by approximately 0.5%. Currently, there is legislation pending in Congress that will reinstate these credits on a retroactive basis, although this legislation had not been enacted as of April 30, 2004.

While the enactment of this legislation is expected, its passage is not certain. The lower than normal effective tax rate in the prior year period is primarily a result of a \$0.8 million favorable adjustment to the Company's state income tax valuation reserves related to a change in tax laws in the state of Mississippi. Excluding this benefit, the Company's effective tax rate during the prior year period was 36.4%.

Liquidity and Capital Resources

Current Financial Condition / Recent Developments . At April 30, 2004, the Company had \$256.9 million of cash and cash equivalents offset by total debt (including the current portion of long-term obligations and short-term borrowings) of \$278.5 million, resulting in a net debt position of \$21.6 million, compared with a net cash position of \$116.3 million at January 30, 2004. The most significant factor in the change in the Company's net debt/cash position during the first 13 weeks of 2004 was repurchases of the Company's outstanding common stock as described in greater detail below.

As described in Note 4 to the Condensed Consolidated Financial Statements, the Company is involved in a number of legal actions and claims, some of which could potentially result in a material cash settlement. Adverse developments in these actions could materially and adversely affect the Company's liquidity. The Company also has certain income tax-related contingencies as more fully described below under "Critical Accounting Policies and Estimates". Estimates of these contingent liabilities are included in the Company's Condensed Consolidated Financial Statements. However, future negative developments could have a material adverse effect on the Company's liquidity.

The Company's inventory balance represented approximately 48% of its total assets as of April 30, 2004. The Company's proficiency in managing its inventory balances can have a significant impact on the Company's cash flows from operations during a given period or fiscal year. In addition, inventory purchases can be somewhat seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise. Inventory turns increased from 3.9 times as of May 2, 2003 to 4.0 times as of April 30, 2004.

In late 2003, the Internal Revenue Service, in a published ruling, indicated that certain rules related to the qualification of individuals under the federal Work Opportunity Credit and the Welfare-to-Work Credit had been improperly applied and as a result, the Company's jobs tax credit applications for a certain classification of employees was rejected. The Company is awaiting further guidance from the Internal Revenue Service as to how properly to claim these denied job credits. Due to uncertainty regarding this guidance, the Company has not been able to reasonably estimate the amount of the credits or any related benefit that may occur, and therefore no amount has been recorded in the Company's financial statements.

On March 13, 2003, the Board of Directors authorized the Company to repurchase up to 12 million shares of its outstanding common stock. Purchases may be made in the open market or in privately negotiated transactions from time to time subject to market conditions. The objective of the share repurchase program is to enhance shareholder value by purchasing shares at a price that produces a return on investment that is greater than the Company's cost of capital. Additionally, share repurchases generally will be undertaken only if such purchases result in an accretive impact on the Company's fully diluted earnings per share calculation. This authorization expires March 13, 2005. During the first 13 weeks of 2004, the Company purchased approximately 8.1 million shares at a total cost of \$152.6 million.

The Company has a \$300 million revolving credit facility (the "Credit Facility"), which expires in June 2005. The Company has had recent discussions with its lenders about amending or replacing the Credit Facility. As of April 30, 2004, the Company had no outstanding borrowings and \$22.5 million of standby letters of credit under the Credit Facility. The standby letters of credit reduce the borrowing capacity of the Credit Facility. The Credit Facility contains certain financial covenants, all of which the Company was in compliance with at April 30, 2004.

The Company has \$200 million (principal amount) of 8 5/8% unsecured notes due June 15, 2010. This indebtedness was incurred to assist in funding the Company's growth. Interest on the notes is payable semi-annually on June 15 and December 15 of each year. The note holders may elect to have these notes repaid on June 15, 2005, at 100% of the principal amount plus accrued and unpaid interest. The Company may seek, from time to time, to retire its outstanding notes through cash purchases on the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Significant terms of the Company's outstanding debt obligations could have an effect on the Company's ability to incur additional debt financing. The Credit Facility contains financial covenants which include the ratio of debt to EBITDAR (as defined in the debt agreement), fixed charge coverage, asset coverage, minimum allowable consolidated

net worth and maximum allowable capital expenditures. The Credit Facility also places certain specified limitations on secured and unsecured debt. The Company's outstanding notes discussed above place certain specified limitations on secured debt and place certain limitations on the Company's ability to execute sale-leaseback transactions. The Company has generated significant cash flows from its operations during recent years, and had no borrowings outstanding under the Credit Facility at any time during 2003 or the first 13 weeks of 2004. Therefore, the Company does not believe that any existing limitations on its ability to incur additional indebtedness will have a material impact on its liquidity.

At April 30, 2004 and January 30, 2004, the Company had commercial letter of credit facilities totaling \$218.0 million, of which \$94.7 million and \$111.7 million, respectively, were outstanding for the funding of imported merchandise purchases.

The Company believes that its existing cash balances, cash flows from operations, the Credit Facility and its anticipated ongoing access to the capital markets, if necessary, will provide sufficient financing to meet the Company's currently foreseeable liquidity and capital resource needs.

Cash flows provided by (used in) operating activities . Cash flows from operating activities during the 2004 period compared to the 2003 period increased by \$53.9 million. Changes in accounts payable balances resulted in an increase in cash flows from operating activities of \$75.0 million in the 2004 period over the 2003 period. The change in accounts payable balances can be partially attributed to an increase in inventory purchases in the 2004 period, which in turn led to an offsetting increase in inventory balances of \$42.4 million over the 2003 period. Contributing to the increase in cash flows provided by operating activities in the 2004 period was an increase in net income of \$7.5 million driven by the improved operating results discussed above (see "Results of Operations"). The primary sources of cash in the 2003 period were the Company's net income, as adjusted for the non-cash depreciation and amortization expense, which together totaled \$97.1 million, and an increase in accounts payable of \$15.9 million as a result of the timing of payments to vendors. Significant uses of cash in the 2003 period included a \$77.7 million increase in inventory in preparation for the spring and summer selling seasons and a \$30.6 million reduction in the net income taxes payable. The reduction in the net income taxes payable was due largely to an approximately \$52.7 million payment of estimated federal income taxes for 2002 that was made during the 2003 period.

Cash flows used in investing activities . The Company's purchases of property and equipment in the 2004 period totaled \$51.1 million, which is net of property and equipment purchases of \$16.5 million awaiting processing for payment and included in accounts payable at April 30, 2004. Significant components of these purchases included the following: \$20.0 million for new stores; \$18.3 million for distribution and transportation-related capital expenditures; \$8.1 million for coolers in new and existing stores, which allow the stores to carry refrigerated products; \$7.2 million for certain fixtures in existing stores and \$5.8 million for systems-related capital projects. During the 2004 period, the Company opened 244 new stores. Distribution and transportation expenditures in the 2004 period include costs associated with the expansion of the Ardmore, Oklahoma and South Boston, Virginia DCs as well as costs associated with the construction of the Company's new DC in Union County, South Carolina. The \$30.1 million spent in the 2003 period consisted primarily of approximately \$25.7 million of store related expenditures, including \$13.0 million for leasehold and fixture costs for new stores and \$8.9 million for various fixtures for existing stores.

Capital expenditures during 2004 are projected to be approximately \$300 million. The Company anticipates funding its 2004 capital requirements with cash flows from operations and the Credit Facility, if necessary.

Cash flows used in financing activities . The Company repurchased approximately 8.1 million shares of its common stock during the 2004 period at a total cost of \$152.6 million, \$19.0 million of which are included in accounts payable at April 30, 2004. The Company paid cash dividends of \$13.3 million, or \$0.04 per share, on its outstanding common stock during the 2004 period. The use of cash in the 2003 period primarily reflects the payment of \$11.7 million of cash dividends, or \$0.035 per share.

Critical Accounting Policies and Estimates

Merchandise Inventories. Merchandise inventories are stated at the lower of cost or market with cost

determined using the retail last-in, first-out (“LIFO”) method. Under the retail inventory method (“RIM”), the valuation of inventories at cost and the resulting gross margins are computed by applying a calculated cost-to-retail ratio to the retail value of inventories. The RIM is an averaging method that has been widely used in the retail industry due to its practicality. Also, it is recognized that the use of the RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories.

Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, initial markups, markdowns, and shrinkage, which significantly impact the ending inventory valuation at cost as well as resulting gross margins. These significant estimates, coupled with the fact that the RIM is an averaging process, can, under certain circumstances, produce distorted cost figures. Factors that can lead to distortion in the calculation of the inventory balance include:

- applying the RIM to a group of products that is not fairly uniform in terms of its cost and selling price relationship and turnover
- applying the RIM to transactions over a period of time that include different rates of gross profit, such as those relating to seasonal merchandise
- inaccurate estimates of inventory shrinkage between the date of the last physical inventory at a store and the financial statement date
- inaccurate estimates of LIFO reserves

To reduce the potential of such distortions in the valuation of inventory, the Company’s RIM currently utilizes 10 departments in which fairly homogenous classes of merchandise inventories having similar gross margins are grouped. In the near future, in order to further refine its RIM calculation, the Company intends to expand the number of departments it utilizes for its gross margin calculation. The impact of this intended change on the Company’s future consolidated financial statements is not currently expected to be material. Other factors that reduce potential distortion include the use of historical experience in estimating the shrink provision (see discussion below) and the utilization of an independent statistician to assist in the LIFO sampling process and index formulation. Also, on an ongoing basis, the Company reviews and evaluates the salability of its inventory and records adjustments, if necessary, to reflect its inventory at the lower of cost or market.

The Company calculates its shrink provision based on actual physical inventory results during the fiscal year and an accrual for estimated shrink occurring subsequent to a physical inventory through the end of the fiscal reporting period. This accrual is calculated as a percentage of sales and is determined by dividing the book-to-physical inventory adjustments recorded during the previous twelve months by the related sales for the same period for each store. To the extent that subsequent physical inventories yield different results than this estimated accrual, the Company’s shrink rate for a given reporting period will include the impact of adjusting the estimated results to the actual results.

Property and Equipment. Property and equipment are recorded at cost. The Company groups its assets into relatively homogeneous classes and provides for depreciation on a straight-line basis over the estimated average useful life of each asset class. The valuation and classification of these assets and the assignment of useful depreciable lives involves significant judgments and the use of estimates. Property and equipment are reviewed for impairment periodically and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Self-Insurance Liability. The Company retains a significant portion of the risk for its workers’ compensation, employee health insurance, general liability, property loss and automobile coverage. These costs are significant primarily due to the large employee base and number of stores. Provisions are made to this insurance liability on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed by independent actuaries utilizing historical claim trends. If future claim trends deviate from recent historical patterns, the Company may be required to record additional expenses or expense reductions which could be material to the Company’s future financial results.

Contingent Liabilities – Income Taxes . The Company is subject to routine income tax audits which occur periodically in the normal course of business. The Company estimates its contingent income tax liabilities based on its

assessment of potential income tax-related exposures and the relative probabilities of those exposures translating into actual future liabilities. The probabilities are estimated based on both historical audit experiences with various state and federal taxing authorities and the Company's interpretation of current income tax-related trends. If the Company's income tax contingent liability estimates prove to be inaccurate, the resulting adjustments could be material to the Company's future financial results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have no material changes to the disclosures relating to this item that are set forth in our report on Form 10-K for the fiscal year ended January 30, 2004.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures* . The Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of April 30, 2004. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of April 30, 2004, the Company's disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e).

(b) *Changes in Internal Control Over Financial Reporting* . There have been no changes during the quarter ended April 30, 2004 in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 4 to the Condensed Consolidated Financial Statements under the heading "Legal Proceedings" contained in Part I, Item 1 of this Form 10-Q is incorporated herein by this reference.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER REPURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to purchases of shares of the Company's common stock made during the quarter ended April 30, 2004 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Securities Exchange Act of 1934:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(a)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(a)
01/31/04-02/29/04	--	--	--	10,481,000
03/01/04-03/31/04	3,635,000	\$19.05	3,635,000	6,846,000
04/01/04-04/30/04	4,465,620	\$18.66	4,465,620	2,380,380
Totals	8,100,620	\$18.84	8,100,620	2,380,380

(a) On March 13, 2003, the Company announced that its Board of Directors had authorized the Company to repurchase up to 12 million shares of the Company's outstanding common stock. Purchases may be made in the open market or in privately negotiated transactions from time to time subject to market conditions. This repurchase authorization expires on March 13, 2005. The Company did not have any repurchase plan or program that expired during the first quarter of 2004, nor has the Company determined to terminate the current plan prior to its expiration.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) See the Exhibit Index immediately following the signature page hereto.
- (b)
- (1) A Current Report on Form 8-K, dated February 5, 2004, was furnished to the SEC pursuant to Item 9 and Item 12 in connection with a news release regarding sales results for the four-week and 52-week periods and fourth quarter ended January 30, 2004, and other matters.
 - (2) A Current Report on Form 8-K, dated February 12, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding plans to open a new distribution center.
 - (3) A Current Report on Form 8-K, dated March 4, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding sales results for the four-week period ended February 27, 2004, and other matters.
 - (4) A Current Report on Form 8-K, dated March 12, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding the declaration of a dividend.
 - (5) A Current Report on Form 8-K, dated March 15, 2004, was furnished to the SEC pursuant to Item 9 and Item 12 in connection with a news release regarding fourth quarter and year-end earnings, an agreement in principle with the SEC, the Company's 2004 outlook and the resignation of the Company's Chief Financial Officer.
 - (6) A Current Report on Form 8-K, dated March 18, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding a Dollar General presentation at an investor conference.
 - (7) A Current Report on Form 8-K, dated April 8, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding sales results for the five-week and nine-week periods ended April 2, 2004, and other matters.
 - (8) A Current Report on Form 8-K, dated April 15, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding the adoption of a Rule 10b5-1 trading plan.
 - (9) A Current Report on Form 8-K, dated April 23, 2004, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding Dollar General presentations at investor conferences.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, both on behalf of the Registrant and in his capacity as principal financial and accounting officer of the Registrant.

DOLLAR GENERAL CORPORATION

Date: May 27, 2004

By: /s/ James J. Hagan

EXHIBIT INDEX

- 10.1 Employment Agreement, effective March 1, 2004, by and between Dollar General Corporation and Stonie R. O'Briant.
- 10.2 Employment Agreement, effective March 1, 2004, by and between Dollar General Corporation and Tommy J. Hartshorn.
- 10.3 Separation and Release Agreement, dated March 15, 2004, by and between Dollar General Corporation and James J. Hagan.
- 31 Certifications of CEO and CFO under Exchange Act Rule 13a-14(a).
- 32 Certifications of CEO and CFO under 18 U.S.C. 1350.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”), effective March 1, 2004 (“Effective Date”), is made and entered into by and between **DOLLAR GENERAL CORPORATION** (the “Company”), and **Stonie R. O’Briant** (“Employee”).

WITNESSETH:

WHEREAS, Company desires to employ Employee upon the terms and subject to the conditions hereinafter set forth, and Employee desires to accept such employment;

NOW, THEREFORE, for and in consideration of the premises, the mutual promises, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Employment Terms

1. **Employment** . Subject to the terms and conditions of this Agreement, Company agrees to employ Employee as Executive Vice President, Merchandising, Marketing and Strategic Planning of Dollar General Corporation.
2. **Term** . The term of this Agreement shall be until the second annual anniversary of the Effective Date (“Term”), unless otherwise terminated pursuant to Paragraphs 7, 8, 9, 10, 11 or 12 hereof.
3. **Position, Duties and Administrative Support** .
 - a. **Position** . Employee shall serve as Executive Vice President, Merchandising, Marketing and Strategic Planning. Employee shall report to the President and Chief Operating Officer and perform such duties and responsibilities as the President and COO or the CEO may prescribe from time-to-time.
 - b. **Full-Time Efforts** . Employee shall perform and discharge faithfully, diligently and to the best of his /her ability such duties and responsibilities and shall devote his/her full-time efforts to the business and affairs of Company. Employee agrees to promote the best interests of Company and to take no action that in any way damages the public image or reputation of Company, its subsidiaries or its affiliates.
 - c. **Administrative Support** . Employee shall be provided with office space and administrative support commensurate with his/her position.
 - d. **No Interference With Duties** . Employee shall not devote time to other activities which would inhibit or otherwise interfere with the proper performance of his/her duties, and shall not be directly or indirectly concerned or interested in any other occupation, activity or interest in any business whatsoever other than by reason of holding a non-controlling interest as a shareholder, securities holder or debenture holder in a corporation quoted on a nationally recognized exchange. Employee may not serve as a member of a board of directors of a for-profit company, other than the Company or any of its subsidiaries or affiliates, during the Term without the express approval of the CEO.
4. **Work Standard** . Employee hereby agrees that he/she shall at all times comply with and abide by all terms

and conditions set forth in this Agreement, and all applicable work policies, procedures and rules as may be issued by Company. Employee also agrees that he/she shall comply with all federal, state and local statutes, regulations and public ordinances governing the performance of his/her duties hereunder.

5. Compensation .

a. Base Salary . Subject to the terms and conditions set forth in this Agreement, Company shall pay Employee, and Employee shall accept, an annual base salary (“Base Salary”) of no less than Three Hundred Sixty Two Thousand Two Hundred Fifty Dollars (\$362,250). The Base Salary shall be paid in accordance with Company’s normal payroll practices and may be increased from time to time at the sole discretion of the Company.

b. Incentive Bonus . Employee’s incentive compensation for the Term of this Agreement shall be determined under the Company’s bonus program for officers established by the Compensation Committee and amended in its discretion. The actual bonus paid pursuant to this Paragraph 5(b) shall be based on performance criteria established by the Compensation Committee in accordance with the terms and conditions of the bonus program for officers.

c. Stock Based Compensation . Employee shall be eligible for award grants from time-to-time consistent with the award grants made to similarly situated officers of the Company as governed by the terms of the 1998 Employee Stock Incentive Plan, as may be amended, or any successor plan thereof (the “Stock Plan”), as determined in the sole discretion of the Compensation Committee.

d. Vacation . Employee shall be entitled to three weeks paid vacation time within the first year of employment. After five years of employment, Employee shall be entitled to four weeks paid vacation. Vacation time is granted on the anniversary of Employee’s hire date each year. Any available but unused vacation as of the annual anniversary of employment date or at Employee’s termination date shall be forfeited.

e. Business Expenses . Employee shall be reimbursed for all reasonable business expenses incurred in carrying out the work hereunder. Employee shall adhere to the Company’s expense reimbursement policies and shall follow those expense reimbursement procedures that generally apply to other Company employees.

f. Perquisites . Employee shall be entitled to receive such other executive perquisites, fringe and other benefits as are provided to officers and their families under any of the Company’s plans and/or programs in effect from time to time and such other benefits as are customarily available to officers of the Company and their families.

6. Benefits . During the Term, Employee (and, where applicable, Employee’s eligible dependents) shall be eligible to participate in the various Company welfare benefit plans, practices and policies (including, without limitation, medical, prescription, dental, vision, disability, employee life, accidental death and travel accident insurance plans and programs) to the extent and in accordance with the terms of those plans as generally provided to officers or other similarly situated employees of the Company. In addition, Employee shall be eligible to participate, pursuant to their terms, in any other benefit plans offered by the Company to officers or other employees (excluding plans applicable solely to certain officers of the Company in accordance with the express terms of such plans), including, without limitation, the 401(k) Retirement and Savings Plan and CDP/SERP Plan. Collectively the plans and arrangements described in this Paragraph 6 and as they may be amended or modified in accordance with their terms are hereinafter referred to as the “Benefits Plans.”

Notwithstanding the above, Employee understands and acknowledges that Employee is not eligible for benefits under the Dollar General Corporation Severance Plan and that the only severance benefits Employee is entitled to are set forth in this Agreement.

7. Termination for Cause . Under the following conditions, each of which shall constitute “Cause” or “Termination for Cause”, this Agreement may be terminated immediately at any time by Company without any liability owing to Employee or Employee’s beneficiaries under this Agreement, except for those benefits owed under any other plan or agreement covering Employee which shall be governed by the terms of such plan or agreement:

a. Any act involving fraud, dishonesty or material misrepresentation, or any material breach of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, investments and the like;

b. Other than as required by law, the carrying out of any activity or the making of any public statement which prejudices or reduces the good name and standing of Company or any of its affiliates or would bring any one of these into public contempt or ridicule;

c. Attendance at work in a state of intoxication or being found in possession of any prohibited drug or substance, possession of which would amount to a criminal offense;

d. Assault or other act of violence against any employee of Company or other person; or

e. Conviction of any felony whatsoever or any misdemeanor involving moral turpitude.

A termination for Cause shall be effective only if the Company has given Employee written notice of its intention to terminate for Cause, describing Employee’s acts or omissions that are believed to constitute Cause, and has given Employee fair opportunity to respond.

8. Termination upon Death . Notwithstanding anything herein to the contrary, this Agreement shall terminate immediately upon Employee’s death, and Company shall have no further liability to Employee or his/her beneficiaries under this Agreement, except for benefits under the Benefits Plans and Stock Plan covering Employee to the extent provided by the terms of such Benefits Plans and Stock Plan.

9. Disability . If a Disability (as defined below) of Employee occurs during the Term, the Company may notify Employee of the Company’s intention to terminate Employee’s employment. In that event, employment shall terminate effective on the termination date provided in such notice of termination (the “Disability Effective Date”), and this Agreement shall terminate without further liability to Employee, except for benefits under the Benefits Plans and Stock Plan covering Employee to the extent provided by the terms of such Benefits Plans and Stock Plan. In this Agreement, “Disability” means:

(a) a long-term disability, as defined in the Company’s applicable long-term disability plan as then in effect; or

(b) Employee’s inability reasonably to perform his/her duties under this Agreement because of any medically determinable physical or mental impairment that (i) can reasonably be expected to result in death or (ii) has lasted or can reasonably be expected to last longer than ninety (90) consecutive days. In this

circumstance, the existence of a Disability shall be determined by the Company, in its sole and absolute discretion, upon receipt of competent medical advice from a qualified physician selected by or acceptable to the Company. In this circumstance, Employee shall, if there is any question about his/her Disability, submit to a physical examination by a qualified physician selected by the Company. Nothing in this subsection (b) is intended to nor shall it be deemed to broaden or modify the definition of “disability” in the Company’s long-term disability plan.

10. Employee’s Termination of Employment .

a. Notwithstanding anything herein to the contrary, Employee may terminate his/her employment and this Agreement at any time, for no reason, with thirty (30) days written notice to Company. Upon such termination, Employee shall be entitled to his/her prorata Base Salary through the date of termination and such other vested benefits under any other plan or agreement covering Employee which shall be governed by the terms of such plan or agreement. Employee shall not be entitled to those payments and benefits listed in paragraph 11, unless he/she terminates his/her employment for Good Reason, as defined below.

b. Good Reason shall mean any of the following actions taken by the Company:

- (i) a reduction by the Company in the Employee’s Base Salary or target bonus level;
- (ii) the Company shall fail to continue in effect any significant Company-sponsored compensation plan or benefit (without replacing it with a similar plan or with a compensation equivalent), unless such action is in connection with across-the-board plan changes or terminations similarly affecting at least ninety-five percent (95%) of all executive employees of the Company;
- (iii) Company’s principal executive offices shall be moved to a location outside the middle-Tennessee area, or Employee is required to be based anywhere other than the Company’s principal executive offices;
- (iv) Without his/her written consent, the assignment to the Employee by the Company of duties inconsistent with, or the significant reduction of the title, powers and functions associated with, Employee’s position, titles or offices, unless such action is the result of a restructuring or realignment of duties and responsibilities by the Company, for business reasons, that leaves Employee at the same officer level (i.e., Vice President, Executive Vice President, etc.) and with a similar level of responsibility, or is the result of Employee’s failure to meet pre-established and objective performance criteria, or is the result of his/her termination for Disability or Cause;
- (v) Any material breach by the Company of any provision of this Agreement; or
- (vi) The failure of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

Good Reason shall not include Employee’s death or Disability. The Company shall have the opportunity to

cure any claimed event of Good Reason (other than subparagraph (vi) above) within thirty (30) days notice from Employee.

11. Termination without Cause or by Employee for Good Reason. If Employee's employment is terminated by the Company without Cause which the Company may do at any time prior to the expiration of the Term (it being understood by the Parties that termination by death or Disability shall not constitute termination without Cause), Employee terminates for Good Reason (as defined above), or the Company fails to renew or extend the Term of this Employment Agreement unless such failure to renew or extend is accompanied with a mutually agreeable severance arrangement between the Company and the Employee or is the result of Employee's voluntary retirement, then Employee shall be entitled (in lieu of the payments referenced in Paragraph 12 below, and not in addition to), only upon the execution and effectiveness of the Release attached hereto and made a part hereof, to continuation of Employee's Base Salary as of the date immediately preceding the termination for 24 months, payable in accordance with the Company's normal payroll cycle and procedures. In addition, Employee shall be entitled to outplacement services, provided by the Company, for one year or until other employment is secured, whichever comes first.

In the event that there is a breach by Employee of any continuing obligations under this Agreement after termination of employment, any unpaid amounts under this Paragraph 11 shall be forfeited. Any payments or reimbursements under this Paragraph 11 shall not be deemed the continuation of Employee's employment for any purpose. The Company's obligations under this Paragraph 11 will not negate or reduce (i) any amounts otherwise due but not yet paid to Employee by the Company, or (ii) any other amounts payable to Employee outside this Agreement, or any other rights that Employee may have, under the terms of any of the applicable Benefit Plans and Stock Plan as in effect on the employment termination date. Further, the Company may, at any time and in its sole discretion, make a lump-sum payment of all amounts, or all remaining amounts, due to Employee under this Paragraph 11.

12. Effect of Change in Control.

a. If within two (2) years following a Change in Control (as hereafter defined), the Company (or any successor to the Company) terminates Employee's employment without Cause or Employee terminates his/her employment for Good Reason, then upon the execution and the effectiveness of the Release attached hereto and made a part hereof, the Company shall pay to Employee (in lieu of the payments referenced in paragraph 11 above, and not in addition to):

(i) a lump sum payment equal to two times Employee's Base Salary in effect immediately prior to the Change in Control plus two times the amount of Employee's target incentive bonus payment in effect immediately prior to the Change in Control;

(ii) a lump sum payment in an amount equal to two (2) times the annual Employee contribution to participate in the Company's medical, dental and vision benefits program;

(iii) outplacement services, provided by the Company, for one year or until other employment is secured, whichever comes first; and

(iv) Employee's awards, if any, granted pursuant to the Stock Plan or any precursor or successor plan shall fully vest and shall remain exercisable in accordance with the terms of the Stock Plan.

b. For purposes of Paragraph 12(a), the payments described therein shall be limited to the Capped Amount. The “Capped Amount” shall be the amount otherwise payable under Paragraph 12(a), reduced in such amount and to such extent that no amount of the payment under Paragraph 12(a), plus all other “parachute payments” under Code Section 280G (collectively “Total Payments”), would constitute an “excess parachute payment” under Code Section 280G. Notwithstanding the preceding sentence, the Employee’s Total Payments shall not be limited to the Capped Amount if it is determined that Employee would receive at least \$25,000 in greater after-tax proceeds if no such reduction is made. The calculation of the Capped Amount and all other determinations relating to the applicability of Code Section 280G (and the rules and regulations promulgated thereunder) to the payments contemplated by this Employment Agreement shall be made by the tax department of the independent public accounting firm then responsible for preparing or auditing the Company’s consolidated federal income tax return, and such determinations shall be binding upon the Employee and the Company.

c. Change in Control shall mean the date as of which any of the following occurs:

(i) The Consummation of an acquisition after which any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (hereinafter “Exchange Act”) shall have beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act (hereinafter “Beneficial Ownership”) of 35% or more of the Voting Securities of the Company; provided, however, that for purposes of the preceding sentence, the following acquisitions of Voting Securities of the Company shall not constitute a Change in Control:

(A) ownership or an acquisition by Cal Turner, James Stephen Turner or a member or members of his/her or their immediate family or any trust, partnership, foundation or similar entity for the exclusive benefit of any such persons (collectively, the “Turner Family Interests”);

(B) any acquisition directly from the Company;

(C) any acquisition by the Company or an affiliate which the Company Controls;

(D) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or a subsidiary of the Company;

(E) any acquisition by a qualified pension plan or publicly held mutual fund;

(F) any acquisition by the Employee or a group within the meaning of Section 14(d) of the Exchange Act that includes the Employee; or

(G) any Business Combination which would not otherwise constitute a Change in Control because of the application of clauses (A), (B) and (C) of Paragraph 12(c)(iii).

(ii) A change in the composition of the Board of Directors of the Company whereby individuals who constitute the Board of Directors of the Company as of the Effective Date of this Agreement (plus any individual who shall become a director subsequent to such date whose election or nomination for election by the shareholders was approved by a vote of at least 75% of the directors then comprising the Board of Directors) (hereinafter “Incumbent Board”) cease for any reason to constitute at least a majority of the Board

of Directors. Notwithstanding the foregoing, no individual who shall become a director of the Board of Directors subsequent to the Effective Date whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Regulations promulgated under the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act other than the Board of Directors shall be a member of the Incumbent Board.

(iii) Consummation of a Business Combination, unless, immediately following such Business Combination, all of the following three conditions are met:

(A) all or substantially all of the individuals and entities who held Beneficial Ownership, respectively, of the Voting Securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, 65% or more of the combined voting power of the Voting Securities of the corporation surviving or resulting from such Business Combination, (including, without limitation, a corporation which as a result of such transaction holds Beneficial Ownership of all or substantially all of the Voting Securities of the Company or all or substantially all of the Company's assets) (such surviving or resulting corporation to be referred to as "Surviving Company"), in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities of the Company;

(B) no individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (excluding any corporation resulting from such Business Combination, the Turner Family Interests, any qualified pension plan, a publicly held mutual fund, the Employee, a group within the meaning of Section 14(d) of the Exchange Act that includes the Employee, or an employee benefit plan (or related trust) of the Company or Surviving Company) holds Beneficial Ownership, directly or indirectly, of 35% or more of the combined voting power of the then outstanding Voting Securities of Surviving Company except to the extent that such ownership existed immediately prior to the Business Combination; and

(C) at least a majority of the members of the board of directors of the Surviving Company were members of the Incumbent Board at the earlier of the date of execution of the initial agreement, or of the action of the Board of Directors of the Company, providing for such Business Combination.

(iv) For purposes of subparagraphs (i) - (iii) above, the terms below shall have the following meanings:

(A) "Business Combination" shall mean a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company.

(B) "Consummation" shall mean the completion of the final act necessary to complete a transaction as a matter of law, including, but not limited to, any required approvals by the corporation's shareholders and board of directors, the transfer of legal and beneficial title to

securities or assets and the final approval of the transaction by any applicable domestic or foreign governments or governmental agencies.

(C) “ Control ” shall mean, in the case of a corporation, Beneficial Ownership of more than 50% of the combined voting power of the corporation’s Voting Securities, or in the case of any other entity, Beneficial Ownership of more than 50% of such entity’s voting equity interests.

(D) “ Voting Securities ” shall mean the outstanding voting securities of a company entitling the holder thereof to vote generally in the election of such company’s directors.

13. Publicity; No Disparaging Statement . Except as otherwise provided in Paragraph 14 hereof, Employee and the Company covenant and agree that they shall not engage in any communications which shall disparage one another or interfere with their existing or prospective business relationships.

14. Confidentiality and Legal Process . Employee represents and agrees that he/she will keep the terms, amount and fact of this Agreement confidential and that he/she will not hereafter disclose any information concerning this Agreement to any one other than his/her personal agents. Notwithstanding the foregoing, nothing in this Agreement is intended to prohibit Employee from performing any duty or obligation that shall arise as a matter of law. Specifically, Employee shall continue to be under a duty to truthfully respond to any legal and valid subpoena or other legal process. This Agreement is not intended in any way to proscribe Employee’s right and ability to provide information to any federal, state or local government in the lawful exercise of such government’s governmental functions.

15. Business Protection Provision Definitions .

a. Preamble . As a material inducement to the Company to enter into this Agreement, and its recognition of the valuable experience, knowledge and proprietary information Employee will gain from his/her employment with the Company, Employee warrants and agrees he/she will abide by and adhere to the business protection provisions in Paragraphs 15, 16, 17, 18 and 19 herein.

b. Definitions . For purposes of Paragraphs 15, 16, 17, 18, 19 and 20 herein, the following terms shall have the following meanings:

(i) “Competitive Position” shall mean any employment, consulting, advisory, directorship, agency, promotional or independent contractor arrangement between the Employee and (x) any person or Entity engaged wholly or in material part in the business in which the Company is engaged, including but not limited to such other similar businesses as Wal-Mart, Family Dollar Stores, Fred’s, the 99 Cents Stores and Dollar Tree Stores, or (y) any person or Entity then attempting or planning to enter the business in which the Company is engaged (i.e., the deep discount consumable basics retail business) whereby the Employee is required to or does perform services on behalf of or for the benefit of such person or Entity which are substantially similar to the services Employee participated in or directed at any time while employed by the Company or any of its affiliates.

(ii) “Confidential Information” shall mean the proprietary or confidential data, information, documents or materials (whether oral, written, electronic or otherwise) belonging to or pertaining to the Company, other than “Trade Secrets” (as defined below), which is of tangible or intangible value to the

Company and the details of which are not generally known to the competitors of the Company. Confidential Information shall also include any items marked “CONFIDENTIAL” or some similar designation or which are otherwise identified as being confidential.

(iii) “Entity” or “Entities” shall mean any business, individual, partnership, joint venture, agency, governmental agency, body or subdivision, association, firm, corporation, limited liability company or other entity of any kind.

(iv) “Restricted Period” shall mean two (2) years following the Employee’s termination date.

(v) “Territory” shall include those states in which the Company maintains stores at Employee’s termination date.

(vi) “Trade Secrets” shall mean information or data of or about the Company, including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and (C) any other information which is defined as a “trade secret” under applicable law.

(vii) “Work Product” shall mean all tangible work product, property, data, documentation, “know-how,” concepts or plans, inventions, improvements, techniques and processes relating to the Company that were conceived, discovered, created, written, revised or developed by Employee during the term of his/her employment with the Company.

16. Nondisclosure: Ownership of Proprietary Property.

a. In recognition of the need of the Company to protect its legitimate business interests during the Term of this Agreement and thereafter, Confidential Information and Trade Secrets, Employee hereby covenants and agrees that Employee shall regard and treat Trade Secrets and all Confidential Information as strictly confidential and wholly-owned by the Company and shall not, for any reason, in any fashion, either directly or indirectly, use, sell, lend, lease, distribute, license, give, transfer, assign, show, disclose, disseminate, reproduce, copy, misappropriate or otherwise communicate any such item or information to any third party or Entity for any purpose other than in accordance with this Agreement or as required by applicable law: (i) with regard to each item constituting a Trade Secret, at all times such information remains a “trade secret” under applicable law, and (ii) with regard to any Confidential Information, for the Restricted Period.

b. Employee shall exercise best efforts to ensure the continued confidentiality of all Trade Secrets and Confidential Information, and he/she shall immediately notify the Company of any unauthorized disclosure or use of any Trade Secrets or Confidential Information of which Employee becomes aware. Employee shall assist the Company, to the extent necessary, in the protection of or procurement of any intellectual property protection or other rights in any of the Trade Secrets or Confidential Information.

c. Work Product shall be owned exclusively by the Company. To the greatest extent possible, any

Work Product shall be deemed to be “work made for hire” (as defined in the Copyright Act, 17 U.S.C.A. § 101 et seq., as amended), and Employee hereby unconditionally and irrevocably transfers and assigns to the Company all right, title and interest Employee currently has or may have by operation of law or otherwise in or to any Work Product, including, without limitation, all patents, copyrights, trademarks (and the goodwill associated therewith), trade secrets, service marks (and the goodwill associated therewith) and other intellectual property rights.

Employee agrees to execute and deliver to the Company any transfers, assignments, documents or other instruments which the Company may deem necessary or appropriate, from time to time, to protect the rights granted herein or to vest complete title and ownership of any and all Work Product, and all associated intellectual property and other rights therein, exclusively in the Company.

17. Non-Interference with Employees . Employee covenants and agrees that during the Restricted Period he/she will not, either directly or indirectly, alone or in conjunction with any other person or Entity: (a) actively recruit, solicit, attempt to solicit, or induce any person who is an exempt employee of the Company or any of its subsidiaries, or is an officer or exempt employee of any of the other DG Entities, to leave or cease such employment for any reason whatsoever; or (b) hire or engage the services of any such person described in Paragraph 17(a) above in any business substantially similar or competitive with that in which the Company was engaged during his/her employment.

18. Non-Interference with Business Relationships .

a. Employee acknowledges that in the course of employment, he/she will learn about Company’s business, services, materials, programs and products and the manner in which they are developed, marketed, serviced and provided. Employee knows and acknowledges that the Company has invested considerable time and money in developing its programs, agreements, stores, vendors, representatives, services, products and marketing techniques and that they are unique and original. Employee further acknowledges that the Company must keep secret all pertinent information divulged to Employee and Company’s business concepts, ideas, programs, plans and processes, so as not to aid Company’s competitors. Accordingly, Company is entitled to the following protection, which Employee agrees is reasonable:

b. Employee covenants and agrees that during the Restricted Period, he/she will not, on his/her own behalf or on behalf of any person or Entity, solicit, direct, appropriate, call upon, or initiate communication or contact with any person or entity or any representative of any person or entity, with whom Employee had contact during his/her employment, in such a way as to interfere with Company’s business relationships.

19. Agreement Not to Work in a Competitive Position .

a. Employee covenants and agrees not to obtain or work in a Competitive Position within the Territory for the Restricted Period.

b. Employee and Company expressly covenant and agree that the scope, territorial, time and other restrictions contained in this entire Agreement constitute the most reasonable and equitable restrictions possible to protect the business interest of the Company given: (i) the business of the Company; (ii) the competitive nature of the Company’s industry; and (iii) that Employee’s skills are such that he/she could easily find alternative, commensurate employment or consulting work in his/her field which would not violate any of the provisions of this

Agreement. The Employee further acknowledges that the compensation and benefits described in Paragraphs 5, 11 and 12 are also in consideration of his/her covenants and agreements contained in Paragraphs 15 through 19 hereof.

20. Return of Materials . Upon the Employee's termination, or at any point after that time, upon the specific request of the Company, Employee shall return to the Company all written or descriptive materials of any kind belonging or relating to the Company or its affiliates, including, without limitation, any originals, copies and abstracts containing any Work Product, intellectual property, Confidential Information and Trade Secrets in Employee's possession or control.

21. General Provisions .

a. Amendment . This Agreement may be amended or modified only by a writing signed by both of the parties hereto.

b. Binding Agreement . This Agreement shall inure to the benefit of and be binding upon Employee, his/her heirs and personal representatives, and the Company and its successors and assigns.

c. Waiver Of Breach; Specific Performance . The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other breach. Each of the parties to this Agreement will be entitled to enforce its or his/her rights under this Agreement, specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its or his/her favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its or his/her sole discretion apply to any court of law or equity of competent jurisdiction for specific performance or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

d. Unsecured General Creditor . The Company shall neither reserve nor specifically set aside funds for the payment of its obligations under this Agreement, and such obligations shall be paid solely from the general assets of the Company.

e. No Effect On Other Arrangements . It is expressly understood and agreed that the payments made in accordance with this Agreement are in addition to any other benefits or compensation to which Employee may be entitled or for which he/she may be eligible, whether funded or unfunded, by reason of his/her employment with the Company.

f. Tax Withholding . There shall be deducted from each payment under this Agreement the amount of any tax required by any governmental authority to be withheld and paid over by the Company to such governmental authority for the account of Employee.

g. Notices.

(i) All notices and all other communications provided for herein shall be in writing and delivered personally to the other designated party, or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service, or sent by facsimile, as follows:

If to Company to: Dollar General Corporation
 Attn: General Counsel

1 Mission Ridge
Goodlettsville, TN 37072-2171
Facsimile: (615)855-5180

If to Employee to: Stonie O'Briant
111 North Governors Cove
Hendersonville, TN 37075

(ii) All notices sent under this Agreement shall be deemed given twenty-four (24) hours after sent by facsimile or courier, seventy-two (72) hours after sent by certified or registered mail and when delivered if personal delivery.

(iii) Either party hereto may change the address to which notice is to be sent hereunder by written notice to the other party in accordance with the provisions of this Paragraph.

h. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee (without giving effect to conflict of laws).

i. Entire Agreement. This Agreement contains the full and complete understanding of the parties hereto with respect to the subject matter contained herein and this Agreement supersedes and replaces any prior agreement, either oral or written, which Employee may have with Company that relates generally to the same subject matter.

j. Assignment. This Agreement may not be assigned by Employee, and any attempted assignment shall be null and void and of no force or effect.

k. Severability. If any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect, and to that end the provisions hereof shall be deemed severable.

l. Paragraph Headings. The paragraph headings set forth herein are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement whatsoever.

m. Interpretation. Should a provision of this Agreement require judicial interpretation, it is agreed that the judicial body interpreting or construing the Agreement shall not apply the assumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that an instrument is to be construed more strictly against the party which itself or through its agents prepared the agreement, it being agreed that all parties and/or their agents have participated in the preparation hereof.

n. Voluntary Agreement. Employee and Company represent and agree that each has reviewed all aspects of this Agreement, has carefully read and fully understands all provisions of this Agreement, and is voluntarily entering into this Agreement. Each party represents and agrees that such party has had the opportunity to review any and all aspects of this Agreement with legal, tax or other adviser(s) of such party's choice before executing this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed, or caused their duly authorized representative to

execute, this Agreement effective the 1st day of March, 2004.

“COMPANY”

DOLLAR GENERAL CORPORATION

By: /s/ David A. Perdue

Its: _____

“EMPLOYEE”

By: /s/ Stonie R. O'Briant
Stonie R. O'Briant

Witnessed By:

By: /s/ Tammy R. Moseley

**Addendum to Employment
Agreement with _____**

RELEASE AGREEMENT

THIS RELEASE (“Release”) is made and entered into by and between _____ (“Employee”) and **DOLLAR GENERAL CORPORATION**, and its successor or assigns (“Company”).

WHEREAS, Employee and Company have agreed that Employee’s employment with Dollar General Corporation shall terminate on _____;

WHEREAS, Employee and the Company have previously entered into that certain Employment Agreement, effective _____ (“Agreement”), that this Release is incorporated therein by reference;

WHEREAS, Employee and Company desire to delineate their respective rights, duties and obligations attendant to such termination and desire to reach an accord and satisfaction of all claims arising from Employee’s employment, and his termination of employment, with appropriate releases, in accordance with the Agreement;

WHEREAS, the Company desires to compensate Employee in accordance with the Agreement for service he/she has provided or will provide for the Company;

NOW, THEREFORE, in consideration of the premises and the agreements of the parties set forth in this Release, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

1. Claims Released Under This Agreement.

In exchange for receiving the benefits described in Paragraph 11 or 12 of the Agreement, I hereby voluntarily and irrevocably waive, release, dismiss with prejudice, and withdraw all claims, complaints, suits or demands of any kind

whatsoever (whether known or unknown) which I ever had, may have, or now have against Company and other current or former subsidiaries or affiliates of the Company and their past, present and future officers, directors, employees, agents, insurers and attorneys (collectively, the "Releasees"), arising from or relating to (directly or indirectly) my employment or the termination of my employment or other events occurred as of the date of execution of this Agreement, including but not limited to:

- a. claims for violations of Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Fair Labor Standards Act, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Equal Pay Act, the Family and Medical Leave Act, 42 U.S.C. § 1981, the Sarbanes Oxley Act of 2002, the National Labor Relations Act, the Labor Management Relations Act, Executive Order 11246, Executive Order 11141, the Rehabilitation Act of 1973, or the Employee Retirement Income Security Act;
- b. claims for violations of any other federal or state statute or regulation or local ordinance;
- c. claims for lost or unpaid wages, compensation, or benefits, defamation, intentional or negligent infliction of emotional distress, assault, battery, wrongful or constructive discharge, negligent hiring, retention or supervision, fraud, misrepresentation, conversion, tortious interference, breach of contract, or breach of fiduciary duty;
- d. claims to benefits under any bonus, severance, workforce reduction, early retirement, outplacement, or any other similar type plan sponsored by the Company (except for benefits specifically provided for under the Benefits Plans as specified in Section 2, below); or
- e. any other claims under state law arising in tort or contract.

2. Claims Not Released Under This Agreement .

In signing this Agreement, I am not releasing any claims that may arise under the terms of this Agreement or which may arise out of events occurring after the date I execute this Agreement.

I am also not releasing claims to benefits that I am already entitled to receive under the Benefits Plans. However, I understand and acknowledge that nothing herein is intended to or shall be construed to require the Company to institute or continue in effect any particular plan or benefit sponsored by the Company and the Company hereby reserves the right to amend or terminate any of its benefit programs at any time in accordance with the procedures set forth in such plans.

Nothing in this Agreement shall prohibit me from engaging in protected activities under applicable law or from communicating, either voluntarily or otherwise, with any governmental agency concerning any potential violation of the law.

3. No Assignment of Claim . Employee represents that he/she has not assigned or transferred, or purported to assign or transfer, any claims or any portion thereof or interest therein to any party prior to the date of this Release.

4. Compensation . In accordance with the Agreement, the Company agrees to pay the Employee, or if he/she becomes eligible for payments under Paragraph 11 or 12 but dies before receipt thereof, his/her spouse or his/her estate, as the case may be, the amount provided in Paragraph 11 or 12 of the Agreement.

5. Publicity; No Disparaging Statement . Except as otherwise provided in Paragraph 14 of the Agreement,

Employee and the Company covenant and agree that they shall not engage in any communications which shall disparage one another or interfere with their existing or prospective business relationships.

6. **No Admission Of Liability** . This Release shall not in any way be construed as an admission by the Company or Employee of any improper actions or liability whatsoever as to one another, and each specifically disclaims any liability to or improper actions against the other or any other person, on the part of itself or himself/herself, its or his/her employees or agents.

7. **Voluntary Execution** . Employee warrants, represents and agrees that he/she has been encouraged in writing to seek advice from anyone of his/her choosing regarding this Release, including his/her attorney and accountant or tax advisor prior to his/her signing it; that this Release represents written notice to do so; that he/she has been given the opportunity and sufficient time to seek such advice; and that he/she fully understands the meaning and contents of this Release. He/she further represents and warrants that he/she was not coerced, threatened or otherwise forced to sign this Release, and that his/her signature appearing hereinafter is voluntary and genuine. EMPLOYEE UNDERSTANDS THAT HE/SHE MAY TAKE UP TO TWENTY-ONE (21) DAYS TO CONSIDER WHETHER OR NOT HE/SHE DESIRES TO ENTER INTO THIS RELEASE.

8. **Ability to Revoke Agreement** . EMPLOYEE UNDERSTANDS THAT HE/SHE MAY REVOKE THIS RELEASE BY NOTIFYING THE COMPANY IN WRITING OF SUCH REVOCATION WITHIN SEVEN (7) DAYS OF HIS/HER EXECUTION OF THIS RELEASE AND THAT THIS RELEASE IS NOT EFFECTIVE UNTIL THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD. HE/SHE UNDERSTANDS THAT UPON THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD THIS RELEASE WILL BE BINDING UPON HIM/HER AND HIS/HER HEIRS, ADMINISTRATORS, REPRESENTATIVES, EXECUTORS, SUCCESSORS AND ASSIGNS AND WILL BE IRREVOCABLE.

Acknowledged and Agreed To:

“COMPANY”

DOLLAR GENERAL CORPORATION

By: _____

Its: _____

I UNDERSTAND THAT BY SIGNING THIS RELEASE, I AM GIVING UP RIGHTS I MAY HAVE. I UNDERSTAND THAT I DO NOT HAVE TO SIGN THIS RELEASE.

“EMPLOYEE”

Date _____

WITNESSED BY:

Date _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”), effective March 1, 2004 (“Effective Date”), is made and entered into by and between **DOLLAR GENERAL CORPORATION** (the “Company”), and **Tommy J. Hartshorn** (“Employee”).

WITNESSETH:

WHEREAS, Company desires to employ Employee upon the terms and subject to the conditions hereinafter set forth, and Employee desires to accept such employment;

NOW, THEREFORE, for and in consideration of the premises, the mutual promises, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Employment Terms

1. **Employment** . Subject to the terms and conditions of this Agreement, Company agrees to employ Employee as Executive Vice President, New Business Development of Dollar General Corporation.
2. **Term** . The term of this Agreement shall be until the second annual anniversary of the Effective Date (“Term”), unless otherwise terminated pursuant to Paragraphs 7, 8, 9, 10, 11 or 12 hereof.
3. **Position, Duties and Administrative Support** .
 - a. **Position** . Employee shall serve as Executive Vice President, New Business Development. Employee shall report to the President and Chief Operating Officer and perform such duties and responsibilities as the President and COO or the CEO may prescribe from time-to-time.
 - b. **Full-Time Efforts** . Employee shall perform and discharge faithfully, diligently and to the best of his /her ability such duties and responsibilities and shall devote his/her full-time efforts to the business and affairs of Company. Employee agrees to promote the best interests of Company and to take no action that in any way damages the public image or reputation of Company, its subsidiaries or its affiliates.
 - c. **Administrative Support** . Employee shall be provided with office space and administrative support commensurate with his/her position.
 - d. **No Interference With Duties** . Employee shall not devote time to other activities which would inhibit or otherwise interfere with the proper performance of his/her duties, and shall not be directly or indirectly concerned or interested in any other occupation, activity or interest in any business whatsoever other than by reason of holding a non-controlling interest as a shareholder, securities holder or debenture holder in a corporation quoted on a nationally recognized exchange. Employee may not serve as a member of a board of directors of a for-profit company, other than the Company or any of its subsidiaries or affiliates, during the Term without the express approval of the CEO.
4. **Work Standard** . Employee hereby agrees that he/she shall at all times comply with and abide by all terms

and conditions set forth in this Agreement, and all applicable work policies, procedures and rules as may be issued by Company. Employee also agrees that he/she shall comply with all federal, state and local statutes, regulations and public ordinances governing the performance of his/her duties hereunder.

5. Compensation .

a. Base Salary . Subject to the terms and conditions set forth in this Agreement, Company shall pay Employee, and Employee shall accept, an annual base salary (“Base Salary”) of no less than Two Hundred Eighty Five Thousand Dollars (\$285,000). The Base Salary shall be paid in accordance with Company’s normal payroll practices and may be increased from time to time at the sole discretion of the Company.

b. Incentive Bonus . Employee’s incentive compensation for the Term of this Agreement shall be determined under the Company’s bonus program for officers established by the Compensation Committee and amended in its discretion. The actual bonus paid pursuant to this Paragraph 5(b) shall be based on performance criteria established by the Compensation Committee in accordance with the terms and conditions of the bonus program for officers.

c. Stock Based Compensation . Employee shall be eligible for award grants from time-to-time consistent with the award grants made to similarly situated officers of the Company as governed by the terms of the 1998 Employee Stock Incentive Plan, as may be amended, or any successor plan thereof (the “Stock Plan”), as determined in the sole discretion of the Compensation Committee.

d. Vacation . Employee shall be entitled to three weeks paid vacation time within the first year of employment. After five years of employment, Employee shall be entitled to four weeks paid vacation. Vacation time is granted on the anniversary of Employee’s hire date each year. Any available but unused vacation as of the annual anniversary of employment date or at Employee’s termination date shall be forfeited.

e. Business Expenses . Employee shall be reimbursed for all reasonable business expenses incurred in carrying out the work hereunder. Employee shall adhere to the Company’s expense reimbursement policies and shall follow those expense reimbursement procedures that generally apply to other Company employees.

f. Perquisites . Employee shall be entitled to receive such other executive perquisites, fringe and other benefits as are provided to officers and their families under any of the Company’s plans and/or programs in effect from time to time and such other benefits as are customarily available to officers of the Company and their families.

6. Benefits . During the Term, Employee (and, where applicable, Employee’s eligible dependents) shall be eligible to participate in the various Company welfare benefit plans, practices and policies (including, without limitation, medical, prescription, dental, vision, disability, employee life, accidental death and travel accident insurance plans and programs) to the extent and in accordance with the terms of those plans as generally provided to officers or other similarly situated employees of the Company. In addition, Employee shall be eligible to participate, pursuant to their terms, in any other benefit plans offered by the Company to officers or other employees (excluding plans applicable solely to certain officers of the Company in accordance with the express terms of such plans), including, without limitation, the 401(k) Retirement and Savings Plan and CDP/SERP Plan. Collectively the plans and arrangements described in this Paragraph 6 and as they may be amended or modified in accordance with their terms are hereinafter referred to as the “Benefits Plans.”

Notwithstanding the above, Employee understands and acknowledges that Employee is not eligible for benefits under the Dollar General Corporation Severance Plan and that the only severance benefits Employee is entitled to are set forth in this Agreement.

7. Termination for Cause . Under the following conditions, each of which shall constitute “Cause” or “Termination for Cause”, this Agreement may be terminated immediately at any time by Company without any liability owing to Employee or Employee’s beneficiaries under this Agreement, except for those benefits owed under any other plan or agreement covering Employee which shall be governed by the terms of such plan or agreement:

- a. Any act involving fraud, dishonesty or material misrepresentation, or any material breach of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, investments and the like;
- b. Other than as required by law, the carrying out of any activity or the making of any public statement which prejudices or reduces the good name and standing of Company or any of its affiliates or would bring any one of these into public contempt or ridicule;
- c. Attendance at work in a state of intoxication or being found in possession of any prohibited drug or substance, possession of which would amount to a criminal offense;
- d. Assault or other act of violence against any employee of Company or other person; or
- e. Conviction of any felony whatsoever or any misdemeanor involving moral turpitude.

A termination for Cause shall be effective only if the Company has given Employee written notice of its intention to terminate for Cause, describing Employee’s acts or omissions that are believed to constitute Cause, and has given Employee fair opportunity to respond.

8. Termination upon Death . Notwithstanding anything herein to the contrary, this Agreement shall terminate immediately upon Employee’s death, and Company shall have no further liability to Employee or his/her beneficiaries under this Agreement, except for benefits under the Benefits Plans and Stock Plan covering Employee to the extent provided by the terms of such Benefits Plans and Stock Plan.

9. Disability . If a Disability (as defined below) of Employee occurs during the Term, the Company may notify Employee of the Company’s intention to terminate Employee’s employment. In that event, employment shall terminate effective on the termination date provided in such notice of termination (the “Disability Effective Date”), and this Agreement shall terminate without further liability to Employee, except for benefits under the Benefits Plans and Stock Plan covering Employee to the extent provided by the terms of such Benefits Plans and Stock Plan. In this Agreement, “Disability” means:

- (a) long-term disability, as defined in the Company’s applicable long-term disability plan as then in effect; or
- (b) Employee’s inability reasonably to perform his/her duties under this Agreement because of any medically determinable physical or mental impairment that (i) can reasonably be expected to result in death or (ii) has lasted or can reasonably be expected to last longer than ninety (90) consecutive days. In this

circumstance, the existence of a Disability shall be determined by the Company, in its sole and absolute discretion, upon receipt of competent medical advice from a qualified physician selected by or acceptable to the Company. In this circumstance, Employee shall, if there is any question about his/her Disability, submit to a physical examination by a qualified physician selected by the Company. Nothing in this subsection (b) is intended to nor shall it be deemed to broaden or modify the definition of “disability” in the Company’s long-term disability plan.

10. Employee’s Termination of Employment .

a. Notwithstanding anything herein to the contrary, Employee may terminate his/her employment and this Agreement at any time, for no reason, with thirty (30) days written notice to Company. Upon such termination, Employee shall be entitled to his/her prorata Base Salary through the date of termination and such other vested benefits under any other plan or agreement covering Employee which shall be governed by the terms of such plan or agreement. Employee shall not be entitled to those payments and benefits listed in paragraph 11, unless he/she terminates his/her employment for Good Reason, as defined below.

b. Good Reason shall mean any of the following actions taken by the Company:

- (i) a reduction by the Company in the Employee’s Base Salary or target bonus level;
- (ii) the Company shall fail to continue in effect any significant Company-sponsored compensation plan or benefit (without replacing it with a similar plan or with a compensation equivalent), unless such action is in connection with across-the-board plan changes or terminations similarly affecting at least ninety-five percent (95%) of all executive employees of the Company;
- (iii) Company’s principal executive offices shall be moved to a location outside the middle-Tennessee area, or Employee is required to be based anywhere other than the Company’s principal executive offices;
- (iv) Without his/her written consent, the assignment to the Employee by the Company of duties inconsistent with, or the significant reduction of the title, powers and functions associated with, Employee’s position, titles or offices, unless such action is the result of a restructuring or realignment of duties and responsibilities by the Company, for business reasons, that leaves Employee at the same officer level (i.e., Vice President, Executive Vice President, etc.) and with a similar level of responsibility, or is the result of Employee’s failure to meet pre-established and objective performance criteria, or is the result of his/her termination for Disability or Cause;
- (v) Any material breach by the Company of any provision of this Agreement; or
- (vi) The failure of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

Good Reason shall not include Employee’s death or Disability. The Company shall have the opportunity to

cure any claimed event of Good Reason (other than subparagraph (vi) above) within thirty (30) days notice from Employee.

11. Termination without Cause or by Employee for Good Reason. If Employee's employment is terminated by the Company without Cause which the Company may do at any time prior to the expiration of the Term (it being understood by the Parties that termination by death or Disability shall not constitute termination without Cause), Employee terminates for Good Reason (as defined above), or the Company fails to renew or extend the Term of this Employment Agreement unless such failure to renew or extend is accompanied with a mutually agreeable severance arrangement between the Company and the Employee or is the result of Employee's voluntary retirement, then Employee shall be entitled (in lieu of the payments referenced in Paragraph 12 below, and not in addition to), only upon the execution and effectiveness of the Release attached hereto and made a part hereof, to continuation of Employee's Base Salary as of the date immediately preceding the termination for 24 months, payable in accordance with the Company's normal payroll cycle and procedures. In addition, Employee shall be entitled to outplacement services, provided by the Company, for one year or until other employment is secured, whichever comes first.

In the event that there is a breach by Employee of any continuing obligations under this Agreement after termination of employment, any unpaid amounts under this Paragraph 11 shall be forfeited. Any payments or reimbursements under this Paragraph 11 shall not be deemed the continuation of Employee's employment for any purpose. The Company's obligations under this Paragraph 11 will not negate or reduce (i) any amounts otherwise due but not yet paid to Employee by the Company, or (ii) any other amounts payable to Employee outside this Agreement, or any other rights that Employee may have, under the terms of any of the applicable Benefit Plans and Stock Plan as in effect on the employment termination date. Further, the Company may, at any time and in its sole discretion, make a lump-sum payment of all amounts, or all remaining amounts, due to Employee under this Paragraph 11.

12. Effect of Change in Control.

a. If within two (2) years following a Change in Control (as hereafter defined), the Company (or any successor to the Company) terminates Employee's employment without Cause or Employee terminates his/her employment for Good Reason, then upon the execution and the effectiveness of the Release attached hereto and made a part hereof, the Company shall pay to Employee (in lieu of the payments referenced in paragraph 11 above, and not in addition to):

(i) a lump sum payment equal to two times Employee's Base Salary in effect immediately prior to the Change in Control plus two times the amount of Employee's target incentive bonus payment in effect immediately prior to the Change in Control;

(ii) a lump sum payment in an amount equal to two (2) times the annual Employee contribution to participate in the Company's medical, dental and vision benefits program;

(iii) outplacement services, provided by the Company, for one year or until other employment is secured, whichever comes first; and

(iv) Employee's awards, if any, granted pursuant to the Stock Plan or any precursor or successor plan shall fully vest and shall remain exercisable in accordance with the terms of the Stock Plan.

b. For purposes of Paragraph 12(a), the payments described therein shall be limited to the Capped Amount. The “Capped Amount” shall be the amount otherwise payable under Paragraph 12(a), reduced in such amount and to such extent that no amount of the payment under Paragraph 12(a), plus all other “parachute payments” under Code Section 280G (collectively “Total Payments”), would constitute an “excess parachute payment” under Code Section 280G. Notwithstanding the preceding sentence, the Employee’s Total Payments shall not be limited to the Capped Amount if it is determined that Employee would receive at least \$25,000 in greater after-tax proceeds if no such reduction is made. The calculation of the Capped Amount and all other determinations relating to the applicability of Code Section 280G (and the rules and regulations promulgated thereunder) to the payments contemplated by this Employment Agreement shall be made by the tax department of the independent public accounting firm then responsible for preparing or auditing the Company’s consolidated federal income tax return, and such determinations shall be binding upon the Employee and the Company.

c. Change in Control shall mean the date as of which any of the following occurs:

(i) The Consummation of an acquisition after which any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (hereinafter “Exchange Act”) shall have beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act (hereinafter “Beneficial Ownership”) of 35% or more of the Voting Securities of the Company; provided, however, that for purposes of the preceding sentence, the following acquisitions of Voting Securities of the Company shall not constitute a Change in Control:

(A) ownership or an acquisition by Cal Turner, James Stephen Turner or a member or members of his/her or their immediate family or any trust, partnership, foundation or similar entity for the exclusive benefit of any such persons (collectively, the “Turner Family Interests”);

(B) any acquisition directly from the Company;

(C) any acquisition by the Company or an affiliate which the Company Controls;

(D) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or a subsidiary of the Company;

(E) any acquisition by a qualified pension plan or publicly held mutual fund;

(F) any acquisition by the Employee or a group within the meaning of Section 14(d) of the Exchange Act that includes the Employee; or

(G) any Business Combination which would not otherwise constitute a Change in Control because of the application of clauses (A), (B) and (C) of Paragraph 12(c)(iii).

(ii) A change in the composition of the Board of Directors of the Company whereby individuals who constitute the Board of Directors of the Company as of the Effective Date of this Agreement (plus any individual who shall become a director subsequent to such date whose election or nomination for election by the shareholders was approved by a vote of at least 75% of the directors then comprising the Board of Directors) (hereinafter “Incumbent Board”) cease for any reason to constitute at least a majority of the Board

of Directors. Notwithstanding the foregoing, no individual who shall become a director of the Board of Directors subsequent to the Effective Date whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Regulations promulgated under the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act other than the Board of Directors shall be a member of the Incumbent Board.

(iii) Consummation of a Business Combination, unless, immediately following such Business Combination, all of the following three conditions are met:

(A) all or substantially all of the individuals and entities who held Beneficial Ownership, respectively, of the Voting Securities of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, 65% or more of the combined voting power of the Voting Securities of the corporation surviving or resulting from such Business Combination, (including, without limitation, a corporation which as a result of such transaction holds Beneficial Ownership of all or substantially all of the Voting Securities of the Company or all or substantially all of the Company's assets) (such surviving or resulting corporation to be referred to as "Surviving Company"), in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities of the Company;

(B) no individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (excluding any corporation resulting from such Business Combination, the Turner Family Interests, any qualified pension plan, a publicly held mutual fund, the Employee, a group within the meaning of Section 14(d) of the Exchange Act that includes the Employee, or an employee benefit plan (or related trust) of the Company or Surviving Company) holds Beneficial Ownership, directly or indirectly, of 35% or more of the combined voting power of the then outstanding Voting Securities of Surviving Company except to the extent that such ownership existed immediately prior to the Business Combination; and

(C) at least a majority of the members of the board of directors of the Surviving Company were members of the Incumbent Board at the earlier of the date of execution of the initial agreement, or of the action of the Board of Directors of the Company, providing for such Business Combination.

(iv) For purposes of subparagraphs (i) - (iii) above, the terms below shall have the following meanings:

(A) "Business Combination" shall mean a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company.

(B) "Consummation" shall mean the completion of the final act necessary to complete a transaction as a matter of law, including, but not limited to, any required approvals by the corporation's shareholders and board of directors, the transfer of legal and beneficial title to

securities or assets and the final approval of the transaction by any applicable domestic or foreign governments or governmental agencies.

(C) “ Control ” shall mean, in the case of a corporation, Beneficial Ownership of more than 50% of the combined voting power of the corporation’s Voting Securities, or in the case of any other entity, Beneficial Ownership of more than 50% of such entity’s voting equity interests.

(D) “ Voting Securities ” shall mean the outstanding voting securities of a company entitling the holder thereof to vote generally in the election of such company’s directors.

13. Publicity; No Disparaging Statement . Except as otherwise provided in Paragraph 14 hereof, Employee and the Company covenant and agree that they shall not engage in any communications which shall disparage one another or interfere with their existing or prospective business relationships.

14. Confidentiality and Legal Process . Employee represents and agrees that he/she will keep the terms, amount and fact of this Agreement confidential and that he/she will not hereafter disclose any information concerning this Agreement to any one other than his/her personal agents. Notwithstanding the foregoing, nothing in this Agreement is intended to prohibit Employee from performing any duty or obligation that shall arise as a matter of law. Specifically, Employee shall continue to be under a duty to truthfully respond to any legal and valid subpoena or other legal process. This Agreement is not intended in any way to proscribe Employee’s right and ability to provide information to any federal, state or local government in the lawful exercise of such government’s governmental functions.

15. Business Protection Provision Definitions .

a. Preamble . As a material inducement to the Company to enter into this Agreement, and its recognition of the valuable experience, knowledge and proprietary information Employee will gain from his/her employment with the Company, Employee warrants and agrees he/she will abide by and adhere to the business protection provisions in Paragraphs 15, 16, 17, 18 and 19 herein.

b. Definitions . For purposes of Paragraphs 15, 16, 17, 18, 19 and 20 herein, the following terms shall have the following meanings:

(i) “Competitive Position” shall mean any employment, consulting, advisory, directorship, agency, promotional or independent contractor arrangement between the Employee and (x) any person or Entity engaged wholly or in material part in the business in which the Company is engaged, including but not limited to such other similar businesses as Wal-Mart, Family Dollar Stores, Fred’s, the 99 Cents Stores and Dollar Tree Stores, or (y) any person or Entity then attempting or planning to enter the business in which the Company is engaged (i.e., the deep discount consumable basics retail business) whereby the Employee is required to or does perform services on behalf of or for the benefit of such person or Entity which are substantially similar to the services Employee participated in or directed at any time while employed by the Company or any of its affiliates.

(ii) “Confidential Information” shall mean the proprietary or confidential data, information, documents or materials (whether oral, written, electronic or otherwise) belonging to or pertaining to the Company, other than “Trade Secrets” (as defined below), which is of tangible or intangible value to the

Company and the details of which are not generally known to the competitors of the Company. Confidential Information shall also include any items marked “CONFIDENTIAL” or some similar designation or which are otherwise identified as being confidential.

(iii) “Entity” or “Entities” shall mean any business, individual, partnership, joint venture, agency, governmental agency, body or subdivision, association, firm, corporation, limited liability company or other entity of any kind.

(iv) “Restricted Period” shall mean two (2) years following the Employee’s termination date.

(v) “Territory” shall include those states in which the Company maintains stores at Employee’s termination date.

(vi) “Trade Secrets” shall mean information or data of or about the Company, including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and (C) any other information which is defined as a “trade secret” under applicable law.

(vii) “Work Product” shall mean all tangible work product, property, data, documentation, “know-how,” concepts or plans, inventions, improvements, techniques and processes relating to the Company that were conceived, discovered, created, written, revised or developed by Employee during the term of his/her employment with the Company.

16. Nondisclosure: Ownership of Proprietary Property.

a. In recognition of the need of the Company to protect its legitimate business interests during the Term of this Agreement and thereafter, Confidential Information and Trade Secrets, Employee hereby covenants and agrees that Employee shall regard and treat Trade Secrets and all Confidential Information as strictly confidential and wholly-owned by the Company and shall not, for any reason, in any fashion, either directly or indirectly, use, sell, lend, lease, distribute, license, give, transfer, assign, show, disclose, disseminate, reproduce, copy, misappropriate or otherwise communicate any such item or information to any third party or Entity for any purpose other than in accordance with this Agreement or as required by applicable law: (i) with regard to each item constituting a Trade Secret, at all times such information remains a “trade secret” under applicable law, and (ii) with regard to any Confidential Information, for the Restricted Period.

b. Employee shall exercise best efforts to ensure the continued confidentiality of all Trade Secrets and Confidential Information, and he/she shall immediately notify the Company of any unauthorized disclosure or use of any Trade Secrets or Confidential Information of which Employee becomes aware. Employee shall assist the Company, to the extent necessary, in the protection of or procurement of any intellectual property protection or other rights in any of the Trade Secrets or Confidential Information.

c. All Work Product shall be owned exclusively by the Company. To the greatest extent possible, any

Work Product shall be deemed to be “work made for hire” (as defined in the Copyright Act, 17 U.S.C.A. § 101 et seq., as amended), and Employee hereby unconditionally and irrevocably transfers and assigns to the Company all right, title and interest Employee currently has or may have by operation of law or otherwise in or to any Work Product, including, without limitation, all patents, copyrights, trademarks (and the goodwill associated therewith), trade secrets, service marks (and the goodwill associated therewith) and other intellectual property rights.

Employee agrees to execute and deliver to the Company any transfers, assignments, documents or other instruments which the Company may deem necessary or appropriate, from time to time, to protect the rights granted herein or to vest complete title and ownership of any and all Work Product, and all associated intellectual property and other rights therein, exclusively in the Company.

17. Non-Interference with Employees . Employee covenants and agrees that during the Restricted Period he/she will not, either directly or indirectly, alone or in conjunction with any other person or Entity: (a) actively recruit, solicit, attempt to solicit, or induce any person who is an exempt employee of the Company or any of its subsidiaries, or is an officer or exempt employee of any of the other DG Entities, to leave or cease such employment for any reason whatsoever; or (b) hire or engage the services of any such person described in Paragraph 17(a) above in any business substantially similar or competitive with that in which the Company was engaged during his/her employment.

18. Non-Interference with Business Relationships .

a. Employee acknowledges that in the course of employment, he/she will learn about Company’s business, services, materials, programs and products and the manner in which they are developed, marketed, serviced and provided. Employee knows and acknowledges that the Company has invested considerable time and money in developing its programs, agreements, stores, vendors, representatives, services, products and marketing techniques and that they are unique and original. Employee further acknowledges that the Company must keep secret all pertinent information divulged to Employee and Company’s business concepts, ideas, programs, plans and processes, so as not to aid Company’s competitors. Accordingly, Company is entitled to the following protection, which Employee agrees is reasonable:

b. Employee covenants and agrees that during the Restricted Period, he/she will not, on his/her own behalf or on behalf of any person or Entity, solicit, direct, appropriate, call upon, or initiate communication or contact with any person or entity or any representative of any person or entity, with whom Employee had contact during his/her employment, in such a way as to interfere with Company’s business relationships.

19. Agreement Not to Work in Competitive Position .

a. Employee covenants and agrees not to obtain or work in a Competitive Position within the Territory for the Restricted Period.

b. Employee and Company expressly covenant and agree that the scope, territorial, time and other restrictions contained in this entire Agreement constitute the most reasonable and equitable restrictions possible to protect the business interest of the Company given: (i) the business of the Company; (ii) the competitive nature of the Company’s industry; and (iii) that Employee’s skills are such that he/she could easily find alternative, commensurate employment or consulting work in his/her field which would not violate any of the provisions of this

Agreement. The Employee further acknowledges that the compensation and benefits described in Paragraphs 5, 11 and 12 are also in consideration of his/her covenants and agreements contained in Paragraphs 15 through 19 hereof.

20. Return of Materials . Upon the Employee's termination, or at any point after that time, upon the specific request of the Company, Employee shall return to the Company all written or descriptive materials of any kind belonging or relating to the Company or its affiliates, including, without limitation, any originals, copies and abstracts containing any Work Product, intellectual property, Confidential Information and Trade Secrets in Employee's possession or control.

21. General Provisions .

a. Amendment . This Agreement may be amended or modified only by a writing signed by both of the parties hereto.

b. Binding Agreement . This Agreement shall inure to the benefit of and be binding upon Employee, his/her heirs and personal representatives, and the Company and its successors and assigns.

c. Waiver Of Breach; Specific Performance . The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other breach. Each of the parties to this Agreement will be entitled to enforce its or his/her rights under this Agreement, specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its or his/her favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its or his/her sole discretion apply to any court of law or equity of competent jurisdiction for specific performance or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

d. Unsecured General Creditor . The Company shall neither reserve nor specifically set aside funds for the payment of its obligations under this Agreement, and such obligations shall be paid solely from the general assets of the Company.

e. No Effect On Other Arrangements . It is expressly understood and agreed that the payments made in accordance with this Agreement are in addition to any other benefits or compensation to which Employee may be entitled or for which he/she may be eligible, whether funded or unfunded, by reason of his/her employment with the Company.

f. Tax Withholding . There shall be deducted from each payment under this Agreement the amount of any tax required by any governmental authority to be withheld and paid over by the Company to such governmental authority for the account of Employee.

g. Notices .

(i) All notices and all other communications provided for herein shall be in writing and delivered personally to the other designated party, or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service, or sent by facsimile, as follows:

If to Company to: Dollar General Corporation
 Attn: General Counsel

1 Mission Ridge
Goodlettsville, TN 37072-2171
Facsimile: (615)855-5180

If to Employee to: Tom Hartshorn
9428 Ashford Place
Brentwood, TN 37027

(ii) All notices sent under this Agreement shall be deemed given twenty-four (24) hours after sent by facsimile or courier, seventy-two (72) hours after sent by certified or registered mail and when delivered if personal delivery.

(iii) Either party hereto may change the address to which notice is to be sent hereunder by written notice to the other party in accordance with the provisions of this Paragraph.

h. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee (without giving effect to conflict of laws).

i. Entire Agreement. This Agreement contains the full and complete understanding of the parties hereto with respect to the subject matter contained herein and this Agreement supersedes and replaces any prior agreement, either oral or written, which Employee may have with Company that relates generally to the same subject matter.

j. Assignment. This Agreement may not be assigned by Employee, and any attempted assignment shall be null and void and of no force or effect.

k. Severability. If any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect, and to that end the provisions hereof shall be deemed severable.

l. Paragraph Headings. The paragraph headings set forth herein are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement whatsoever.

m. Interpretation. Should a provision of this Agreement require judicial interpretation, it is agreed that the judicial body interpreting or construing the Agreement shall not apply the assumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that an instrument is to be construed more strictly against the party which itself or through its agents prepared the agreement, it being agreed that all parties and/or their agents have participated in the preparation hereof.

n. Voluntary Agreement. Employee and Company represent and agree that each has reviewed all aspects of this Agreement, has carefully read and fully understands all provisions of this Agreement, and is voluntarily entering into this Agreement. Each party represents and agrees that such party has had the opportunity to review any and all aspects of this Agreement with legal, tax or other adviser(s) of such party's choice before executing this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed, or caused their duly authorized representative to

execute, this Agreement effective the 5th day of March, 2004.

“COMPANY”

DOLLAR GENERAL CORPORATION

By: /s/ David A. Perdue

Its: _____

“EMPLOYEE”

By: /s/ Tommy J. Hartshorn
Tommy J. Hartshorn

Witnessed By:

By: /s/ Jeff Rice

**Addendum to Employment
Agreement with _____**

RELEASE AGREEMENT

THIS RELEASE (“Release”) is made and entered into by and between _____ (“Employee”) and **DOLLAR GENERAL CORPORATION**, and its successor or assigns (“Company”).

WHEREAS, Employee and Company have agreed that Employee’s employment with Dollar General Corporation shall terminate on _____;

WHEREAS, Employee and the Company have previously entered into that certain Employment Agreement, effective _____ (“Agreement”), that this Release is incorporated therein by reference;

WHEREAS, Employee and Company desire to delineate their respective rights, duties and obligations attendant to such termination and desire to reach an accord and satisfaction of all claims arising from Employee’s employment, and his termination of employment, with appropriate releases, in accordance with the Agreement;

WHEREAS, the Company desires to compensate Employee in accordance with the Agreement for service he/she has provided or will provide for the Company;

NOW, THEREFORE, in consideration of the premises and the agreements of the parties set forth in this Release, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

1. Claims Released Under This Agreement .

In exchange for receiving the benefits described in Paragraph 11 or 12 of the Agreement, I hereby voluntarily and

irrevocably waive, release, dismiss with prejudice, and withdraw all claims, complaints, suits or demands of any kind whatsoever (whether known or unknown) which I ever had, may have, or now have against Company and other current or former subsidiaries or affiliates of the Company and their past, present and future officers, directors, employees, agents, insurers and attorneys (collectively, the "Releasees"), arising from or relating to (directly or indirectly) my employment or the termination of my employment or other events occurred as of the date of execution of this Agreement, including but not limited to:

- a. claims for violations of Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Fair Labor Standards Act, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Equal Pay Act, the Family and Medical Leave Act, 42 U.S.C. § 1981, the Sarbanes Oxley Act of 2002, the National Labor Relations Act, the Labor Management Relations Act, Executive Order 11246, Executive Order 11141, the Rehabilitation Act of 1973, or the Employee Retirement Income Security Act;
- b. claims for violations of any other federal or state statute or regulation or local ordinance;
- c. claims for lost or unpaid wages, compensation, or benefits, defamation, intentional or negligent infliction of emotional distress, assault, battery, wrongful or constructive discharge, negligent hiring, retention or supervision, fraud, misrepresentation, conversion, tortious interference, breach of contract, or breach of fiduciary duty;
- d. claims to benefits under any bonus, severance, workforce reduction, early retirement, outplacement, or any other similar type plan sponsored by the Company (except for benefits specifically provided for under the Benefits Plans as specified in Section 2, below); or
- e. any other claims under state law arising in tort or contract.

2. Claims Not Released Under This Agreement .

In signing this Agreement, I am not releasing any claims that may arise under the terms of this Agreement or which may arise out of events occurring after the date I execute this Agreement.

I am also not releasing claims to benefits that I am already entitled to receive under the Benefits Plans. However, I understand and acknowledge that nothing herein is intended to or shall be construed to require the Company to institute or continue in effect any particular plan or benefit sponsored by the Company and the Company hereby reserves the right to amend or terminate any of its benefit programs at any time in accordance with the procedures set forth in such plans.

Nothing in this Agreement shall prohibit me from engaging in protected activities under applicable law or from communicating, either voluntarily or otherwise, with any governmental agency concerning any potential violation of the law.

3. No Assignment of Claim . Employee represents that he/she has not assigned or transferred, or purported to assign or transfer, any claims or any portion thereof or interest therein to any party prior to the date of this Release.

4. Compensation . In accordance with the Agreement, the Company agrees to pay the Employee, or if he/she becomes eligible for payments under Paragraph 11 or 12 but dies before receipt thereof, his/her spouse or his/her estate, as the case may be, the amount provided in Paragraph 11 or 12 of the Agreement.

5. **Publicity; No Disparaging Statement** . Except as otherwise provided in Paragraph 14 of the Agreement, Employee and the Company covenant and agree that they shall not engage in any communications which shall disparage one another or interfere with their existing or prospective business relationships.

6. **No Admission Of Liability** . This Release shall not in any way be construed as an admission by the Company or Employee of any improper actions or liability whatsoever as to one another, and each specifically disclaims any liability to or improper actions against the other or any other person, on the part of itself or himself/herself, its or his/her employees or agents.

7. **Voluntary Execution** . Employee warrants, represents and agrees that he/she has been encouraged in writing to seek advice from anyone of his/her choosing regarding this Release, including his/her attorney and accountant or tax advisor prior to his/her signing it; that this Release represents written notice to do so; that he/she has been given the opportunity and sufficient time to seek such advice; and that he/she fully understands the meaning and contents of this Release. He/she further represents and warrants that he/she was not coerced, threatened or otherwise forced to sign this Release, and that his/her signature appearing hereinafter is voluntary and genuine. EMPLOYEE UNDERSTANDS THAT HE/SHE MAY TAKE UP TO TWENTY-ONE (21) DAYS TO CONSIDER WHETHER OR NOT HE/SHE DESIRES TO ENTER INTO THIS RELEASE.

8. **Ability to Revoke Agreement** . EMPLOYEE UNDERSTANDS THAT HE/SHE MAY REVOKE THIS RELEASE BY NOTIFYING THE COMPANY IN WRITING OF SUCH REVOCATION WITHIN SEVEN (7) DAYS OF HIS/HER EXECUTION OF THIS RELEASE AND THAT THIS RELEASE IS NOT EFFECTIVE UNTIL THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD. HE/SHE UNDERSTANDS THAT UPON THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD THIS RELEASE WILL BE BINDING UPON HIM/HER AND HIS/HER HEIRS, ADMINISTRATORS, REPRESENTATIVES, EXECUTORS, SUCCESSORS AND ASSIGNS AND WILL BE IRREVOCABLE.

Acknowledged and Agreed To:

“COMPANY”

DOLLAR GENERAL CORPORATION

By: _____

Its: _____

I UNDERSTAND THAT BY SIGNING THIS RELEASE, I AM GIVING UP RIGHTS I MAY HAVE. I UNDERSTAND THAT I DO NOT HAVE TO SIGN THIS RELEASE.

“EMPLOYEE”

Date _____

WITNESSED BY:

Date

SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT (“Agreement”) is made and entered into by and between **James J. Hagan** (“Employee”) and **DOLLAR GENERAL CORPORATION**, and its successor or assigns (“Company”).

WHEREAS, Employee and Company have agreed that Employee’s employment with Dollar General Corporation shall terminate on the Termination Date (as defined below);

WHEREAS, Employee and Company desire to delineate their respective rights, duties and obligations attendant to such termination and desire to reach an accord and satisfaction of all claims arising from Employee’s employment, and his termination of employment, with appropriate releases, in accordance with the Agreement;

WHEREAS, the Company desires to compensate Employee for service he has provided or will provide for the Company;

NOW, THEREFORE, in consideration of the premises and the agreements of the parties set forth in this Agreement, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby covenant and agree as follows:

1. Termination Date and Obligations until Termination Date

Employee agrees that his employment with the Company will terminate on a date as determined by Company’s Chief Executive Officer, in his reasonable discretion, but no later than June 15, 2004 (the “Termination Date”). This Agreement supersedes all prior understandings and agreements relating to employment of Employee. The respective rights and obligations of the parties shall be governed hereafter by the terms of this Agreement. Until the Termination Date, Employee shall continue to perform in good faith his duties as the Company’s Executive Vice President and Chief Financial Officer, including duties reasonably assigned to him in that role by the Company’s Chief Executive Officer. Until the Termination Date, Employee shall continue to receive his base salary and all other benefits to which he is currently entitled.

2. Claims Released Under This Agreement

In exchange for receiving the payments described in Paragraph 1 and 5 herein and for other consideration, Employee hereby voluntarily and irrevocably waives, releases, dismisses with prejudice, and withdraws all claims, complaints, suits or demands of any kind whatsoever (whether known or unknown) which he ever had, may have, or now has against Company and other current or former subsidiaries or affiliates of the Company and their past, present and future officers, directors, employees, agents, insurers and attorneys (collectively, the “Releasees”), arising from or relating to (directly or indirectly) his employment or the termination of his employment or other events that have occurred as of the date of execution of this Agreement, including but not limited to:

a. claims for violations of Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Fair Labor Standards Act, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Equal Pay Act, the Family and Medical Leave Act, 42 U.S.C. § 1981, the National Labor Relations Act, the Labor Management Relations Act, Executive Order 11246, Executive Order 11141, the Rehabilitation Act of 1973,

or the Employee Retirement Income Security Act;

- b. claims for violations of any other federal or state statute or regulation or local ordinance;
- c. claims for lost or unpaid wages, compensation, or benefits, defamation, intentional or negligent infliction of emotional distress, assault, battery, wrongful or constructive discharge, negligent hiring, retention or supervision, fraud, misrepresentation, conversion, tortious interference, breach of contract, or breach of fiduciary duty;
- d. claims to benefits under any bonus, severance, workforce reduction, early retirement, outplacement, or any other similar type plan sponsored by the Company (except for benefits specifically provided hereunder or to which he is otherwise entitled, e.g., payment under the Company's 2003 bonus plan for officers); or
- e. any other claims under state law arising in tort or contract.

Notwithstanding the foregoing, nothing herein is intended to nor shall it be deemed to end Company's undertaking to pay any legal fees incurred by Employee in connection with the SEC investigation into the Company's restatement of its financial statements for fiscal years 1998 and 1999 and for certain unaudited financial statements for fiscal year 2000.

3. Claims Not Released Under This Agreement .

In signing this Agreement, Employee is not releasing any claims that may arise under the terms of this Agreement or which may arise out of events occurring after the date of this Agreement.

Employee is also not releasing claims to benefits that he is already entitled to receive under any of the Company's benefits plans currently in place. However, Employee understands and acknowledges that nothing herein is intended to or shall be construed to require the Company to institute or continue in effect any particular plan or benefit sponsored by the Company and the Company hereby reserves the right to amend or terminate any of its benefit programs at any time in accordance with the procedures set forth in such plans.

Nothing in this Agreement shall prohibit Employee from engaging in protected activities under applicable law or from communicating, either voluntarily or otherwise, with any governmental agency concerning any potential violation of the law.

4. No Assignment of Claim . Employee represents that he has not assigned or transferred, or purported to assign or transfer, any claims or any portion thereof or interest therein to any party prior to the date of this Agreement.

5. Compensation . In exchange for the release of claims set forth herein, the agreement in Paragraph 6 below, and other valuable consideration, the Company agrees to continue Employee's base salary (as of the Termination Date) for a period of 24 months from the Termination Date, less appropriate deductions of federal and state withholding and other taxes. If employee dies before full receipt of such payment, his spouse or his estate, as determined by the terms of his will or through the probate of his estate, shall be paid the amount (or remainder of the amount) provided in this Paragraph 5. Payments made under this Paragraph 5 shall not be deemed the continuation of Employee's employment for any purpose.

6. Non-Interference and Agreement not to Work for a Competitor

In exchange for the payment referenced in Paragraph 5 above and for other consideration, Employee covenants and

agrees not to obtain work in a Competitive Position (as defined below) for 24 months after the Termination Date. For purposes of this Agreement, "Competitive Position" shall mean any employment, consulting, advisory, directorship, agency, promotional or independent contractor arrangement between the Employee and (i) any person or entity engaged wholly or in material part in the business in which the Company is engaged, including but not limited to such other similar businesses as Wal-Mart, Family Dollar Stores, Fred's, the 99 Cents Stores and Dollar Tree Stores or (ii) any person or entity then attempting or planning to enter the business in which the Company is engaged (i.e., the deep discount consumable basics retail business) whereby the Employee is required to or does perform services on behalf of or for the benefit of such person or entity which are substantially similar to the services Employee participated in or directed at any time while employed by the Company or any of its affiliates.

Employee also covenants and agrees that, for 24 months after the Termination Date, he will not directly or indirectly, alone or in conjunction with any other person or entity, actively recruit, solicit, attempt to solicit, or induce any person who is an exempt employee of the Company or any of its subsidiaries to leave or cease such employment for any reason whatsoever or to hire or engage the services of any such person in any Competitive Position.

7. Return of Materials

Upon the Employee's Termination Date, Employee shall return to the Company all written or descriptive materials of any kind or any equipment or other property belonging to the Company or its affiliates, including without limitation any originals, copies and abstracts of documents containing proprietary information, intellectual property, confidential information, or trade secrets or any electronic or other equipment in Employee's possession or control. Employee shall make arrangements either to purchase or return his Company car within one week of his Termination Date.

8. Publicity; No Disparaging Statement . Employee and the Company covenant and agree that they shall not engage in any communications which shall disparage one another or interfere with their existing or prospective business relationships. However, nothing contained herein is attempted to nor shall it be deemed to restrict any communication or disclosure required by law.

9. No Admission Of Liability . This Agreement shall not in any way be construed as an admission by the Company or Employee of any improper actions or liability whatsoever as to one another, and each specifically disclaims any liability to or improper actions against the other or any other person, on the part of itself or himself, its or his employees or agents.

10. Governing Law/Notice

This Agreement is executed in Tennessee and is governed by and shall be interpreted under the laws of the State of Tennessee. Any notices required hereunder shall be in writing and addressed as follows:

If to the Company:

Dollar General Corporation
C/O Susan Lanigan
100 Mission Ridge
Goodlettsville, TN 37072

If to the Employee:

James Hagan
1096 Wilmington Way
Brentwood, TN 37027

11. Voluntary Execution . Employee warrants, represents and agrees that he has been encouraged in writing to

seek advice from anyone of his choosing regarding this Agreement, including his attorney and accountant or tax advisor prior to his signing it; that this Agreement represents written notice to do so; that he has been given the opportunity and sufficient time to seek such advice; and that he fully understands the meaning and contents of this Agreement. He further represents and warrants that he was not coerced, threatened or otherwise forced to sign this Agreement, and that his signature appearing hereinafter is voluntary and genuine. EMPLOYEE UNDERSTANDS THAT HE MAY TAKE UP TO TWENTY-ONE (21) DAYS TO CONSIDER WHETHER OR NOT HE DESIRES TO ENTER INTO THIS AGREEMENT.

12. Ability to Revoke Agreement . EMPLOYEE UNDERSTANDS THAT HE MAY REVOKE THIS AGREEMENT BY NOTIFYING THE COMPANY IN WRITING OF SUCH REVOCATION WITHIN SEVEN (7) DAYS OF HIS EXECUTION OF THIS AGREEMENT AND THAT THIS AGREEMENT IS NOT EFFECTIVE UNTIL THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD. HE UNDERSTANDS THAT UPON THE EXPIRATION OF SUCH SEVEN (7) DAY PERIOD THIS AGREEMENT WILL BE BINDING UPON HIM AND HIS HEIRS, ADMINISTRATORS, REPRESENTATIVES, EXECUTORS, SUCCESSORS AND ASSIGNS AND WILL BE IRREVOCABLE.

Acknowledged and Agreed To:

“COMPANY”

DOLLAR GENERAL CORPORATION

By: /s/ David Perdue
David Perdue

Its: Chief Executive Officer

I UNDERSTAND THAT BY SIGNING THIS AGREEMENT, I AM GIVING UP RIGHTS I MAY HAVE. I UNDERSTAND THAT I DO NOT HAVE TO SIGN THIS AGREEMENT.

“EMPLOYEE”

/s/ James J. Hagan
James J. Hagan

Date 3/15/04

WITNESSED BY:

/s/ Melanie Burke

Date 3/15/04

#

CERTIFICATIONS

I, David A. Perdue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2004

/s/ David A. Perdue

David A. Perdue

Chief Executive Officer

I, James J. Hagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar General Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2004

/s/ James J. Hagan

James J. Hagan
Chief Financial Officer

CERTIFICATIONS
Pursuant to 18 U.S.C. Section 1350

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2004 of Dollar General Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Perdue

Name: David A. Perdue
Title: Chief Executive Officer
Date: May 27, 2004

/s/ James J. Hagan

Name: James J. Hagan
Title: Chief Financial Officer
Date: May 27, 2004