

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 08/29/03 for the Period Ending 08/01/03

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

DOLLAR GENERAL CORP

FORM 10-Q (Quarterly Report)

Filed 8/29/2003 For Period Ending 8/1/2003

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

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

FORM 10-Q

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

For the quarterly period ended August 1, 2003

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 August 15, 2003 was 334,702,065.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited) August 1, 2003	January 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 102,276	\$ 121,318
Merchandise inventories	1,184,709	1,123,031
Deferred income taxes	22,829	33,860
Other current assets	57,494	45,699
Total current assets	1,367,308	1,323,908
Property and equipment, at cost	1,639,164	1,577,823
Less accumulated depreciation and amortization	652,701	584,001
Net property and equipment	986,463	993,822
Other assets, net	11,610	15,423
Total assets	\$ 2,365,381	\$ 2,333,153
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	\$ 16,957	\$ 16,209
Accounts payable	352,717	341,303
Accrued expenses and other	255,027	239,898
Income taxes payable	9,182	67,091
Total current liabilities	633,883	664,501
Long-term obligations	272,420	330,337
Deferred income taxes	56,933	50,247
Shareholders' equity:		
Preferred stock	-	-
Common stock	167,345	166,670
Additional paid-in capital	331,185	313,269
Retained earnings	909,114	812,220
Accumulated other comprehensive loss	(1,266)	(1,349)
	1,406,378	1,290,810
Less other shareholders' equity	4,233	2,742
Total shareholders' equity	1,402,145	1,288,068
Total liabilities and shareholders' equity	\$ 2,365,381	\$ 2,333,153

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			
	August 1, 2003		August 2, 2002	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 1,651,094	100.00%	\$ 1,453,727	100.00%
Cost of goods sold	1,178,264	71.36	1,066,300	73.35
Gross profit	472,830	28.64	387,427	26.65
Selling, general and administrative	370,987	22.47	313,667	21.58
Insurance proceeds	-	-	(4,500)	(0.31)
Operating profit	101,843	6.17	78,260	5.38
Interest expense, net	7,899	0.48	11,337	0.78
Income before taxes on income	93,944	5.69	66,923	4.60
Provision for taxes on income	34,008	2.06	24,561	1.69
Net income	\$ 59,936	3.63%	\$ 42,362	2.91%
Diluted earnings per share	\$ 0.18		\$ 0.13	
Weighted average diluted shares (000s)	336,841		335,737	
Basic earnings per share	\$ 0.18		\$ 0.13	
Weighted average basic shares (000s)	333,871		333,067	
Dividends per share	\$ 0.035		\$ 0.032	

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 26 weeks ended			
	August 1, 2003		August 2, 2002	
	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 3,220,158	100.00%	\$ 2,843,139	100.00%
Cost of goods sold	2,295,422	71.28	2,075,420	73.00
Gross profit	924,736	28.72	767,719	27.00
Selling, general and administrative	719,942	22.36	610,971	21.49
Insurance proceeds	-	-	(4,500)	(0.16)
Operating profit	204,794	6.36	161,248	5.67
Interest expense, net	17,310	0.54	21,769	0.77
Income before taxes on income	187,484	5.82	139,479	4.90
Provision for taxes on income	67,216	2.09	51,189	1.80

Net income	\$ 120,268	3.73%	\$ 88,290	3.10%
Diluted earnings per share	\$ 0.36		\$ 0.26	
Weighted average diluted shares (000s)	335,719		335,286	
Basic earnings per share	\$ 0.36		\$ 0.27	
Weighted average basic shares (000s)	333,557		332,866	
Dividends per share	\$ 0.070		\$ 0.064	

See notes to condensed consolidated financial statements.

DOLLAR GENERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the 26 weeks ended	
	August 1, 2003	August 2, 2002
<i>Cash flows from operating activities:</i>		
Net income	\$ 120,268	\$ 88,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,883	66,019
Deferred income taxes	17,657	87,296
Tax benefit from stock option exercises	3,139	2,120
Litigation settlement	-	(162,000)
Change in operating assets and liabilities:		
Merchandise inventories	(61,678)	72,823
Other current assets	(11,795)	(13,675)
Accounts payable	11,414	24,323
Accrued expenses and other	15,930	(11,206)
Income taxes	(57,909)	(59,464)
Other	1,756	(13,914)
Net cash provided by operating activities	113,665	80,612
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	(65,874)	(70,445)
Purchase of promissory notes (see Note 7)	(49,582)	-
Proceeds from sale of property and equipment	141	127
Net cash used in investing activities	(115,315)	(70,318)
<i>Cash flows from financing activities:</i>		
Net borrowings under revolving credit facilities	-	170,000
Repayments of long-term obligations	(7,979)	(389,561)
Payment of cash dividends	(23,374)	(21,307)
Proceeds from exercise of stock options	14,214	4,509
Other financing activities	(253)	4,057

Net cash used in financing activities	(17,392)	(232,302)
Net decrease in cash and cash equivalents	(19,042)	(222,008)
Cash and cash equivalents, beginning of period	121,318	261,525
Cash and cash equivalents, end of period	\$ 102,276	\$ 39,517
<i>Supplemental schedule of noncash investing and financing activities:</i>		
Purchase of property and equipment under capital lease obligations	\$ 427	\$ 6,233

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 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 accounting principles generally accepted in the United States 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 31, 2003 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 and 26-week periods ended August 1, 2003 and August 2, 2002 have been made.

Certain prior year amounts have been reclassified to conform to the current period presentation. Ongoing estimates of inventory shrinkage 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

In April 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds both SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to SFAS No. 4, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Generally, under SFAS No. 145, gains and losses from debt extinguishments will no

longer be classified as extraordinary items. The Company adopted the provisions of SFAS No. 145 on February 1, 2003 and the adoption of SFAS No. 145 did not have a material effect on the Company's financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF 94-3 had recognized the liability at the commitment date to an exit plan. The Company was required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial position or results of operations.

In November 2002, the EITF reached a consensus on EITF Issue No. 02-16 "Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor" ("EITF 02-16") which addresses the accounting and income statement classification for consideration given by a vendor to a retailer in connection with the sale of the vendor's products or for the promotion of sales of the vendor's products. The EITF concluded that such consideration received from vendors should be reflected as a decrease in prices paid for inventory and recognized in cost of sales as the related inventory is sold, unless specific criteria are met qualifying the consideration for treatment as reimbursement of specific, identifiable incremental costs. As clarified by the EITF in January 2003, this issue is effective for arrangements with vendors initiated on or after January 1, 2003. The provisions of this consensus have been applied prospectively and are consistent with the Company's existing accounting policy. Accordingly, the adoption of EITF 02-16 did not have a material impact on the Company's financial position or results of operations.

FASB Interpretation No. 46, "Accounting for 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 apply immediately to VIEs created after January 31, 2003. The consolidation requirements apply for "older" VIEs in the first fiscal year or interim period beginning after June 15, 2003, which would apply for the Company beginning in the third quarter of 2003. 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 accompanying condensed consolidated balance sheets. The other two DCs, excluding the equipment, have been recorded as operating leases in accordance with SFAS No. 98, "Accounting for Leases." 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 position or results of operations.

2. Comprehensive income

Comprehensive income consists of the following (in thousands):

	13 Weeks Ended	
	August 1, 2003	August 2, 2002
Net income	\$ 59,936	\$ 42,362
Net change in derivative financial instruments	46	665
Comprehensive income	\$ 59,982	\$ 43,027

	26 Weeks Ended	
	August 1, 2003	August 2, 2002
Net income	\$ 120,268	\$ 88,290

Net change in derivative financial instruments	83	1,216
Comprehensive income	\$ 120,351	\$ 89,506

3. Earnings per share

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

13 Weeks Ended August 1, 2003			
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$59,936	333,871	\$0.18
Effect of dilutive stock options		2,970	
Diluted earnings per share	\$59,936	336,841	\$0.18

13 Weeks Ended August 2, 2002			
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$42,362	333,067	\$0.13
Effect of dilutive stock options		2,670	
Diluted earnings per share	\$42,362	335,737	\$0.13

26 Weeks Ended August 1, 2003			
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$120,268	333,557	\$0.36
Effect of dilutive stock options		2,162	
Diluted earnings per share	\$120,268	335,719	\$0.36

26 Weeks Ended August 2, 2002			
	Net Income	Shares	Per Share Amount
Basic earnings per share	\$88,290	332,866	\$0.27
Effect of dilutive stock options		2,420	
Diluted earnings per share	\$88,290	335,286	\$0.26

Basic earnings per share was computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share was determined based on the dilutive effect of stock options using the treasury stock method.

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 is conducting an investigation into the circumstances giving rise to the restatement. The Company is cooperating with this investigation by providing documents, testimony and other information to the SEC. At this time, the Company is unable to predict the outcome of this investigation and the ultimate effects on the Company, if any.

In addition, as previously discussed in the Company's periodic reports filed with the SEC, the Company settled in the second quarter of 2002 the lead shareholder derivative action relating to the restatement that had been filed in Tennessee State Court. All other pending state and federal derivative cases were subsequently dismissed during the third quarter of fiscal 2002. The settlement of the shareholder derivative lawsuits resulted in a net payment to the Company, after attorney's fees payable to the plaintiffs' counsel, of approximately \$25.2 million, which was recorded as income during the third quarter of 2002. The Company also settled the federal consolidated restatement-related class action lawsuit in the second quarter of fiscal 2002. The \$162 million settlement was paid in the first half of fiscal 2002, but was previously expensed in the fourth quarter of 2000. The Company received from its insurers \$4.5 million in respect of such settlement in July 2002, which was recorded as income during the second quarter of 2002.

Plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the federal class action settlement and may elect to pursue recovery against the Company individually. In the fourth quarter of 2002, the Company settled and paid a claim by one such plaintiff and recognized an expense of \$0.2 million in respect of that agreement. To the Company's knowledge, no other litigation has yet been filed or threatened by parties who opted out of the class action settlement. The Company cannot predict whether any additional litigation will be filed or estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material adverse effect on the Company's financial position or results of operations.

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 purported 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. This action is still in the initial discovery phase and the court has not found that the case should proceed as a collective action. 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 position or results of operations.

The Company is involved in other legal actions and claims arising in the ordinary course of business. The Company currently believes that such litigation and claims, both individually and in the aggregate, will be resolved without a material effect on the Company's financial position or results of operations. 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 position or results of operations.

Other matters

The Internal Revenue Service ("IRS") is currently conducting a normal examination of the Company's 1998

and 1999 federal income tax returns. The results of the examination, and any other issues discussed with the IRS in the course of the examination, may result in changes to the Company's future tax liability.

5. Stock-based compensation

The Company has a shareholder-approved stock incentive plan under which stock options, restricted stock and other equity-based awards may be granted to officers, directors and key employees. Stock options currently are granted under this plan at the market price on the grant date and generally vest ratably over a four-year period. A 500,000 share grant under this plan to the Company's Chief Executive Officer ("CEO") in the first quarter of 2003, however, vests at a rate of 333,333 shares on the first anniversary, and 166,667 shares on the second anniversary, of the grant date. All stock options granted under this plan have a ten-year life. Options granted prior to 2002 either pursuant to this plan or pursuant to other shareholder-approved stock incentive plans from which the Company no longer grants awards are subject to Company performance-based vesting, time-based vesting or a combination thereof, and have a ten-year life. In addition, prior to June 2003, the plan provided for automatic annual stock option grants to non-employee directors pursuant to a non-discretionary formula. Those stock options vest one year after the grant date and have a ten-year life.

The stock incentive plan was amended effective June 2, 2003 to provide for the automatic annual grant of 4,600 restricted stock units to each non-employee director (6,000 restricted stock units to any non-employee director serving as Chairman) in lieu of the automatic annual stock option grants. These units vest one year after the grant date, but no payout (in either cash or shares of common stock) shall be made until the director has ceased to be a member of the Board of Directors.

The terms of this plan limit the number of shares of restricted stock eligible for issuance thereunder to a maximum of 4 million shares. At August 1, 2003, 3,868,135 shares of restricted stock were available for grant under this plan.

In addition, as previously disclosed in the Company's Form 10-Q for the quarter ended May 2, 2003, the Company granted stock options and restricted stock to its CEO in transactions that were not made under the stock incentive plan.

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	
	August 1, 2003	August 2, 2002
Net income – as reported	\$ 59,936	\$ 42,362
Less pro forma effect of stock option grants	1,111	4,105
Net income – pro forma	\$ 58,825	\$ 38,257
Earnings per share – as reported		
Basic	\$ 0.18	\$ 0.13
Diluted	\$ 0.18	\$ 0.13

Earnings per share – pro forma		
Basic	\$ 0.18	\$ 0.11
Diluted	\$ 0.17	\$ 0.11

	26 Weeks Ended	
<i>(Amounts in thousands except per share data)</i>	August 1, 2003	August 2, 2002
Net income – as reported	\$ 120,268	\$ 88,290
Less pro forma effect of stock option grants	3,813	9,066
Net income – pro forma	\$ 116,455	\$ 79,224

Earnings per share – as reported		
Basic	\$ 0.36	\$ 0.27
Diluted	\$ 0.36	\$ 0.26
Earnings per share – pro forma		
Basic	\$ 0.35	\$ 0.24
Diluted	\$ 0.35	\$ 0.24

The pro forma effects on net income for the 13 weeks and 26 weeks ended August 1, 2003 and August 2, 2002 are not representative of the pro forma effect on net income in future periods because they do not take into consideration pro forma compensation expense related to grants made prior to 1995.

The fair value of options granted during the second quarter of 2003 and 2002 was \$5.46 and \$7.24 per share, respectively. The fair value of options granted during the first half of 2003 and 2002 was \$3.09 and \$4.86 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	
	August 1, 2003	August 2, 2002
Expected dividend yield	0.9%	0.8%
Expected stock price volatility	37.1%	35.4%
Weighted average risk-free interest rate	2.1%	5.4%
Expected life of options (years)	4.0	7.0

	26 Weeks Ended	
	August 1, 2003	August 2, 2002
Expected dividend yield	0.9%	0.8%
Expected stock price volatility	35.0%	38.9%
Weighted average risk-free interest rate	1.8%	2.8%
Expected life of options (years)	2.9	3.7

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 August 1, 2003 and August 2, 2002, all of the Company's operations were located within the United States. 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	
	August 1, 2003	August 2, 2002
Classes of similar products:		
Net sales:		
Highly consumable	\$1,027,854	\$ 892,507
Seasonal	263,468	226,328
Home products	207,707	188,272
Basic clothing	152,065	146,620
	<u>\$1,651,094</u>	<u>\$1,453,727</u>

<i>(In thousands)</i>	26 Weeks Ended	
	August 1, 2003	August 2, 2002
Classes of similar products:		
Net sales:		
Highly consumable	\$2,017,884	\$1,743,744
Seasonal	500,587	431,091
Home products	407,176	379,383
Basic clothing	294,511	288,921
	<u>\$3,220,158</u>	<u>\$2,843,139</u>

7. Long-term obligations and related promissory notes

In May 2003, the Company purchased two secured promissory notes (the "Notes") from Principal Life Insurance Company totaling \$49.6 million. These Notes represent debt issued by a third party entity from which the Company leases its DC in South Boston, Virginia. This existing lease is recorded as a financing obligation in the accompanying condensed consolidated financial statements. By acquiring these Notes, the Company is holding the debt instruments pertaining to its lease-financing obligation and, because a legal right of offset exists, has reflected the acquired Notes as a reduction of its outstanding financing obligations in its consolidated financial statements. There was no gain or loss recognized as a result of this transaction.

8. Guarantor subsidiaries

All of the Company's subsidiaries, except for one 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 stockholders' equity of at least \$50 million in excess of the Company's debt it has guaranteed (\$550 million as of August 1, 2003).

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

As of
August 1, 2003

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEETS:				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 54,393	\$ 47,883	\$ -	\$ 102,276
Merchandise inventories	-	1,184,709	-	1,184,709
Deferred income taxes	11,119	11,710	-	22,829
Other current assets	17,507	1,535,057	(1,495,070)	57,494
Total current assets	83,019	2,779,359	(1,495,070)	1,367,308
Property and equipment, at cost	174,213	1,464,951	-	1,639,164
Less accumulated depreciation and amortization	73,267	579,434	-	652,701
Net property and equipment	100,946	885,517	-	986,463
Other assets, net	2,980,884	40,864	(3,010,138)	11,610
Total assets	\$ 3,164,849	\$ 3,705,740	\$(4,505,208)	\$ 2,365,381
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term obligations	\$ 8,525	\$ 8,432	\$ -	\$ 16,957
Accounts payable	1,530,556	317,231	(1,495,070)	352,717
Accrued expenses and other	24,250	230,777	-	255,027
Income taxes payable	-	9,182	-	9,182
Total current liabilities	1,563,331	565,622	(1,495,070)	633,883
Long-term obligations	196,987	1,011,197	(935,764)	272,420
Deferred income taxes	2,386	54,547	-	56,933
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	167,345	23,853	(23,853)	167,345
Additional paid-in capital	331,185	1,247,290	(1,247,290)	331,185
Retained earnings	909,114	803,231	(803,231)	909,114
Accumulated other comprehensive loss	(1,266)	-	-	(1,266)
	1,406,378	2,074,374	(2,074,374)	1,406,378
Less other shareholders' equity	4,233	-	-	4,233
Total shareholders' equity	1,402,145	2,074,374	(2,074,374)	1,402,145
Total liabilities and shareholders' equity	\$ 3,164,849	\$ 3,705,740	\$(4,505,208)	\$ 2,365,381

As of
January 31, 2003

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
BALANCE SHEETS:				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 72,799	\$ 48,519	\$ -	\$ 121,318
Merchandise inventories	-	1,123,031	-	1,123,031
Deferred income taxes	8,937	24,923	-	33,860
Other current assets	19,004	1,328,417	(1,301,722)	45,699
Total current assets	100,740	2,524,890	(1,301,722)	1,323,908
Property and equipment, at cost	169,551	1,408,272	-	1,577,823
Less accumulated depreciation and amortization	65,677	518,324	-	584,001
Net property and equipment	103,874	889,948	-	993,822
Other assets, net	2,786,977	38,949	(2,810,503)	15,423
Total assets	\$ 2,991,591	\$ 3,453,787	\$ (4,112,225)	\$ 2,333,153
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term obligations	\$ 8,202	\$ 8,007	\$ -	\$ 16,209
Accounts payable	1,412,008	230,273	(1,300,978)	341,303
Accrued expenses and other	32,642	208,000	(744)	239,898
Income taxes payable	-	67,091	-	67,091
Total current liabilities	1,452,852	513,371	(1,301,722)	664,501
Long-term obligations	249,748	937,473	(856,884)	330,337
Deferred income taxes	923	49,324	-	50,247
Shareholders' equity:				
Preferred stock	-	-	-	-
Common stock	166,670	23,853	(23,853)	166,670
Additional paid-in capital	313,269	1,247,279	(1,247,279)	313,269
Retained earnings	812,220	682,487	(682,487)	812,220
Accumulated other comprehensive loss	(1,349)	-	-	(1,349)
	1,290,810	1,953,619	(1,953,619)	1,290,810
Less other shareholders' equity	2,742	-	-	2,742
Total shareholders' equity	1,288,068	1,953,619	(1,953,619)	1,288,068
Total liabilities and shareholders' equity	\$ 2,991,591	\$ 3,453,787	\$ (4,112,225)	\$ 2,333,153

For the 13 weeks ended
August 1, 2003

DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
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STATEMENTS OF INCOME:

Net sales	\$ 40,656	\$ 1,651,094	\$ (40,656)	\$ 1,651,094
Cost of goods sold	-	1,178,264	-	1,178,264
Gross profit	40,656	472,830	(40,656)	472,830
Selling, general and administrative	32,038	379,605	(40,656)	370,987
Operating profit	8,618	93,225	-	101,843
Interest expense, net	6,135	1,764	-	7,899
Income before taxes on income	2,483	91,461	-	93,944
Provision for taxes on income	878	33,130	-	34,008
Equity in subsidiaries' earnings, net of taxes	58,331	-	(58,331)	-
Net income	\$ 59,936	\$ 58,331	\$ (58,331)	\$ 59,936

**For the 13 weeks ended
August 2, 2002**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:				
Net sales	\$ 15,399	\$ 1,453,727	\$ (15,399)	\$ 1,453,727
Cost of goods sold	-	1,066,300	-	1,066,300
Gross profit	15,399	387,427	(15,399)	387,427
Selling, general and administrative	16,560	312,506	(15,399)	313,667
Insurance proceeds	(4,500)	-	-	(4,500)
Operating profit	3,339	74,921	-	78,260
Interest expense, net	7,546	3,791	-	11,337
Income (loss) before taxes on income	(4,207)	71,130	-	66,923
Provision (benefit) for taxes on income	(1,637)	26,198	-	24,561
Equity in subsidiaries' earnings, net of taxes	44,932	-	(44,932)	-
Net income	\$ 42,362	\$ 44,932	\$ (44,932)	\$ 42,362

**For the 26 weeks ended
August 1, 2003**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:				
Net sales	\$ 77,581	\$ 3,220,158	\$ (77,581)	\$ 3,220,158
Cost of goods sold	-	2,295,422	-	2,295,422
Gross profit	77,581	924,736	(77,581)	924,736
Selling, general and administrative	65,328	732,195	(77,581)	719,942
Operating profit	12,253	192,541	-	204,794
Interest expense, net	13,061	4,249	-	17,310
Income (loss) before taxes on income	(808)	188,292	-	187,484
Provision (benefit) for taxes on income	(332)	67,548	-	67,216
Equity in subsidiaries' earnings, net of taxes	120,744	-	(120,744)	-
Net income	\$ 120,268	\$ 120,744	\$ (120,744)	\$ 120,268

**For the 26 weeks ended
August 2, 2002**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF INCOME:				

Net sales	\$ 61,851	\$ 2,843,139	\$ (61,851)	\$ 2,843,139
Cost of goods sold	-	2,075,420	-	2,075,420
Gross profit	61,851	767,719	(61,851)	767,719
Selling, general and administrative	58,121	614,701	(61,851)	610,971
Insurance proceeds	(4,500)	-	-	(4,500)
Operating profit	8,230	153,018	-	161,248
Interest expense, net	11,550	10,219	-	21,769
Income (loss) before taxes on income	(3,320)	142,799	-	139,479
Provision (benefit) for taxes on income	(1,289)	52,478	-	51,189
Equity in subsidiaries' earnings, net of taxes	90,321	-	(90,321)	-
Net income	\$ 88,290	\$ 90,321	\$ (90,321)	\$ 88,290

**For the 26 weeks ended
August 1, 2003**

DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
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STATEMENTS OF CASH FLOWS:

Cash flows from operating activities:

Net income	\$ 120,268	\$ 120,744	\$ (120,744)	\$ 120,268
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	10,268	64,615	-	74,883
Deferred income taxes	(779)	18,436	-	17,657
Tax benefit from stock option exercises	3,139	-	-	3,139
Equity in subsidiaries' earnings, net	(120,744)	-	120,744	-
Change in operating assets and liabilities:				
Merchandise inventories	-	(61,678)	-	(61,678)
Other current assets	(1,760)	(204,313)	194,278	(11,795)
Accounts payable	118,548	86,958	(194,092)	11,414
Accrued expenses and other	(8,392)	23,578	744	15,930
Income taxes	2,327	(60,236)	-	(57,909)
Other	3,079	(393)	(930)	1,756
Net cash provided by (used in) operating activities	125,954	(12,289)	-	113,665

Cash flows from investing activities:

Purchase of property and equipment	(4,809)	(61,065)	-	(65,874)
Purchase of promissory notes	(49,582)	-	-	(49,582)
Proceeds from sale of property and equipment	11	130	-	141
Issuance of long-term notes receivable	(77,736)	(1,144)	78,880	-
Contribution of capital	(10)	-	10	-
Net cash used in investing activities	(132,126)	(62,079)	78,890	(115,315)

Cash flows from financing activities:

Issuance of long-term obligations	1,144	77,736	(78,880)	-
Repayments of long-term obligations	(4,022)	(3,957)	-	(7,979)
Payment of cash dividends	(23,374)	-	-	(23,374)
Proceeds from exercise of stock options	14,214	-	-	14,214
Other financing activities	(196)	(57)	-	(253)
Issuance of common stock, net	-	10	(10)	-
Net cash provided by (used in) financing activities	(12,234)	73,732	(78,890)	(17,392)

Net decrease in cash and cash equivalents (18,406) (636) - (19,042)

Cash and cash equivalents, beginning of period	72,799	48,519	-	121,318
Cash and cash equivalents, end of period	\$ 54,393	\$ 47,883	\$ -	\$ 102,276

**For the 26 weeks ended
August 2, 2002**

	DOLLAR GENERAL CORPORATION	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
STATEMENTS OF CASH FLOWS:				
<i>Cash flows from operating activities:</i>				
Net income	\$ 88,290	\$ 90,321	\$ (90,321)	\$ 88,290
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,987	58,032	-	66,019
Deferred income taxes	62,558	24,738	-	87,296
Tax benefit from stock option exercises	2,120	-	-	2,120
Equity in subsidiaries' earnings, net	(90,321)	-	90,321	-
Litigation settlement	(162,000)	-	-	(162,000)
Change in operating assets and liabilities:				
Merchandise inventories	-	72,823	-	72,823
Other current assets	(9,166)	(131,100)	126,591	(13,675)
Accounts payable	276,945	(126,031)	(126,591)	24,323
Accrued expenses and other	(19,822)	8,616	-	(11,206)
Income taxes	(68,080)	8,616	-	(59,464)
Other	(10,802)	(3,112)	-	(13,914)
Net cash provided by operating activities	77,709	2,903	-	80,612
<i>Cash flows from investing activities:</i>				
Purchase of property and equipment	(6,390)	(64,055)	-	(70,445)
Proceeds from sale of property and equipment	41	86	-	127
Issuance of long-term notes receivable	(61,851)	-	61,851	-
Contribution of capital	(317,602)	-	317,602	-
Net cash used in investing activities	(385,802)	(63,969)	379,453	(70,318)
<i>Cash flows from financing activities:</i>				
Issuance of long-term obligations	170,000	61,851	(61,851)	170,000
Repayments of long-term obligations	(69,316)	(320,245)	-	(389,561)
Payment of cash dividends	(21,307)	-	-	(21,307)
Proceeds from exercise of stock options	4,509	-	-	4,509
Other financing activities	4,057	-	-	4,057
Issuance of common stock, net	-	317,602	(317,602)	-
Net cash provided by (used in) financing activities	87,943	59,208	(379,453)	(232,302)
Net decrease in cash and cash equivalents	(220,150)	(1,858)	-	(222,008)
Cash and cash equivalents, beginning of period	217,539	43,986	-	261,525
Cash and cash equivalents, end of period	\$ (2,611)	\$ 42,128	\$ -	\$ 39,517

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

The following text contains references to years 2003, 2002 and 2001, which represent fiscal years of Dollar General Corporation (the "Company") ending or ended, as applicable, January 30, 2004, January 31, 2003 and

February 1, 2002, respectively. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and the notes thereto as of August 1, 2003.

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 or statements of future economic performance. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors which 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: the Company’s ability to maintain adequate liquidity through its cash resources and credit facilities; the Company’s ability to comply with the terms of its credit facilities (or obtain waivers for non-compliance); transportation and distribution delays or interruptions; 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; costs and potential problems and interruptions associated with implementation of new or upgraded systems and technology; fuel price and interest rate fluctuations; 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; the 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 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 Forms 10-Q, 8-K and 10-K filed with the SEC.

Critical Accounting Policies

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 calculated by applying a calculated cost-to-retail ratio to the retail value of inventories. 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 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 or inaccurate 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 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 from occurring, the Company's RIM utilizes 10 departments in which fairly homogenous classes of merchandise inventories having similar gross margins are grouped. The Company estimates its shrink provision based on historical experience and utilizes an outside statistician to assist in the LIFO sampling process and index formulation. On a periodic basis, the Company reviews and evaluates its inventory and records an adjustment, 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 current fiscal reporting period. This accrual is calculated as a percentage of sales and is determined by dividing the sum of all book-to-physical inventory adjustments recorded during the previous twelve months by the related sales for the same period. 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.

As previously discussed, the Company has been collecting SKU level inventory information at each of its stores in connection with its establishment of an item-based perpetual inventory system for financial reporting purposes. In conjunction with the completion of this undertaking, in an effort to improve inventory valuation and cost of goods sold estimates, the Company will be refining estimates of its retail ownership mix and expanding the number of departments it utilizes for its gross margin calculations. The Company has not established a date for these changes, which may result in an inventory adjustment and may also impact the RIM calculation results in the year of adoption and in subsequent years. The impact of such changes on the Company's future Consolidated Financial Statements cannot currently be estimated.

The implementation of the item-based perpetual inventory system in 2002 has improved our ability to identify items where we are carrying more inventory than our sales information would suggest is necessary. The Company evaluates such information on an ongoing basis and takes periodic markdowns to ensure the salability of our inventory.

Management believes that the Company's RIM provides an inventory valuation which reasonably approximates cost and results in carrying inventory at the lower of cost or market.

Property and Equipment. Property and equipment are recorded at cost. The Company provides for depreciation on a straight-line basis over the estimated useful lives of the assets. 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 outside actuaries utilizing historical claim trends. If future claim trends deviate from recent historical patterns, the Company may be required to record additional expense or expense reductions which could be material to the Company's results of operations.

Results of Operations

The nature of the Company's business is modestly 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 Company has included in this document certain financial information not derived in accordance with generally accepted accounting principles ("GAAP"), such as selling, general and administrative ("SG&A") expenses, net income and earnings per share that exclude the impact of restatement-related items. The Company believes that this information is useful to investors as it indicates more clearly the Company's comparative year-to-year operating results. This information should not be considered a substitute for any measures derived in accordance with GAAP. The Compensation Committee of the Company's Board of Directors may use portions of this information for compensation purposes to ensure that employees are not inappropriately penalized or rewarded as a result of unusual items affecting the Company's financial statements. Management also may use this information to better understand the Company's underlying operating results. A reconciliation of this information to the most comparable GAAP measures has been included in the table at the end of this section.

13 WEEKS ENDED AUGUST 1, 2003 AND AUGUST 2, 2002

Net Sales . Net sales for the 13 weeks ended August 1, 2003 were \$1.65 billion as compared against \$1.45 billion during the 13 weeks ended August 2, 2002, an increase of 13.6%. The increase resulted primarily from 588 net new stores and a same store sales increase of 4.7%. Same store sales increases are calculated based on the comparable calendar weeks in the prior year and include only those stores that were open both at the end of a fiscal period and the beginning of the preceding fiscal year. The same store sales increase is primarily a result of strong sales of food, health and beauty aids and seasonal items. Net sales increases by category were as follows: highly consumable 15.2%; seasonal 16.4%; home products 10.3%; and basic clothing 3.7%.

Gross Profit . Gross profit during the current year period was \$472.8 million, or 28.6% of sales, versus \$387.4 million, or 26.7% of sales, during the comparable period in the prior year, an increase of 22.0%. The increase in the gross margin rate as a percentage of sales is primarily attributable to an increase in the average mark-up on inventory purchases in all four of the Company's merchandising categories. Factors contributing to the increase in the purchase mark-up include increased purchases of high margin seasonal and basic home products, a 111% increase in import purchases compared with last year which carry higher than average mark-ups and increases in various performance based vendor rebates. Other issues impacting the year over year comparison in the gross margin rate include a reduction in our shrink provision from 3.61% to 3.05% and a reduction in damaged product markdowns, partially offset by a \$4.7 million charge to maintain the Company's inventory value at the lower of cost or market.

Selling, General and Administrative ("SG&A") . SG&A expenses during the current year period were \$371.0 million, or 22.5% of sales, versus \$313.7 million, or 21.6% of sales, during the comparable period in the prior year, an increase of 18.3%. The increase in SG&A expenses as a rate of sales as compared to the prior year is due principally to increases in workers compensation and general liability costs, costs related to the departures of both our former President and our Senior Vice President of Human Development and Planning, increases in store occupancy and utility costs and an increase in our accrual for bonuses due to our strong performance in the first half of this year.

Insurance Proceeds . The Company recorded \$4.5 million in insurance proceeds during the prior year period relating to the settlement of certain class action litigation. See Note 4 to the Company's condensed consolidated financial statements as of August 1, 2003.

Interest Expense, Net . Net interest expense in the current year period was \$7.9 million, or 0.5% of sales, as compared to \$11.3 million, or 0.8% of sales, in the prior year period, a decrease of 30.3%. The reduction in net interest expense is primarily attributable to lower average debt outstanding in the current year period. The Company had \$289.4 million in debt outstanding at August 1, 2003 as compared to \$521.8 million in debt outstanding at August 2, 2002.

Provision for Taxes on Income . The Company's effective tax rate was 36.2% in the current year period and

36.7% in the prior year period. The reduction in the effective tax rate in the current year period is primarily a result of a reduction of prior years' estimated tax return liabilities and an increase in targeted jobs tax credits in the current year period.

Net Income . Net income during the current year period was \$59.9 million, or 3.6% of sales, versus \$42.4 million, or 2.9% of sales, during the comparable period in the prior year, an increase of 41.5%. Diluted earnings per share in the current year period were \$0.18 versus \$0.13 in the prior year period. Excluding restatement-related items and the insurance proceeds noted above, diluted earnings per share were \$0.18 in the current year period versus \$0.12 in the prior year period.

26 WEEKS ENDED AUGUST 1, 2003 AND AUGUST 2, 2002

Net Sales. Net sales for the 26 weeks ended August 1, 2003 were \$3.22 billion as compared against \$2.84 billion during the comparable period in the prior year, an increase of 13.3%. The increase resulted primarily from 588 net new stores and a same store sales increase of 4.5%. Same store sales increases are calculated based on the comparable calendar weeks in the prior year, and include only those stores that were open both at the end of a fiscal period and at the beginning of the preceding fiscal year. The same store sales increase is primarily a result of strong sales of food, health and beauty aids and seasonal items. Net sales increases by category were as follows: highly consumable 15.7%; seasonal 16.1%; home products 7.3%; and basic clothing 1.9%.

Gross Profit. Gross profit during the current year period was \$924.7 million, or 28.7% of sales, versus \$767.7 million, or 27.0% of sales, during the comparable period in the prior year, an increase of 20.5%. The increase in the gross margin rate as a percentage of sales was due principally to a higher mark-up percentage on the Company's inventory purchases than that experienced during the comparable period in the prior year. Factors contributing to the increase in the purchase mark-up include increased purchases of high margin seasonal and basic home products, a 79% increase in import purchases compared with last year which carry higher than average mark-ups and increases in various performance based vendor rebates. Other factors contributing to the increase in the gross margin rate include a reduction in our shrinkage provision from 3.34% in the prior year to 3.07% in the current year and a reduction in damaged product markdowns.

Selling, General and Administrative. SG&A expenses during the current year period were \$719.9 million, or 22.4% of sales, versus \$611.0 million, or 21.5% of sales, during the comparable period in the prior year, an increase of 17.8%. The Company recorded \$0.4 million and \$4.6 million in net expenses, primarily professional fees, in the current and prior year period, respectively, related to the restatement of certain previously released financial data. Excluding restatement-related items, SG&A expenses would have been \$719.6 million, or 22.3% of sales, in the current year versus \$606.3 million, or 21.3% of sales, in the prior year, an increase of 18.7%.

The increase in SG&A expenses as a rate of sales as compared to the prior year is primarily attributable to increases in store labor, workers compensation and general liability costs, store occupancy and store utility costs that were greater than the increase in sales.

Insurance Proceeds . The Company recorded \$4.5 million in insurance proceeds during the prior year period relating to the settlement of certain class action litigation. See Note 4 to the Company's condensed consolidated financial statements as of August 1, 2003.

Interest Expense, Net. Net interest expense was \$17.3 million, or 0.5% of sales, in the current year period as compared to \$21.8 million, or 0.8% of sales, in the prior year period, a decrease of 20.5%. The decrease is primarily attributable to lower average debt outstanding in the current year period. The Company had \$289.4 million in debt outstanding at August 1, 2003 as compared to \$521.8 million in debt outstanding at August 2, 2002.

Provision for Taxes on Income . The Company's effective tax rate was 35.9% in the current year period and 36.7% in the prior year period. The reduction in the effective tax rate in the current year is a result of a \$0.8 million adjustment to our state income tax valuation reserves related to a change in tax laws in the state of Mississippi, a

reduction of prior years' estimated tax return liabilities and an increase in targeted jobs tax credits in the current year period.

Net Income . Net income during the current year period was \$120.3 million, or 3.7% of sales, versus \$88.3 million, or 3.1% of sales, during the comparable period in the prior year, an increase of 36.2%. Diluted earnings per share in the current year period were \$0.36 versus \$0.26 in the prior year. Excluding restatement-related items and the insurance proceeds noted above, current year diluted earnings per share were \$0.36 versus \$0.26 in the prior year.

Reconciliation of Non-GAAP

Disclosures

(in thousands, except per share amounts)

	For the 13 weeks ended		For the 26 weeks ended	
	August 1, 2003	August 2, 2002	August 1, 2003	August 2, 2002
Net income in accordance with GAAP	\$ 59,936	\$ 42,362	\$ 120,268	\$ 88,290
Restatement-related items in SG&A	39	(695)	369	4,623
Insurance proceeds	-	(4,500)	-	(4,500)
Total restatement-related items	39	(5,195)	369	123
Tax effect	(14)	1,907	(133)	(45)
Total restatement-related items, net of tax	25	(3,288)	236	78
Net income, excluding restatement- related items	\$ 59,961	\$ 39,074	\$ 120,504	\$ 88,368
Weighted average diluted shares outstanding	336,841	335,737	335,719	335,286
Diluted earnings per share, excluding restatement-related items	\$ 0.18	\$ 0.12	\$ 0.36	\$ 0.26
SG&A in accordance with GAAP	\$ 370,987	\$ 313,667	\$ 719,942	\$ 610,971
Less restatement-related items	39	(695)	369	4,623
SG&A, excluding restatement- related items	\$ 370,948	\$ 314,362	\$ 719,573	\$ 606,348
SG&A, excluding restatement- related items, % to sales	22.5%	21.6%	22.3%	21.3%

Liquidity and Capital Resources

Current Financial Condition / Recent Developments . At August 1, 2003, the Company's total debt (including the current portion of long-term obligations and short-term borrowings) was \$289.4 million, and the Company had \$102.3 million of cash and cash equivalents and \$1.40 billion of shareholders' equity, compared to \$346.5 million of total debt, \$121.3 million of cash and cash equivalents and \$1.29 billion of shareholders' equity at January 31, 2003.

The Company has a \$300 million revolving credit facility (the "Credit Facility"). The Company pays interest on funds borrowed under the Credit Facility at rates that are subject to change based upon the rating of the Company's

senior debt by independent agencies. The Company has two interest rate options, base rate (which is usually equal to prime rate) and LIBOR. Based upon the Company's debt ratings during the first 26 weeks of 2003, the facility fees were 37.5 basis points, the all-in drawn margin under the LIBOR option was LIBOR plus 237.5 basis points and the all-in drawn margin under the base rate option was the base rate plus 125 basis points. The Credit Facility is secured by approximately 400 of the Company's retail stores, its headquarters and two of its distribution centers. As of August 1, 2003, the Company had no outstanding borrowings and \$22.5 million of standby letters of credit under the Credit Facility. In addition, the Company had \$2.1 million of standby letters of credit that were not issued under the Credit Facility.

The Company has \$200 million (principal amount) of 8 5/8% unsecured notes due June 15, 2010. Interest on the notes is payable semi-annually on June 15 and December 15 of each year. The holders of the notes may elect to have their 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.

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

The Company plans to open approximately 650 stores during the fiscal year ending January 30, 2004. The Company anticipates funding the costs associated with such openings by cash flows from operations and/or by the Credit Facility.

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. This authorization expires March 13, 2005. As of August 1, 2003, the Company had not purchased any of its shares pursuant to the current authorization.

Cash flows provided by operating activities . Net cash provided by operating activities totaled \$113.7 million during the first 26 weeks of 2003, as compared to an \$80.6 million source of cash during the comparable period in the prior year. The primary source of cash in 2003 was the Company's net income plus depreciation and amortization expense, which together totaled \$195.2 million. Significant uses of cash in the current year include an increase in inventories of \$61.7 million and a reduction in our income tax payable of \$57.9 million. Inventory turns have improved on a rolling 12-month basis from 3.7 times to 3.9 times as measured at August 2, 2002, and August 1, 2003, respectively.

The primary source of net cash from operating activities during the prior year period was the Company's net income plus depreciation and amortization expense, which together totaled \$154.3 million. In addition, the Company generated \$72.8 million as a result of reductions in its inventory balances. The Company paid \$162 million during the prior year period in settlement of the shareholder class action lawsuits as described in Note 4 to the Company's condensed consolidated financial statements as of August 1, 2003.

Cash flows used in investing activities . Net cash used in investing activities during the first 26 weeks of 2003 totaled \$115.3 million, as compared to a \$70.3 million use of cash during the comparable period in the prior year. The Company purchased property and equipment totaling \$65.9 million in the current year period which consisted primarily of \$30.4 million for new stores, \$22.6 million for other store-related projects and \$8.2 million for various technology projects. Also during the current year period, the Company purchased two secured promissory notes totaling \$49.6 million which represent debt issued by a third party entity from which the Company leases its DC in South Boston, Virginia. See Note 7 to the Company's condensed consolidated financial statements as of August 1, 2003. The \$70.3 million spent in the prior year period consisted primarily of \$21.4 million for new stores, \$13.3 million for various store-related technology projects and \$16.2 million for distribution and transportation projects.

Cash flows used in financing activities . Net cash used in financing activities during the first 26 weeks of 2003 was \$17.4 million, which consisted principally of \$23.4 million in dividends. Net cash used in financing activities during the comparable period in the prior year was \$232.3 million, which consisted principally of \$21.3 million in dividends and \$219.6 million of net debt repayments.

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 31, 2003.

ITEM 4. 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 August 1, 2003. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of August 1, 2003, 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). There have been no changes during the quarter ended August 1, 2003 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

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 is conducting an investigation into the circumstances giving rise to the restatement. The Company is cooperating with this investigation by providing documents, testimony and other information to the SEC. At this time, the Company is unable to predict the outcome of this investigation and the ultimate effects on the Company, if any.

In addition, as previously discussed in the Company's periodic reports filed with the SEC, the Company settled in the second quarter of 2002 the lead shareholder derivative action relating to the restatement that had been filed in Tennessee State Court. All other pending state and federal derivative cases were subsequently dismissed during the third quarter of fiscal 2002. The settlement of the shareholder derivative lawsuits resulted in a net payment to the Company, after attorney's fees payable to the plaintiffs' counsel, of approximately \$25.2 million, which was recorded as income during the third quarter of 2002. The Company also settled the federal consolidated restatement-related class action lawsuit in the second quarter of fiscal 2002. The \$162 million settlement was paid in the first half of fiscal 2002, but was previously expensed in the fourth quarter of 2000. The Company received from its insurers \$4.5 million in respect of such settlement in July 2002, which was recorded as income during the second quarter of 2002.

Plaintiffs representing fewer than 1% of the shares traded during the class period chose to opt out of the federal class action settlement and may elect to pursue recovery against the Company individually. In the fourth quarter of 2002, the Company settled and paid a claim by one such plaintiff and recognized an expense of \$0.2 million in respect of that agreement. To the Company's knowledge, no other litigation has yet been filed or threatened by parties who opted out of the class action settlement. The Company cannot predict whether any additional litigation will be filed or estimate the potential liabilities associated with such litigation, but it does not believe that the resolution of any such litigation will have a material adverse effect on the Company's financial position or results of operations.

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 purported 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. This action is still in the initial discovery phase and the court has not found that the case should proceed as a collective action. 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 position or results of operations.

The Company is involved in other legal actions and claims arising in the ordinary course of business. The Company currently believes that such litigation and claims, both individually and in the aggregate, will be resolved without a material effect on the Company’s financial position or results of operations. 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 position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

- (a) The annual meeting of shareholders was held on June 2, 2003.
- (b) Proxies for the meeting were solicited in accordance with Regulation 14 of the Securities Exchange Act of 1934. There was no solicitation in opposition to management’s nominees and all of management’s nominees were elected. Each director is elected to serve a one-year term.
- (c) The following sets forth the results of voting on each matter at the annual meeting of shareholders:

Proposal 1 – Election of Directors.

	For	Withhold Authority
David L. Beré	287,083,848	17,979,347
Dennis C. Bottorff	300,216,429	4,846,766
Barbara L. Bowles	300,223,683	4,839,512
James L. Clayton	287,127,967	17,935,228
Reginald D. Dickson	287,174,854	17,888,341
E. Gordon Gee	286,085,072	18,978,123
John B. Holland	298,824,822	6,238,373
Barbara M. Knuckles	297,610,317	7,452,878
David A. Perdue	300,366,434	4,696,761
James D. Robbins	297,639,306	7,423,889
David M. Wilds	300,331,276	4,731,919
William S. Wire II	297,240,136	7,823,059

Proposal 2 – Amendment to the Dollar General Corporation 1998 Stock Incentive Plan.

Votes cast for: 262,692,123

Votes cast against:	39,854,306
Votes cast to abstain:	2,516,757

Proposal 3 – Ratification of the Appointment of Ernst & Young LLP as Independent Auditors for 2003 Fiscal Year.

Votes cast for:	293,134,581
Votes cast against:	9,872,036
Votes cast to abstain:	2,056,575

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 May 7, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding the resignation of the Company's President and Chief Operating Officer.
 - (2) A Current Report on Form 8-K, dated May 8, 2003, was furnished to the SEC pursuant to Items 9 and 12 in connection with a news release regarding April and 2003 first quarter sales results, the May sales outlook and the conference call regarding 2003 first quarter earnings.
 - (3) A Current Report on Form 8-K, dated May 29, 2003, was furnished to the SEC pursuant to Items 9 and 12 in connection with a news release and a conference call with respect to earnings for the 2003 first quarter, guidance for the 2003 fiscal year, and webcast of the annual meeting of shareholders.
 - (4) A Current Report on Form 8-K, dated June 2, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding the election as Chairman of David A. Perdue and the declaration of a dividend.
 - (5) A Current Report on Form 8-K, dated June 5, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding May sales results and the June sales outlook.
 - (6) A Current Report on Form 8-K, dated June 12, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding planned presentations at and webcasts of three investor conferences in June.
 - (7) A Current Report on Form 8-K, dated July 10, 2003, was furnished to the SEC pursuant to Item 9 in connection with a news release regarding June sales results and the July sales outlook.

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: August 29, 2003

By: /s/ James J. Hagan

James J. Hagan
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

- 4.1 Fifth Supplemental Indenture, dated as of May 23, 2003, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (f/k/a First Union National Bank), as trustee.
- 4.2 Sixth Supplemental Indenture, dated as of July 15, 2003, by and among Dollar General Corporation, the guarantors named therein, as guarantors, and Wachovia Bank, National Association (f/k/a First Union National Bank), as trustee.
- 10.1 Purchase and Sale Agreement, dated as of May 29, 2003, by and between Dollar General Corporation and Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company).
- 10.2 Dollar General Corporation 1998 Stock Incentive Plan, as amended and restated effective June 2, 2003, and as further modified through August 26, 2003.
- 10.3 Resignation Agreement, dated May 7, 2003, by and between Dollar General Corporation and Donald S. Shaffer (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2003, filed May 29, 2003).
- 10.4 Memorandum of Understanding, dated May 7, 2003, from Dollar General Corporation to Donald S. Shaffer (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2003, filed May 29, 2003).
- 31 Certifications of Chief Executive Officer and Chief Financial Officer under Exchange Act Rule 13a-14(a).
- 32 Certifications of Chief Executive Officer and Chief Financial Officer under 18 U.S.C. 1350.

FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of May 23, 2003 among: Dollar General Corporation (the "Company"), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; Dollar General Intellectual Property, L.P., a Vermont limited partnership; The Greater Cumberland Insurance Company, a Vermont corporation; Dolgencorp of New York, Inc., a Kentucky corporation; Dollar General Stores, Ltd., a Kentucky limited partnership; DGC Properties, LLC, a Delaware limited liability company; DGC Properties of Kentucky, LLC, a Delaware limited liability company; Dollar General Investment, Inc., a Delaware corporation; and Lonestar Administrative Services, Inc., a Tennessee corporation (collectively, the "Existing Guarantors"); and Dollar General Global Sourcing Limited, a Hong Kong corporation (the "Additional Guarantor" and, together with the Existing Guarantors, the "Guarantors"); and Wachovia Bank, National Association, [formerly known as First Union National Bank] a national banking association, as trustee (the "Trustee").

WITNESSETH

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of June 21, 2000, as amended by that certain First Supplemental Indenture dated as of July 28, 2000, that certain Second Supplemental Indenture dated as of June 18, 2001, that certain Third Supplemental Indenture dated as of June 20, 2002, and that certain Fourth Supplemental Indenture dated as of December 11, 2002, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the "Notes");

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company's Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms . Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. Agreement to Guarantee . The Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. The Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. This Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. This Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor making the Guarantee as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others . No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law . This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings . The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**DOLLAR GENERAL GLOBAL SOURCING
LIMITED**

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLLAR GENERAL CORPORATION

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLGENCORP, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLGENCORP OF TEXAS, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DG LOGISTICS, LLC

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DADE LEASE MANAGEMENT, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLLAR GENERAL PARTNERS

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLLAR GENERAL FINANCIAL, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

NATIONS TITLE COMPANY, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

**DOLLAR GENERAL INTELLECTUAL
PROPERTY, L.P.**

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

**THE GREATER CUMBERLAND INSURANCE
COMPANY**

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLGENCORP OF NEW YORK, INC.

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

DOLLAR GENERAL STORES, LTD.

By: Dolgencorp, Inc., its general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DGC PROPERTIES, LLC

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DGC PROPERTIES OF KENTUCKY, LLC

By: Dollar General Partners, its Managing Member

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL INVESTMENT, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

LONESTAR ADMINISTRATIVE SERVICES, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**WACHOVIA BANK, NATIONAL ASSOCIATION,
TRUSTEE**

By: /s/ Greta Wright

Name: Greta Wright
Title: Vice President

SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of July 15, 2003 among: Dollar General Corporation (the “Company”), a corporation duly organized and existing under the laws of the State of Tennessee; Dolgencorp, Inc., a Kentucky corporation; Dolgencorp of Texas, Inc., a Kentucky corporation; DG Logistics, LLC, a Tennessee limited liability company; Dade Lease Management, Inc., a Delaware corporation; Dollar General Partners, a Kentucky general partnership; Dollar General Financial, Inc., a Tennessee corporation; Nations Title Company, Inc., a Tennessee corporation; Dollar General Intellectual Property, L.P., a Vermont limited partnership; The Greater Cumberland Insurance Company, a Vermont corporation; Dolgencorp of New York, Inc., a Kentucky corporation; Dollar General Stores, Ltd., a Kentucky limited partnership; DGC Properties, LLC, a Delaware limited liability company; DGC Properties of Kentucky, LLC, a Delaware limited liability company; Dollar General Investment, Inc., a Delaware corporation; Lonestar Administrative Services, Inc., a Tennessee corporation; and Dollar General Global Sourcing Limited, a Hong Kong corporation (collectively, the “Existing Guarantors”); and DGC Holdings, LLC, a Delaware limited liability company (the “Additional Guarantor” and, together with the Existing Guarantors, the “Guarantors”); and Wachovia Bank, National Association, [formerly known as First Union National Bank] a national banking association, as trustee (the “Trustee”).

WITNESSETH

WHEREAS, the Company and the Existing Guarantors have heretofore executed and delivered to the Trustee an indenture (the “Indenture”), dated as of June 21, 2000, as amended by that certain First Supplemental Indenture dated as of July 28, 2000, that certain Second Supplemental Indenture dated as of June 18, 2001, that certain Third Supplemental Indenture dated as of June 20, 2002, that certain Fourth Supplemental Indenture dated as of December 11, 2002, and that certain Fifth Supplemental Indenture dated as of May 23, 2003, providing for the issuance of an aggregate principal amount of \$200,000,000 of 8 5/8% Notes due June 15, 2010 (the “Notes”);

WHEREAS, Section 4.06 and Article X of the Indenture provide that under certain circumstances the Company may or must cause certain of its Subsidiaries to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Subsidiaries shall unconditionally guarantee all of the Company’s Obligations under the Notes pursuant to a Guarantee on the terms and conditions set forth herein; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Additional Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee . The Additional Guarantor hereby agrees, jointly and severally with all other Guarantors, to unconditionally guarantee the Company's Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article X of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes. The Additional Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee. This Guarantee is subject to release as and to the extent provided in Section 10.04 of the Indenture. This Guarantee shall remain in full force and effect irrespective of the release of the Guarantee of any Guarantor other than the Additional Guarantor making the Guarantee as provided in Section 10.04 of the Indenture.
3. No Recourse Against Others . No past, present or future director, officer, employee, incorporator, partner, member, shareholder or agent of any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Guarantee, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release form a part of the consideration for issuance of the Notes and the Guarantees.
4. Governing Law . This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.
5. Counterparts . The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.
6. Effect of Headings . The Section headings herein are for convenience only and shall not affect the construction hereof.
7. The Trustee . The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the correctness of the recitals of fact contained herein, all of which recitals are made solely by the Additional Guarantor.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

DGC HOLDINGS, LLC

By: Dollar General Corporation, its Managing Member

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL CORPORATION

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLGENCORP, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLGENCORP OF TEXAS, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DG LOGISTICS, LLC

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DADE LEASE MANAGEMENT, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL PARTNERS

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL FINANCIAL, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

NATIONS TITLE COMPANY, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**DOLLAR GENERAL INTELLECTUAL
PROPERTY, L.P.**

By: Dade Lease Management, Inc., its General Partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**THE GREATER CUMBERLAND INSURANCE
COMPANY**

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLGENCORP OF NEW YORK, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL STORES, LTD.

By: Dolgencorp, Inc., its general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DGC PROPERTIES, LLC

By: Dolgencorp, Inc., its Managing Member

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DGC PROPERTIES OF KENTUCKY, LLC

By: Dollar General Partners, its Managing Member

By: Dolgencorp, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dade Lease Management, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

By: Dollar General Financial, Inc., a general partner

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

DOLLAR GENERAL INVESTMENT, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

LONESTAR ADMINISTRATIVE SERVICES, INC.

By: /s/ Wade Smith

Name: Wade Smith

Title: Treasurer

**DOLLAR GENERAL GLOBAL SOURCING
LIMITED**

By: /s/ Wade Smith

Name: Wade Smith
Title: Treasurer

**WACHOVIA BANK, NATIONAL ASSOCIATION,
TRUSTEE**

By: /s/ Greta Wright

Name: Greta Wright
Title: Vice President

PURCHASE AND SALE AGREEMENT

PRINCIPAL LIFE INSURANCE COMPANY (“Seller”) with an address of 801 Grand Avenue, Des Moines, Iowa 50392, is the sole legal owner and holder of the loan evidenced by the documents described in Schedule 1 to Exhibit E attached to and incorporated herein (the “Loan”) and hereby agrees to assign and transfer the Loan to DOLLAR GENERAL CORPORATION (“Purchaser”) with an address of 100 Mission Ridge, Goodlettsville, TN 37072, upon the terms and conditions hereafter set forth in this Purchase and Sale Agreement (the “Agreement”). Upon its acceptance of the terms of this Agreement and subject to the terms herein, Purchaser shall be obligated to purchase the Loan from Seller and Seller shall be obligated to sell the Loan to Purchaser as provided herein.

1. The purchase of the Loan will be accomplished pursuant to the assignment documents in form attached hereto as Exhibits B-F (the “Assignment Documents”). Under the Assignment, Seller will assign and transfer to Purchaser, without representations, recourse or warranty (except as provided herein) the Loan and Seller’s rights and obligations under the documents evidencing such Loan, including any mortgage, deed of trust, deed to secure debt, promissory note(s), assignment(s) of rents and leases, guaranty(s), indemnification agreements and financing statements. At Closing, Seller will certify, as true and correct, the amount of the then outstanding principal balance and accrued and unpaid interest due on the Loan based upon the amortization schedule attached hereto as Exhibit A, which amount shall be the Purchase Price payable under paragraph 3 below.

2. The purchase of the Loan shall be accomplished on the Closing Date (as defined below) by Purchaser paying the purchase price to Seller by wire transfer and Seller delivering the Loan Documents (as hereinafter defined) to Purchaser along with the Assignment Documents. Purchaser shall record the Assignment Documents at Purchaser’s expense. Seller will assign the title insurance policy originally issued to Seller in connection with the closing of the Loan to Purchaser (at Purchaser’s cost, if any) upon the conditions that: (i) Seller’s transfer of such title insurance policy shall be without any representations, recourse and warranties; and (ii) Purchaser, its successors and assigns will look only to the title insurance policy for any defects in the title. Any other title insurance required by Purchaser shall be secured by Purchaser at its cost.

3. Purchaser agrees to purchase the Loan at a purchase price equal to the sum of (a) the existing loan balance on the Closing Date, without payment of any premium above the loan balance, plus (b) accrued and unpaid interest as of the Closing Date, as certified to Purchaser pursuant to paragraph 1 above (the "Purchase Price"). In addition to the Purchase Price, Purchaser agrees to pay Seller a processing fee on the Closing Date in the amount of \$50,000. Seller shall be entitled to all payments due and payable under the Loan Documents up to and including the Closing Date. Purchaser will be entitled to receive all payments due and payable under the Loan Documents after the Closing Date.

4. Purchaser shall purchase the Loan on or before May 30, 2003, unless such time is extended by mutual agreement of Seller and Purchaser (such date, as the same may be so extended, the "Closing Date").

5. A. Seller represents and warrants as follows: (a) The documents listed on Schedule 1 to Exhibit E hereto are all of the documents evidencing the Loan, together with any and all amendments, supplements or modifications thereof or thereto; (b) It has not waived any rights under any of the Loan Documents and it has not released any security for or guaranty of the Loan; (c) It is, as of the date hereof, and, as of the Closing Date, will be the sole holder and legal owner of the Loan and the Loan Documents and that the notes evidencing the Loan are not subject to any prior assignment; (d) Seller has all requisite power and authority to execute and deliver and to perform all of its obligations under this Agreement and all other instruments and documents to be executed and delivered by Seller in connection with this Agreement; and (e) This Agreement is, and the other instruments and documents to be executed and delivered in connection with or pursuant to this Agreement, when executed and delivered, will be the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except to the extent the same may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally and except to the extent availability of certain remedies may be limited by applicable principles of equity.

B. Purchaser represents and warrants as follows: (a) Purchaser has all requisite power and authority to execute and deliver and to perform all of its obligations under this Agreement and all other instruments and documents to be executed and delivered by Purchaser in connection with this Agreement; and (b) This Agreement is, and the other instruments and documents to be executed and delivered in connection with or pursuant to this Agreement, when executed and delivered, will be the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except to the extent the same may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally and except to the extent availability of certain remedies may be limited by applicable principles of equity.

C. The representations and warranties set forth in this paragraph 5 shall survive the closing of the transactions contemplated by this Agreement.

6. At Closing Seller will deliver true, complete and correct originals of the Loan Documents which Seller received when the Loan was closed. Purchaser agrees that, except as set forth in paragraph 5 of this Agreement, Seller has made no other representations or warranties regarding the Loan Documents or the accuracy, sufficiency or completeness of the Loan Documents. Purchaser agrees that, except to the extent covered by any representation or warranty set forth herein, any reliance it places upon the Loan Documents shall be at Purchaser's own risk and that Seller shall have absolutely no liability to Purchaser, its successors, its assigns, or any other party as the result of any reliance thereupon by Purchaser other than for breach of any such representation or warranty.

7. Upon Closing, Seller will notify the borrower, using a notice in the form of Exhibit F, that the Loan has been purchased by Purchaser and that Purchaser has succeeded to Seller's interest under the Loan Documents.

8. After Closing, Purchaser shall be bound to honor any requirement previously applicable to Seller under the Loan Documents, including any waivers of tax and/or insurance escrows made by Seller and any licenses to collect rentals granted by Seller, if any. Seller hereby indemnifies and agrees to hold harmless Purchaser from and against any and all costs, expenses, suits, claims, obligations or liabilities related to Seller's administration of the Loan prior to the Closing Date whether arising in contract, tort, under common law, statute, regulation or otherwise ("Seller's Lender Liability"), including, without limitation, any and all reasonable attorneys' fees and court costs that the Purchaser

incurs or may incur arising out of Seller's Lender Liability. Notwithstanding the foregoing, Seller's Lender Liability shall exclude any liability arising out of the sale of the Loan as contemplated hereby and actions taken in connection herewith or pursuant hereto. Purchaser hereby indemnifies and agrees to hold harmless Seller from and against any and all costs, expenses, suits, claims, obligations or liabilities relating to Purchaser's administration of the Loan after the Closing Date whether arising in contract, tort, under common law, statute, regulation or otherwise ("Purchaser's Lender Liability"), including, without limitation, any and all reasonable attorneys' fees and court costs, that the Seller incurs or may incur arising out of Purchaser's Lender Liability, after the Closing Date in connection with the Loan. Purchaser's Lender Liability shall also include any liability arising out of the sale of the Loan as contemplated hereby and actions taken in connection herewith or pursuant hereto. The provisions of this paragraph 8 shall survive the Closing of the transactions contemplated by this Agreement.

9. If the Loan is prepaid in full pursuant to its terms before Closing, all of Seller's obligations under this Agreement shall terminate, Seller shall retain any premium payable as the result of such prepayment and neither Seller nor Purchaser shall have any further liability or obligation to the other hereunder.

10. Except as provided herein, Purchaser and Seller shall each be responsible for payment of their own costs and expenses (including legal fees) incurred in connection with the purchase of the Loan. Notwithstanding the foregoing, Purchaser shall pay all governmental, documentary and transfer fees, recording costs, title insurance premiums and any other closing costs.

11. At Closing, Seller shall remit to Purchaser the original Loan Documents and Phase I environmental and structural inspections (if any). Purchaser acknowledges and agrees that any such Phase I environmental and structural inspections were performed for the benefit of Seller, that Seller in no way guarantees their accuracy or sufficiency, and that Purchaser will not rely upon such documents. At Closing, Seller will also deliver to Purchaser copies of historical servicing documents which are contained in its files and which are dated after the original closing date of the Loan, including tax receipts, operating statements, insurance certificates, and borrower correspondence. Seller shall not be obligated to deliver any information Seller reasonably and in good faith considers to be subject to attorney/client privilege or proprietary in nature, including, but not limited to, Seller's internal memos, Committee approvals, appraisals or other analysis of the Loan, Borrower or other underwriting criteria.

12. Prior to the Closing Date, except as required by law or as either party may reasonably determine is required to comply with regulatory or securities laws or rating agency's disclosure requirements, the Purchaser and the Seller each covenant to the other that, without the other party's consent (a) it will hold in strict confidence all documents and other information (other than "Public Information") concerning the Loan; and (b) if the Closing should not occur, such confidence shall be maintained (except with respect to "Public Information") and all such documents and information (if in written form) shall, immediately after termination of this Agreement, be returned to the party originally furnishing same or destroyed by the receiving party; and (c) neither the Purchaser, nor the Seller, nor any of their affiliates will hold any press conference, issue any press release, record this Agreement or any other document containing any information concerning this Agreement or otherwise divulge the existence of this Agreement or the terms contained herein to any prospective purchaser, lender, investor or other third party or the public generally (except for their respective current investors, consultants, brokers/dealers, confidential legal and accounting advisers and any prospective lenders providing financing for the acquisition of the Loan) provided that any and all communications with such lenders shall be private and confidential (and then only to the extent such terms are customarily disclosed to the applicable person in connection with transactions similar to the one contemplated hereby, and provided that any such investor, consultant, broker/dealer, legal or accounting advisors and lenders are informed of the confidentiality provisions of this Section). "Public Information" shall mean information that is or becomes generally available to the public other than as a result of a disclosure by Purchaser or its representatives or which becomes available on a non-confidential basis from sources other than Purchaser or Purchaser's agents or which was known to Purchaser on a non-confidential basis prior to its disclosure to Purchaser by Seller. After the Closing, Purchaser and Seller agree that neither shall hold any press conferences or issue a press release without such conference or press release being mutually agreed to by each party, which agreement in this sentence shall survive the Closing Date. Notwithstanding the foregoing, the obligations of this Section shall not apply to matters which are disclosed in the joint statement or in a matter of public record or which are required to be disclosed by applicable law or the rules of any stock exchange on

which the shares of Purchaser or Seller are listed.

13. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to be an adequate and sufficient notice if given in writing and service is made either by (i) personal delivery, in which case the service shall be deemed received the date of such personal delivery, (ii) nationally recognized overnight air courier service, next day delivery, prepaid, in which case the notice shall be deemed to have been received one (1) business day following delivery to such nationally recognized overnight air courier service, or (iii) at the time of being sent by facsimile if delivery thereof is confirmed by sender's receipt of a transmission report, generated by sender's facsimile machine, which confirms that the facsimile was successfully transmitted in its entirety and provided the facsimile was forwarded prior to 5:00 Central, and to the following addresses or facsimile numbers:

<p>If to <u>Seller</u> :</p> <p>PRINCIPAL LIFE INSURANCE COMPANY c/o Principal Real Estate Investors, LLC 801 Grand Avenue Des Moines, Iowa 50392-1360 Attn: Thomas Bell Fax: 515-248-8090 Phone: 515-247-5680</p>

<p>With a copy to:</p> <p>Principal Real Estate Investors, LLC c/o Loan Administration 801 Grand Avenue Des Moines, Iowa 50392-1360 Attn: Jim Winegar Fax: 515-248-8090 Phone: 515-246-7167</p>

<p>If to <u>Buyer</u> :</p> <p>Dollar General Corporation 100 Mission Ridge Goodlettsville, TN 37072 Attn: Wade Smith, Treasurer Fax: 615-855-4811 Phone: 615-855-4973</p>	<p>With a copy to:</p> <p>Dollar General Corporation 100 Mission Ridge Goodlettsville, TN 37072 Attn: Susan Lanigan, General Counsel Fax: 615-855-5154 Phone: 615-855-5161</p>
--	--

or such other address as either party may from time to time specify in writing to the other.

14. Following closing of the transactions contemplated by this Agreement, Seller shall, at any time and from time to time, execute and deliver to Purchaser all further documents or instruments reasonably requested by Purchaser to effect the intent of this Agreement and to obtain the full benefits of this Agreement. This provision shall survive the closing of the transactions contemplated hereby. Purchaser shall reimburse Seller for all reasonable costs incurred by Seller for any such requests, including a processing fee of \$300.00 paid in advance with any request.

15. Each of Seller and Purchaser represents and warrants to the other that it has not discussed this Agreement or the subject matter hereof with any broker, agent or sales person in such a manner as to create any legal right in any such broker, agent or sales person to claim a commission, fee or other compensation with respect to the conveyance of the Loan as contemplated hereby. This paragraph shall survive closing of the transactions contemplated hereby.

16. This Agreement may not be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. Time is of the essence in performance of this Agreement. This Agreement shall be binding upon and shall inure to the successors and assigns of the parties hereto. This Agreement and the Assignment Documents shall be governed by and enforced in accordance with the laws of the Commonwealth of Virginia without reference to conflicts of law principles. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, when taken together, shall constitute but one and the same instrument. This Agreement constitutes the sole and entire agreement of Seller and Purchaser regarding the purchase and sale of the Loan. This Agreement supersedes all prior discussions and negotiations between Purchaser and Seller with respect to the subject matter of this Agreement.

In Witness Whereof, this Agreement has been signed, sealed, and delivered effective as of this 29th day of May, 2003.

Purchaser:
DOLLAR GENERAL CORPORATION

Seller:
PRINCIPAL LIFE INSURANCE COMPANY, an Iowa
corporation
Formerly known as Principal Mutual Life Insurance Company

By: James J. Hagan
Signature
Printed Name:
Its:

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory

By: /s/ Karen A. Pearston
Its: Counsel
By: /s/ Dennis D. Ballard
Its: Counsel

EXHIBIT A

Amortization Schedule

Omitted due to immateriality

Exhibit B

FORM OF

ENDORSEMENT TO NOTE ¹

FOR VALUE RECEIVED, the undersigned, the original or successor payee under that certain promissory note to which this Endorsement is affixed (the "Note"), absolutely and unconditionally assigns, transfers, endorses, negotiates, and sets over to and makes payable to the order of Dollar General Corporation (the "Purchaser"), without recourse, representation or warranty of any kind, except as otherwise expressly set forth in that certain

Purchase and Sale Agreement, dated as of May 29, 2003 (the "Purchase Agreement"), by and between the Purchaser and Principal Life Insurance Company, as seller, the Note, all interest, principal, and other sums due or to become due under the Note, and all other rights of any nature accrued or to accrue under the Note.

Dated: As of May __, 2003.

PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation
Formerly Principal Mutual Life Insurance Company

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory

By: _____
Its: _____

By: _____
Its: _____

¹ This form is to be used for endorsement of each of the two Secured Promissory Notes to be assigned from Seller to Purchaser.

Exhibit C
FORM OF
ASSIGNMENT OF DEED OF TRUST

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

John C. Beane
Troutman Sanders LLP
600 Peachtree Street NE
Suite 5200
Atlanta, GA 30308

GPIN/Tax Parcel No. 07 2mm 27 2476

SPACE ABOVE THIS LINE FOR RECORDER'S USE
ASSIGNMENT OF DEED OF TRUST

Effective as of May __, 2003, and FOR VALUE RECEIVED, the receipt and sufficiency of which are acknowledged, the undersigned absolutely and unconditionally sells, delivers, sets over, grants, conveys, assigns and transfers, without recourse, representation or warranty, except as otherwise expressly set forth in that certain Purchase and Sale Agreement, dated as of May 29, 2003 (the "Purchase Agreement"), by and between Principal Life Insurance Company (the "Seller"), and Dollar General Corporation (the "Purchaser"), to the Purchaser, all of its right, title and interest in and to that certain deed of trust from SUN-DOLLAR, L.P., as borrower, and DOLGEN REMAINDER LLC, as remainderman, to be indexed as "Grantors," and JOHN E. PROMINSKI, JR. and JOSEPH B. WHITEBREAD, JR., as Trustees, to be indexed as "Grantees," which Deed of Trust is more particularly described on Exhibit A attached hereto (the "Security Instrument").

TOGETHER WITH all right, title and interest in and to the note (the "Note") or other obligations secured thereby, the money due and to become due thereon, and all rights accrued or to accrue thereunder.

To have and to hold this Assignment unto the Purchaser, its successors and assigns forever.

IN WITNESS WHEREOF, the Seller has caused these presents to be duly executed as of the day and year first written above.

PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation
Formerly Principal Mutual Life Insurance Company

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory
By: _____
Its: _____

By: _____
Its: _____

STATE OF IOWA)
) ss:
COUNTY OF POLK)

On this ____ day of _____, _____, before me, the undersigned, a Notary Public in and for the said State, personally appeared _____ and _____, to me personally known to be the identical persons whose names are subscribed to the foregoing instrument, who being by me duly sworn, did say that they are the _____ and _____, respectively, of PRINCIPAL REAL ESTATE INVESTORS, LLC, a Delaware limited liability company, authorized signatory of PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation, and that the seal affixed to the instrument is the seal of Principal Real Estate Investors, LLC; that the instrument was signed and sealed on behalf of the corporation by Principal Real Estate Investors, LLC, as authorized signatory of Principal Life Insurance Company, by authority of the Board of Directors of Principal Life Insurance Company; and that the aforesaid individuals each acknowledged the execution of the foregoing instrument to be the voluntary act and deed of Principal Real Estate Investors, LLC, as authorized signatories of said corporation, by it and by them voluntarily executed.

Notary Public in and for said State
My Commission Expires:
[Affix Notarial Stamp or Seal]

EXHIBIT A TO ASSIGNMENT OF DEED OF TRUST

Deed of Trust, Security Agreement and Assignment of Rents dated April 30, 1997, from Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to John E. Prominski, Jr. and Joseph B. Whitebread, Jr., as Trustees, for the benefit of Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company), as Beneficiary, recorded May 1, 1997, in Deed Book 669 page 99 among the land records of Halifax County, Virginia and re-recorded May 22, 1997 as Deed Book 670 page 377, as amended by First Amendment to Secured Promissory Note, Deed of Trust, Security Agreement and Assignment of Rents and Assignment of Leases and Rents dated July 31, 1998 between Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to John E. Prominski, Jr. and Joseph B. Whitebread, Jr., as Trustees, for the benefit of Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company) as lender, recorded August 3, 1998 in Deed Book 701 page 355 among the land records of Halifax County, Virginia .

Exhibit D
FORM OF

ASSIGNMENT OF ASSIGNMENT OF LEASES AND RENTS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

GPIN/Tax Parcel No. 07 2mm 27 2476

John C. Beane
Troutman Sanders LLP
600 Peachtree Street NE
Suite 5200
Atlanta, GA 30308-2216

SPACE ABOVE THIS LINE FOR RECORDER'S USE
ASSIGNMENT OF ASSIGNMENT OF RENTS AND LEASES

Effective as of May __, 2003, and FOR VALUE RECEIVED, the receipt and sufficiency of which are acknowledged, the undersigned absolutely and unconditionally sells, delivers, sets over, grants, conveys, assigns and transfers, without recourse, representation or warranty, except as otherwise expressly set forth in that certain Purchase and Sale Agreement, dated as of May 29, 2003 (the "Purchase Agreement"), by and between Principal Life Insurance Company (the "Seller"), and DOLLAR GENERAL CORPORATION (the "Purchaser"), to be indexed as "Grantee," to the Purchaser, all of its right, title and interest in and to that certain Assignment of Leases and Rents from SUN-DOLLAR, L.P., as borrower, and DOLGEN REMAINDER LLC, as remainderman, to be indexed as "Grantors," and Seller, as lender, which Assignment is more particularly described on Exhibit A attached hereto.

To have and to hold this Assignment unto the Purchaser, its successors and assigns forever.

IN WITNESS WHEREOF, the Seller has caused these presents to be duly executed as of the day and year first written above.

PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation
Formerly Principal Mutual Life Insurance Company

By : PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory

By: _____
Its: _____

By: _____
Its: _____

STATE OF IOWA)
) ss:
COUNTY OF POLK)

On this _____ day of _____, _____, before me, the undersigned, a Notary Public in and for the said State, personally appeared _____ and _____, to me personally known to be the identical persons whose names are subscribed to the foregoing instrument, who being by me duly sworn, did say that they are the _____ and _____, respectively, of PRINCIPAL REAL ESTATE INVESTORS, LLC, a Delaware limited liability company, authorized signatory of PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation, and that the seal affixed to the instrument is the seal of Principal Real Estate Investors, LLC; that the instrument was signed and sealed on behalf of the corporation by Principal Real Estate Investors, LLC, as authorized signatory of Principal Life Insurance Company, by authority of the Board of Directors of Principal Life Insurance Company; and that the aforesaid individuals each acknowledged the execution of the foregoing instrument to be the voluntary act and deed of Principal Real Estate Investors, LLC,

as authorized signatories of said corporation, by it and by them voluntarily executed.

Notary Public in and for said State
My Commission Expires:
[Affix Notarial Stamp or Seal]

EXHIBIT A TO ASSIGNMENT OF LEASES AND RENTS

Assignment of Leases and Rents dated April 30, 1997, from Sun-Dollar, L.P., as borrower, and Dolgen Remainder LLC, as remainderman, to Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company), as lender, recorded May 1, 1997, in Deed Book 669 page 193 among the land records of Halifax County, Virginia, as amended by that certain First Amendment to Secured Promissory Note, Deed of Trust, Security Agreement and Assignment of Rents and Assignment of Leases and Rents dated July 31, 1998 between Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to John E. Prominski, Jr. and Joseph B. Whitebread, Jr., as Trustees, for the benefit of Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company) as lender, recorded August 3, 1998, in Deed Book 701 page 355 among the land records of Halifax County, Virginia .

Exhibit E

FORM OF

ASSIGNMENT AND CONVEYANCE

On this ___ day of May, 2003, Principal Life Insurance Company (formerly, Principal Mutual Life Insurance Company, the "Seller"), as the Seller under that certain Purchase and Sale Agreement, dated as of May 29, 2003 (the "Purchase Agreement") does hereby sell, transfer, assign, set over and convey to Dollar General Corporation (the "Purchaser"), as the Purchaser under the Purchase Agreement, without recourse representation or warranty, except as otherwise expressly set forth in the Purchase Agreement, all right, title and interest of, in and to the Mortgage Loan evidenced by those documents listed on Schedule 1 attached hereto, together with the related Mortgage Loan File and all rights and obligations arising under the documents contained therein, including, without limitation, those documents set forth on Schedule 1 hereto.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Purchase Agreement.

PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation
Formerly Principal Mutual Life Insurance Company

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory

By: _____
Its: _____

By: _____
Its: _____

SCHEDULE 1 TO ASSIGNMENT AND CONVEYANCE

1. Secured Promissory Note in the original principal amount of \$29,430,000 dated April 30, 1997, from Sun-Dollar, L.P., as maker, to Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company), as payee
2. Secured Promissory Note in the original principal amount of \$22,993,812 dated July 31, 1998, from Sun-Dollar, L.P., as maker, to Principal Life Insurance Company, as Payee
3. Deed of Trust, Security Agreement and Assignment of Rents dated April 30, 1997, from Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to John E. Prominski, Jr. and Joseph B. Whitebread, Jr., as Trustees, for the benefit of Principal Life Insurance Company (formerly, Principal Mutual Life Insurance Company), as Beneficiary, covering certain real property located in Halifax County, Virginia. Recorded May 1, 1997 in Deed Book 669 page 99 among the land records of Halifax County, Virginia and re-recorded May 22, 1997 as Deed Book 670 page 377
4. Assignment of Leases and Rents dated April 30, 1997, from Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to Principal Life Insurance Company (formerly, Principal Mutual Life Insurance Company), as Lender. Recorded May 1, 1997 in Deed Book 669 page 193 among the land records of Halifax County, Virginia
5. First Amendment to Secured Promissory Note, Deed of Trust, Security Agreement and Assignment of Rents and Assignment of Leases and Rents dated July 31, 1998 between Sun-Dollar, L.P., as Borrower, and Dolgen Remainder LLC, as Remainderman, to John E. Prominski, Jr. and Joseph B. Whitebread, Jr., as Trustees, for the benefit of Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company) as lender . Recorded August 3, 1998 in Deed Book 701 page 355 among the land records of Halifax County, Virginia
6. Tripartite Agreement dated as of April 30, 1997, by and among Dollar General Corporation, Dolgen Remainder, LLC and Sun-Dollar, L.P.
7. Option and Subordination Agreement dated as of April 30, 1997, between Dolgen Remainder, LLC, and Sun-Dollar, L.P., as referenced in the Tripartite Agreement. Recorded May 1, 1997 in Deed Book 669 page 205 among the land records of Halifax County, Virginia
8. Form of Agreement of Ground Lease attached as Exhibit B to the Option and Subordination Agreement and referenced in the Tripartite Agreement
9. UCC Financing Statements:
 - From Sun-Dollar, L.P. securing Principal Mutual Life Insurance Company recorded May 1, 1997 as file No. 47220 and amended by Amendment recorded May 22, 1997 as File No. 47289, and Amendment filed August 3, 1998 File No. 48257, and Amendment September 10, 2002 as file No. 50731 filed In the Clerk's office, Circuit Court, County of Halifax, Virginia.
 - From Sun-Dollar, L.P. securing Principal Mutual Life Insurance Company recorded May 5, 1997 as File No. 970505 7456, and Amendment filed August 5, 1998 as File No. 980805 7003, at the State Corporation Commission, Commonwealth of Virginia.
 - From Sun-Dollar, L.P. securing Principal Mutual Life Insurance Company recorded May 16, 1997 as File No. 101664 and Amendment filed August 5, 1998 File no. 168265 with the New York State Department of State, Uniform Commercial Code Division.
 - In-lieu to the California Secretary of State: From Sun-Dollar, L.P. securing Principal Life Insurance Company recorded February 15, 2002 as file No. 0205160270 (New York State filed on May 16, 1997, file no. 101664; Amendment filed August 5, 1998 file no. 168265, and Commonwealth of Virginia filed May 5, 1997 file no. 970505 7456; Amendment filed August 5, 1998 file no. 980805 7003.)
10. Environmental Indemnity Agreement dated April 30, 1997, from Sun-Dollar, L.P., as Indemnitor, to Principal Life Insurance Company (formerly Principal Mutual Life Insurance Company), as Indemnitee
11. Mortgagee's Policy of Title Insurance No. A257052 dated May 22, 1997, as amended effective April 28, 1999, issued by First American Title Insurance Company to Principal Life Insurance Company (formerly Principal Mutual Life

EXHIBIT F

FORM OF NOTICE TO BORROWER

As of _____, 2003

Via Express Mail

Sun-Dollar, L.P. (the "Borrower")
C/O U. S. Realty Advisors, LLC
29th Floor
1370 Avenue of the Americas
New York, NY 10019

Re: Sale of Loan No. 751494 and 752016

Ladies and Gentlemen:

Please be advised that, as of the date hereof, the above-referenced Mortgage Loan payable to PRINCIPAL LIFE INSURANCE COMPANY has been sold to DOLLAR GENERAL CORPORATION ("New Lender"). In connection with such Mortgage Loan, Borrower has, pursuant to that certain Assignment of Leases and Rents from Borrower and Dolgen Remainder LLC to Lender dated April 30, 1997 (the "Assignment"), assigned to Lender all of its interests in, to and under that certain Lease and Agreement dated as of April 30, 1997, as amended, between Borrower and Dollar General Corporation ("Tenant"). From and after the date hereof, all rents, additional rents and other charges due and payable under the Lease are to be made directly to New Lender, to be applied by New Lender as provided in the Assignment, in immediately available funds on the due date thereof in one of the following manners:

- (i) by check via nationally recognized overnight courier delivery service to:

- (ii) [Describe what funds represent (i.e., base rent, additional rent, taxes, insurance, CAM, etc.)]; or by check via regular mail of the United States Postal Service, postage prepaid, to:

[Describe what funds represent (i.e., base rent, additional rent, taxes, insurance, CAM, etc.)]; or

(Lender's preference being (i) above);

or at such other address and/or account and by such other means as shall be designated by New Lender by written notice to Tenant.

Kindly acknowledge receipt of this letter by signing the enclosed copy and returning the counter-signed letter to Principal Life Insurance Company, Attn: Sally Sorensen, Law Department, G24, 711 High Street, Des Moines, Iowa 50392-0301, with a copy of the counter-signed letter by telecopier to Dollar General Corporation, 100 Mission Ridge, Goodlettsville, TN 37072, Attn: Wade Smith.

PRINCIPAL LIFE INSURANCE COMPANY,
an Iowa corporation

By: PRINCIPAL REAL ESTATE INVESTORS, LLC,
a Delaware limited liability company,
its authorized signatory

By: _____

Name:

Title:

By: _____

Name:

Title:

RECEIPT ACKNOWLEDGED:

SUN-DOLLAR, L.P.

By: _____

Name:

Title:

#

**DOLLAR GENERAL CORPORATION
1998 STOCK INCENTIVE PLAN**

(As Amended and Restated effective June 2, 2003,
as modified through August 26, 2003)

SECTION 1. Purpose; Definitions. The purpose of the Dollar General Corporation 1998 Stock Incentive Plan (the “Plan”) is to enable Dollar General Corporation (the “Corporation”) to attract, retain and reward key employees of and consultants to the Corporation and its Subsidiaries and Affiliates, and directors who are not also employees of the Corporation, and to strengthen the mutuality of interests between such key employees, consultants, and directors by awarding such key employees, consultants, and directors performance-based stock incentives and/or other equity interests or equity-based incentives in the Corporation, as well as performance-based incentives payable in cash. The provisions of the Plan are intended to satisfy the requirements of Section 16(b) of the Exchange Act, and shall be interpreted in a manner consistent with the requirements thereof, as now or hereafter construed, interpreted, and applied by regulations, rulings, and cases. The Plan is also designed so that awards granted hereunder intended to comply with the requirements for “performance-based” compensation under Section 162(m) of the Code may comply with such requirements. The creation and implementation of the Plan will not diminish or prejudice other compensation plans or programs approved from time to time by the Board.

For purposes of the Plan, the following terms shall be defined as set forth below:

- A. “ Affiliate ” means any entity other than the Corporation and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Corporation directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.
- B. “ Board ” means the Board of Directors of the Corporation.
- C. “ Cause ” has the meaning provided in Section 5(j) of the Plan.
- D. “ Change in Control ” has the meaning provided in Section 9(b) of the Plan.
- E. “ Change in Control Price ” has the meaning provided in Section 9(d) of the Plan.
- F. “ Common Stock ” means the Corporation’s Common Stock, \$.50 par value per share.
- G. “ Code ” means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- H. “ Committee ” means the Committee referred to in Section 2 of the Plan.
- I. “ Corporation ” means Dollar General Corporation, a corporation organized under the laws of the State of Tennessee, or any successor corporation.
- J. “ Disability ” means disability as determined under the Corporation’s Group Long Term Disability Insurance Plan.
- K. “ Dividend Equivalents ” means an amount equal to the cash dividends paid by the Corporation upon one share of Common Stock for each Restricted Unit or property distributions awarded to a Participant in accordance with Section 7 or 8 of the Plan.
- L. “ Early Retirement ” means retirement, for purposes of this Plan with the express consent of the Corporation at or before the time of such retirement, from active employment with the Corporation and any Subsidiary or Affiliate prior to age 65, in accordance with any applicable early retirement policy of the Corporation then in effect or as may be approved by the Committee.
- M. “ Effective Date ” has the meaning provided in Section 13 of the Plan.
- N. “ Exchange Act ” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- O. “ Fair Market Value ” means with respect to the Common Stock, as of any given date or dates, unless otherwise determined by the Committee in good faith, the reported closing price of a share of Common Stock on the NYSE or such other market or exchange as is the principal trading market for the Common Stock, or, if no such sale of a share of Common Stock is reported on NYSE or other exchange or principal trading market on such date, the fair market value of a share of Common Stock as determined by the Committee in good faith.
- P. “ Incentive Stock Option ” means any Stock Option intended to be and designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.
- Q. “ Immediate Family ” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

R. “Non-Employee Director” means a member of the Board who is a Non-Employee Director within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act and an outside director within the meaning of Treasury Regulation Sec. 162-27(e)(3) promulgated under the Code.

S. “Non-Qualified Stock Option” means any Stock Option that is not an Incentive Stock Option.

T. “Normal Retirement” means retirement from active employment with the Corporation and any Subsidiary or Affiliate on or after age 65.

U. “NYSE” means the New York Stock Exchange.

V. “Outside Director” means a member of the Board who is not an officer or employee of the Corporation or any Subsidiary or Affiliate of the Corporation.

W. “Outside Director Option” means an award to an Outside Director under Section 8(b) below.

X. “Outside Director Restricted Unit Award” means an award to an Outside Director under Section 8(c) below.

Y. “Performance Goals” means performance goals based on one or more of the following criteria: (i) pre-tax income or after-tax income; (ii) operating cash flow; (iii) operating profit; (iv) return on equity, assets, capital, or investment; (v) earnings or book value per share; (vi) sales or revenues; (vii) operating expenses; (viii) Common Stock price appreciation; and (ix) implementation, management, or completion of critical projects or processes. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Corporation or any Subsidiary, or a division or strategic business unit of the Corporation, or may be applied to the performance of the Corporation relative to a market index, a group of other companies, or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Each of the foregoing Performance Goals shall be determined, to the extent applicable, in accordance with generally accepted accounting principles and shall be subject to certification by the Committee.

Z. “Plan” means this Dollar General Corporation 1998 Stock Incentive Plan, as amended from time to time.

AA. “Restricted Stock” means an award of shares of Common Stock that is subject to restrictions under Section 7 of the Plan.

BB. “Restricted Unit” means the right to receive, pursuant to the Plan, one share of Common Stock at the end of a specified period of time, which right is subject to forfeiture in accordance with Section 7 or 8 of the Plan.

CC. “Restriction Period” has the meaning provided in Section 7 of the Plan.

DD. “Retirement” means Normal or Early Retirement.

EE. “Section 162(m) Maximum” has the meaning provided in Section 3(a) hereof.

FF. “Stock Appreciation Right” means the right pursuant to an award granted under Section 6 below to surrender to the Corporation all (or a portion) of a Stock Option in exchange for an amount equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is

surrendered, of the shares of Common Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

GG. “ Stock Option ” or “ Option ” means any option to purchase shares of Common Stock (including Restricted Stock, if the Committee so determines) granted pursuant to Section 5 below.

HH. “ Subsidiary ” means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

SECTION 2. Administration . Except as provided below, the Plan shall be administered by a Committee of not less than two Non-Employee Directors, who shall be appointed by the Board and who shall serve at the pleasure of the Board. The functions of the Committee specified in the Plan may be exercised by an existing Committee of the Board composed exclusively of Non-Employee Directors. The initial Committee shall be the Corporate Governance and Compensation Committee of the Board. In the event there are not at least two Non-Employee Directors on the Board, the Plan shall be administered by the Board and all references herein to the Committee shall refer to the Board.

The Committee shall have the power to delegate authority to the Corporation’s Chief Executive Officer, or to a committee composed of executive officers of the Corporation, to grant, on behalf of the Committee, Non-Qualified Stock Options exercisable at Fair Market Value on the date of grant, subject to such guidelines as the Committee may determine from time to time; provided, however that (i) options may only be granted pursuant to such delegated authority for the purposes specified by the Committee, which may include attracting new employees, awarding outstanding performance, or retaining employees, (ii) the Committee shall specify the maximum number of shares that may be granted for purposes of attracting any single new employee at any specified level and the maximum number that may be granted to any other employee for any other purpose, and (iii) a report of each grant of an option pursuant to such delegated authority shall be presented to the Committee at the first meeting of the Committee following such grant. Options granted pursuant to such delegated authority in accordance herewith shall be deemed, to the extent permitted under applicable law, to have been granted by the Committee for all purposes under the Plan.

The Committee shall have authority to grant, pursuant to the terms of the Plan, to officers, other key employees and consultants eligible under Section 4: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, and/or (iv) Restricted Units.

In particular, the Committee, or the Board, as the case may be, shall have the authority, consistent with the terms of the Plan:

- (a) to select the officers, key employees of and consultants to the Corporation and its Subsidiaries and Affiliates to whom Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Units may from time to time be granted hereunder;
- (b) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Units or any combination thereof, are to be granted hereunder to one or more eligible persons;
- (c) to determine the number of shares to be covered by each such award granted hereunder;
- (d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Common Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion); and to amend or waive any such terms and conditions to the extent permitted by Section 10 hereof;

- (e) to determine whether and under what circumstances a Stock Option may be settled in cash or Restricted Stock under Section 5(l) or (m), as applicable, instead of Common Stock;
- (f) to determine whether, to what extent, and under what circumstances Option grants and/or other awards under the Plan are to be made, and operate, on a tandem basis vis-à-vis other awards under the Plan and/or cash awards made outside of the Plan;
- (g) to determine whether, to what extent, and under what circumstances shares of Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);
- (h) to determine the terms, conditions, and restrictions of any Performance Goals and the number of Options, Stock Appreciation Rights, shares of Restricted Stock, or Restricted Units subject thereto;
- (i) to determine whether to require payment of tax withholding requirements in shares of Common Stock subject to the award; and
- (j) to impose any holding period required to satisfy Section 16 under the Exchange Act.

The Committee shall have the authority to adopt, alter, and repeal such rules, guidelines, and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan; and, except as expressly set forth herein or otherwise required by law, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Corporation and Plan participants.

SECTION 3. Shares of Common Stock Subject to Plan. (a) As of the Effective Date, the aggregate number of shares of Common Stock that may be issued under the Plan shall be 29,375,000 shares. The shares of Common Stock issuable under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. No officer of the Corporation or other person whose compensation may be subject to the limitations on deductibility under Section 162(m) of the Code shall be eligible to receive awards pursuant to this Plan relating to in excess of 500,000 shares of Common Stock in any fiscal year (the "Section 162(m) Maximum").

(b) If any shares of Common Stock that have been optioned cease to be subject to a Stock Option, or if any shares of Common Stock that are subject to any Restricted Stock granted hereunder are forfeited prior to the payment of any dividends, if applicable, with respect to such shares of Common Stock, or if any shares of Common Stock that are subject to any Restricted Units granted hereunder are forfeited, or any such award otherwise terminates without a payment being made to the participant in the form of Common Stock, such shares shall again be available for distribution in connection with future awards under the Plan.

(c) In the event of any merger, reorganization, consolidation, recapitalization, extraordinary cash dividend, stock dividend, stock split or other change in corporate structure affecting the Common Stock, an appropriate substitution or adjustment shall be made in the maximum number of shares that may be awarded under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan, in the Performance Goals, in the number of shares underlying Outside Director Options and Outside Director Restricted Units to be granted under Section 8 hereof and in the number of Restricted Units outstanding, in the Section 162(m) Maximum, and in the number of shares subject to other outstanding awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. An adjusted option price shall also be used to determine the amount payable by the Corporation upon the exercise of any Stock Appreciation Right associated with any Stock Option.

SECTION 4. Eligibility. Officers, other key employees and Outside Directors of and consultants to the Corporation and its Subsidiaries and Affiliates who are responsible for or contribute to the management, growth and/or profitability of the business of the Corporation and/or its Subsidiaries and Affiliates are eligible to be granted awards under the Plan. Outside Directors are eligible to receive awards pursuant to Section 8 and not pursuant to any other provisions of the Plan.

SECTION 5. Stock Options. Stock Options may be granted alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. Incentive Stock Options may be granted only to individuals who are employees of the Corporation or any Subsidiary of the Corporation. No Incentive Stock Option shall be granted on or following the tenth anniversary of the earlier of (i) the effectiveness of the Plan or (ii) the date of shareholder approval of the Plan.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights).

Options granted to officers, key employees, Outside Directors and consultants under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Option Price. The option price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall be not less than 100% (or, in the case of any employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or of any of its Subsidiaries, not less than 110%) of the Fair Market Value of the Common Stock at grant. Except as provided in Section 3(c), the Committee shall not have the power or authority to reduce, whether through amendment or otherwise, the exercise price of any outstanding Stock Option without prior shareholder approval.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option (Incentive or Non-Qualified) shall be exercisable more than ten years (or, in the case of an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any of its Subsidiaries or parent corporations, no Incentive Stock Option shall be exercisable more than five years) after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant; provided however, that Stock Options shall have a minimum vesting period of six months from the date of grant. The Committee may provide that a Stock Option shall vest over a period of future service at a rate specified at the time of grant, or that the Stock Option is exercisable only in installments. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant, in whole or in part, based on such factors as the Committee shall determine in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Corporation specifying the number of shares to be purchased. As determined by the Committee, in its sole discretion, at or (except in the case of an Incentive Stock Option) after grant, payment in full or in part may also be made in the form of shares of Common Stock already owned by the optionee or, in the case of a Non-Qualified Stock Option, shares of Restricted Stock or (to the extent approved by the Committee prior to April 9, 2003) shares subject to such Option or another award hereunder (in each case valued at the Fair Market Value of the Common Stock on the date the Option is exercised). If payment of the exercise price is made in part or in full with Common Stock, the Committee may award to the employee a new Stock Option to replace the Common Stock which was surrendered. If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of

Restricted Stock, such Restricted Stock (and any replacement shares relating thereto) shall remain (or be) restricted in accordance with the original terms of the Restricted Stock award in question, and any additional Common Stock received upon the exercise shall be subject to the same forfeiture restrictions, unless otherwise determined by the Committee, in its sole discretion, at or after grant. No shares of Common Stock shall be issued until full payment therefor (either by check, note, or such other instrument as the Committee may accept) has been made.

An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 12(a).

(e) Transferability of Options. No Non-Qualified Stock Option shall be transferable by the optionee without the prior written consent of the Committee other than (i) transfers by the Optionee to a member of his or her Immediate Family or a trust for the benefit of the optionee or a member of his or her Immediate Family, or (ii) transfers by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order. No Incentive Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Incentive Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Bonus for Taxes. In the case of a Non-Qualified Stock Option or an optionee who elects to make a disqualifying disposition (as defined in Section 422(a)(1) of the Code) of Common Stock acquired pursuant to the exercise of an Incentive Stock Option, the Committee in its discretion may award at the time of grant or thereafter the right to receive upon exercise of such Stock Option a cash bonus calculated to pay part or all of the federal and state, if any, income tax incurred by the optionee upon such exercise.

(g) Termination by Death. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent such option was exercisable at the time of death or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee) by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of three years (or such other period as the Committee may specify at or after grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(h) Termination by Reason of Disability. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or (except in the case of an Incentive Stock Option) on such accelerated basis as the Committee may determine at or after grant (or, except in the case of an incentive Stock Option, as may be determined in accordance with procedures established by the Committee), for a period of (i) three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (ii) one year from the date of termination of employment or until the expiration of the stated term of such Stock Option, whichever period is shorter, in the case of an Incentive Stock Option; provided however, that, if the optionee dies within the period specified in (i) above (or other such period as the Committee shall specify at or after grant), any unexercised Non-Qualified Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise period applicable to Incentive Stock Options, but before the expiration of any period that would apply if such Stock Option were a Non-Qualified Stock Option, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(i) Termination by Reason of Retirement. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement or (except in the case of an Incentive Stock Option) on such

accelerated basis as the Committee may determine at or after grant (or, except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Committee), for a period of (i) three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (ii) three months from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter, in the event of an Incentive Stock Option; provided however, that, if the optionee dies within the period specified in (i) above (or other such period as the Committee shall specify at or after grant), any unexercised Non-Qualified Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise period applicable to Incentive Stock Options, but before the expiration of the period that would apply if such Stock Option were a Non-Qualified Stock Option, the option will thereafter be treated as a Non-Qualified Stock Option.

(j) Other Termination . Subject to Section 5(k), unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or (except in the case of an Incentive Stock Option) after grant, if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate is involuntarily terminated for any reason other than death, Disability or Normal or Early Retirement, the Stock Option shall thereupon terminate, except that such Stock Option may be exercised, to the extent otherwise then exercisable, for the lesser of three months or the balance of such Stock Option's term if the involuntary termination is without Cause. For purposes of this Plan, "Cause" means (i) a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or (ii) a participant's willful misconduct or dishonesty, which is directly and materially harmful to the business or reputation of the Corporation or any Subsidiary or Affiliate, in each case as determined by the Committee, in its sole direction. Unless otherwise determined by the Committee, if an optionee voluntarily terminates employment with the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate (except for Disability, Normal or Early Retirement), the Stock Option shall thereupon terminate; provided, however, that the Committee at grant or (except in the case of an Incentive Stock Option) thereafter may extend the exercise period in this situation for the lesser of three months or the balance of such Stock Option's term.

(k) Incentive Stock Options . Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended, or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422. No Incentive Stock Option shall be granted to any participant under the Plan if such grant would cause the aggregate Fair Market Value (as of the date the Incentive Stock Option is granted) of the Common Stock with respect to which all Incentive Stock Options are exercisable for the first time by such participant during any calendar year (under all such plans of the Corporation and any Subsidiary) to exceed \$100,000. To the extent permitted under Section 422 of the Code or the applicable regulations thereunder or any applicable Internal Revenue Service pronouncement:

(i) if (x) a participant's employment is terminated by reason of death, Disability, or Retirement and (y) the portion of any Incentive Stock Option that is otherwise exercisable during the post-termination period specified under Section 5(g), (h) or (i), applied without regard to the \$100,000 limitation contained in Section 422(d) of the Code, is greater than the portion of such Option that is immediately exercisable as an "Incentive Stock Option" during such post-termination period under Section 422, such excess shall be treated as a Non-Qualified Stock Option; and

(ii) if the exercise of an Incentive Stock Option is accelerated by reason of a Change in Control, any portion of such Option that is not exercisable as an Incentive Stock Option by reason of the \$100,000 limitation contained in Section 422(d) of the Code shall be treated as a Non-Qualified Stock Option.

(l) Buyout Provisions . The Committee may at any time offer to buy out for a payment in cash, Common

Stock, or Restricted Stock an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(m) Settlement Provisions . If the option agreement so provides at grant or (except in the case of an Incentive Stock Option) is amended after grant and prior to exercise to so provide (with the optionee's consent), the Committee may require that all or part of the shares to be issued with respect to the spread value of an exercised Option take the form of Restricted Stock, which shall be valued on the date of exercise on the basis of the Fair Market Value (as determined by the Committee) of such Restricted Stock determined without regard to the forfeiture restrictions involved.

(n) Performance and Other Conditions . The Committee may condition the exercise of any Option upon the attainment of specified Performance Goals or other factors as the Committee may determine, in its sole discretion. Unless specifically provided in the option agreement, any such conditional Option shall vest six months prior to its expiration if the conditions to exercise have not theretofore been satisfied.

SECTION 6. Stock Appreciation Rights .

(a) Grant and Exercise . Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Stock Option. A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option. A Stock Appreciation Right may be exercised by an optionee, subject to Section 6(b), in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions . Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive an amount in cash and/or shares of Common Stock equal in value to the excess of the Fair Market Value of one share of Common Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise. When payment is to be made in cash, such amount shall be calculated on the basis of the Fair Market Value of the Common Stock on the date of exercise.

(iii) Stock Appreciation Rights shall be transferable only when and to the extent that the underlying Stock Option would be transferable under Section 5(e) of the Plan.

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Common Stock to be issued under the Plan.

(v) The Committee, in its sole discretion, may also provide that, in the event of a Change in Control and/or a Potential Change in Control, the amount to be paid upon the exercise of a Stock Appreciation Right shall be based on the Change in Control Price, subject to such terms and conditions as the Committee may specify at grant.

(vi) The Committee may condition the exercise of any Stock Appreciation Right upon the attainment of specified Performance Goals or other factors as the Committee may determine, in its sole discretion.

SECTION 7. Restricted Stock and Restricted Units.

(a) Administration. Shares of Restricted Stock or Restricted Units may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock or Restricted Units will be made, the number of shares of Restricted Stock or Restricted Units to be awarded to any person, the price (if any) to be paid by the recipient of Restricted Stock (subject to Section 7(b)), the time or times within which such awards may be subject to forfeiture, and the other terms, restrictions and conditions of the awards in addition to those set forth in Section 7(c). The Committee may condition the grant of Restricted Stock or Restricted Units upon the attainment of specified Performance Goals or such other factors as the Committee may determine, in its sole discretion. The provisions of Restricted Stock or Restricted Unit awards need not be the same with respect to each recipient.

(b) Awards and Certificates for Restricted Stock and Restricted Units. The prospective recipient of a Restricted Stock or Restricted Unit award shall not have any rights with respect to such award, unless and until such recipient has executed an agreement evidencing the award and has delivered a fully executed copy thereof to the Corporation, and has otherwise complied with the applicable terms and conditions of such award.

(i) The purchase price for shares of Restricted Stock shall be established by the Committee and may be zero.

(ii) Awards of Restricted Stock or Restricted Units must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the award date, by executing a Restricted Stock Award Agreement or Restricted Stock Unit Award Agreement, as applicable, and paying whatever price (if any) is required under Section 7(b)(i).

(iii) Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock or shall have such shares of Restricted Stock evidenced electronically through a book entry transfer. Any such certificate shall be registered in the name of such participant (or a transferee permitted by Section 12(h) hereof), and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such award. In the event that certificates evidencing shares of Restricted Stock are not issued and such awards are held electronically, such shares shall be registered in the name of such participant (or a transferee permitted by Section 12(h) hereof) and shall be subject to account restrictions reflecting the terms, conditions, and restrictions applicable to such award.

(iv) The Committee shall require that the stock certificates evidencing shares of Restricted Stock be held in custody by the Corporation until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the participant shall have delivered a stock power, endorsed in blank, relating to the shares of Common Stock covered by such award.

(v) In the case of an award of Restricted Units, no shares of Common Stock shall be issued at the time an award is made, and the Corporation shall not be required to set aside a fund for the payment of such award.

(vi) The maximum number of shares eligible for issuance pursuant to this Section 7 and Section 8 below shall be 4,000,000.

(c) Restrictions and Conditions. Restricted Stock and Restricted Units awarded pursuant to this Section 7 shall be subject to the following restrictions and conditions:

(i) In accordance with the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge, assign, or otherwise encumber shares of Restricted Stock or Restricted Units awarded under the Plan; provided however, that such Restriction Period shall lapse no less than six months from the date of such award. Within these limits, the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or in part, based on service, the attainment of Performance Goals, or such other factors or criteria as the Committee may determine in its sole discretion.

(ii) Except as provided in this paragraph (ii) and Section 7(c)(i), the participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Corporation, including the right to vote the shares, and the right to receive any cash dividends. The Committee, in its sole discretion, as determined at the time of award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested, subject to Section 12(e), in additional Restricted Stock to the extent shares are available under Section 3, or otherwise reinvested. Pursuant to Section 3 above, stock dividends issued with respect to Restricted Stock shall be treated as additional shares of Restricted Stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued. If the Committee so determines, the award agreement may also impose restrictions on the right to vote and the right to receive dividends. The recipient of an award of Restricted Units shall not have any right, in respect of Restricted Units awarded pursuant to the Plan, to vote on any matter submitted to the shareholders of the Corporation until such time as the shares of Common Stock attributable to such Restricted Units have been issued. At the discretion of the Committee, the recipient's Restricted Unit account may be credited with Dividend Equivalents during the Restriction Period. At the discretion of the Committee, Dividend Equivalents may be credited in the form of cash or additional Restricted Units.

(iii) Subject to the applicable provisions of the award agreement and this Section 7, upon termination of a participant's employment with the Corporation and any Subsidiary or Affiliate for any reason during the Restriction Period, all shares of Restricted Stock and all Restricted Units still subject to restriction will vest, or be forfeited, in accordance with the terms and conditions established by the Committee at or after grant.

(iv) If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, certificates for an appropriate number of unrestricted shares shall be delivered to the participant (or a transferee permitted by Section 12(h) hereof) promptly. Upon the lapse of the Restriction Period with respect to any Restricted Units without a prior forfeiture of such Restricted Units, the Corporation shall deliver to the participant, or the participant's beneficiary or estate, as the case may be, one share of Common Stock for each Restricted Unit as to which restrictions have lapsed and any Dividend Equivalents credited with respect to such Restricted Units; provided, that any fractional shares of Common Stock to be delivered in respect of a Restricted Unit or related Dividend Equivalent shall be settled in cash based on the Fair Market Value on the date the Restriction Period lapsed with respect to the related Restricted Unit or Dividend Equivalent. The Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock. The amount of such cash payment for each share of Common Stock to which a participant is entitled shall be equal to the Fair Market Value of the Common Stock on the date on which the Restriction Period lapsed with respect to the related Restricted Unit.

(d) Minimum Value Provisions. In order to better ensure that award payments actually reflect the performance of the Corporation and service of the participant, the Committee may provide, in its sole discretion, for a tandem performance-based or other award designed to guarantee a minimum value, payable in cash or Common Stock to the recipient of a Restricted Stock or Restricted Unit award, subject to such performance, future service, deferral, and other terms and conditions as may be specified by the Committee.

SECTION 8. Awards to Outside Directors. (a) The provisions of this Section 8 shall apply only to awards to Outside Directors in accordance with this Section 8. The Committee shall have no authority to determine the timing of or the terms or conditions of any award under this Section 8. No awards shall be made hereunder until awards are no longer made pursuant to the 1995 Outside Directors Stock Option Plan. Following approval of this Amended and Restated 1998 Stock Incentive Plan by a majority of the votes cast by the holders of the Corporation's Common Stock, no additional awards of Non-Qualified Stock Options shall be made to Outside Directors pursuant to Section 8(b).

(b) Outside Director Stock Options

(i) A Non-Qualified Stock Option will be awarded hereunder pursuant to the following formula: Each Outside Director shall receive an annual Non-Qualified Stock Option for the purchase of shares of Common Stock determined by dividing (i) the annual retainer for an Outside Director (determined with reference to the rate of annual retainer in effect on the date the Non-Qualified Stock Option is granted) by (ii) the Fair Market Value of a share of Common Stock on the date of the grant, multiplying the result (the quotient) by three, rounding the resulting number of shares up to the nearest whole share. In the event an Outside Director serves as Chairman of the Board, the multiplier in the preceding sentence shall be four in lieu of three. The exercise price of each Non-Qualified Stock Option granted hereunder shall be the Fair Market Value on the date of grant.

(ii) Each Outside Director Option shall vest and become exercisable on the first anniversary of the date of grant if the grantee is still a member of the Board on such date, but shall not be exercisable before such date except as provided in Section 9.

(iii) No Outside Director Option shall be exercisable prior to vesting. Each Outside Director Option shall expire, if unexercised, on the tenth anniversary of the date of grant. The exercise price may be paid in cash or in shares of Common Stock, including shares of Common Stock subject to the Outside Director Option.

(iv) Outside Director Options shall not be transferable without the prior written consent of the Board other than (i) transfers by the optionee to a member of his or her Immediate Family or a trust for the benefit of optionee or a member of his or her Immediate Family, or (ii) transfers by will or by the laws of descent and distribution.

(v) Recipients of Outside Director Options shall enter into a stock option agreement with the Corporation setting forth the exercise price and other terms as provided herein.

(vi) Upon termination of an Outside Director's service as a director of the Corporation, (i) all Outside Director Options shall be governed by the provisions of Sections 5(g), 5(i), and 5(j) hereof as if Outside Directors were employees of the Corporation, except that there shall be no discretion to accelerate the vesting of any Outside Director Options in connection with the termination of service of any individual Outside Director.

(vii) Outside Director Options shall be subject to Section 9. The number of shares and the exercise price per share of each Outside Director Option theretofore awarded shall be adjusted automatically in the same manner as the number of shares and the exercise price for Stock Options under Section 3(c) hereof at any time that Stock Options are adjusted as provided in Section 3(c). The number of shares underlying Outside Director Options to be awarded in the future shall be adjusted automatically in the same manner as the number of shares underlying outstanding Stock Options are adjusted under Section 3(c) hereof at any time that Stock Options are adjusted under Section 3(c) hereof.

(c) Outside Director Restricted Unit Awards

(i) Each Outside Director shall receive an annual Outside Director Restricted Unit Award of 4,600 Restricted Units. In the event an Outside Director serves as Chairman of the Board, the annual Outside Director

Restricted Unit Award shall be 6,000 Restricted Units.

(ii) Subject to earlier vesting as provided in Section 9, each Outside Director Restricted Unit Award shall vest on the first anniversary of the date of grant if the grantee is still a member of the Board on such date.

(iii) An Outside Director shall not have any right, in respect of Restricted Units awarded pursuant to the Plan, to vote on any matter submitted to the Corporation's shareholders until such time as the shares of Common Stock attributable to such Restricted Units have been issued.

(iv) Dividend Equivalents. Whenever a dividend, other than a dividend payable in the form of shares of Common Stock, is declared with respect to the shares of Common Stock, the number of Restricted Units credited to an Outside Director shall be increased by the number of Restricted Units determined by dividing:

(A) the product of:

(1) the number of Restricted Units credited to such Outside Director on the related dividend record date and

(2) the amount of any cash dividend declared by the Corporation on a share of Common Stock (or, in the case of any dividend distributable in property other than shares of Common Stock, the per share value of such dividend, as determined by the Corporation for purposes of Federal income tax reporting) by

(B) the Fair Market Value on the related dividend payment date.

(v) Subject to Section 9, no shares of Common Stock shall be distributed, or amount paid, to any Outside Director in respect of any Restricted Units until such time as such Outside Director has ceased to be a member of the Board.

(vi) An Outside Director may elect, at any time and from time to time, but in no event later than one full year prior to the date as of which his or her service as an Outside Director terminates (the "Service Termination Date"):

(A) to receive a distribution of shares of Common Stock in respect of the Outside Director's Restricted Units in a single lump sum payment or in such number of annual installments, not to exceed ten, as the Outside Director shall elect; and

(B) whether the lump sum distribution or first installment shall be made:

(1) as soon as practicable after the Service Termination Date;

(2) on the first day of the calendar month beginning more than six months after the Service Termination Date; or

(3) on the first anniversary of the Service Termination Date.

Any election shall be filed in writing with the Secretary of the Corporation and shall be effective when received by the Secretary; *provided* that, if an Outside Director's Service Termination Date occurs within one full year of the date an election is received it shall be deemed to be ineffective and the last election filed more than twelve months before the Service Termination Date shall be deemed to be effective.

(vii) Any payment to be made to an Outside Director shall be made in shares of Common Stock; *provided*, that any fractional shares of Common Stock to be delivered in respect of Restricted Units shall be

settled in cash based upon the Fair Market Value on the last business day immediately prior to the date such shares would otherwise have been delivered to the Outside Director or the Outside Director's beneficiary; *provided, further*, that the Committee may, in its sole discretion, elect to pay cash, or part cash and part Common Stock in lieu of delivering only Common Stock for Restricted Units. If a cash payment is made in lieu of delivering Common Stock, the amount of such cash payment for each share of Common Stock to which a Participant is entitled shall be equal to the Fair Market Value of the Common Stock as of on the last business day immediately prior to the date on which the distribution is required to be made.

(viii) If an Outside Director fails to specify a commencement date for a distribution in accordance with Section 8(c)(vi), such distribution shall commence on the first anniversary of the Outside Director's Service Termination Date. If an Outside Director fails to specify whether a distribution shall be made in a lump-sum payment or a number of installments, such distribution shall be made in a lump-sum payment.

(ix) In the case of any distribution being made in annual installments, each installment after the first installment shall be paid on the first business day of each subsequent calendar year until the entire amount shall have been paid. The value of any installment payment payable in cash shall be an amount equal to the product of:

(A) the number Restricted Units then standing to the credit of an Outside Director (which shall be net of the number of Restricted Units with respect to which a prior installment payment has been made);

(B) the Fair Market Value of a share of Common Stock on the last business day immediately prior to the date as of which such installment is payable; and

(C) a fraction, the numerator of which is one and the denominator of which is the number of installments (including the then current installment) remaining to be paid.

(x) Outside Director Restricted Unit Awards shall not be transferable without the prior written consent of the Board other than (i) transfers by the holder to a member of his or her Immediate Family or a trust for the benefit of the holder or a member of his or her Immediate Family, or (ii) transfers by will or by the laws of descent and distribution or a qualified domestic relations order.

(xi) Recipients of Outside Director Restricted Unit Awards shall enter into a restricted unit agreement with the Corporation setting forth the terms of such grant as provided herein.

(xii) Termination of Service

(A) If an Outside Director's service as a director of the Corporation terminates by reason of death, Disability or Normal Retirement, all Outside Director Restricted Unit Awards held by such Outside Director shall immediately vest.

(B) If an Outside Director's service as a director of the Corporation terminates for any reason other than death, Disability or Normal Retirement, all Unvested Outside Director Restricted Unit Awards held by such Outside Director shall thereupon terminate, except that if an Outside Director's service as a director is terminated for Cause (as such term is defined in Section 5(j) of this Plan) all Restricted Units shall terminate and be forfeited.

(C) In the event of the death of an Outside Director, any payment due in respect of the Outside Director's Restricted Units shall be made to the beneficiary designated in writing by such Outside Director and filed with the Secretary of the Corporation, or, in the absence of such designation, to the Outside Director's estate. Any such payment shall be made at the same time and subject to the same conditions as would have applied had the Outside Director survived and the date of his or her death been treated as the

termination date of the Outside Director's service, unless the Outside Director shall have specified that an alternative form of payment permitted under the Plan should apply in the event of his or her death.

(xiii) Outside Director Restricted Unit Awards shall be subject to Section 9. The number of Outside Director Restricted Units theretofore awarded shall be adjusted automatically in the manner prescribed by Section 3(c).

(d) Any applicable withholding taxes shall be paid in shares of Common Stock subject to the Outside Director Option or Outside Director Restricted Unit Award valued as the Fair Market Value of such shares unless the Corporation agrees to accept payment in cash in the amount of such withholding taxes.

(e) The Board, in its sole discretion, may determine to reduce the size of any Outside Director Option or Outside Director Restricted Unit Award prior to grant or to postpone the vesting or distribution of any Outside Director Restricted Unit Award prior to grant.

SECTION 9. Change in Control Provisions.

(a) Impact of Event. In the event of:

(1) a "Change in Control" as defined in Section 9(b); or

(2) a "Potential Change in Control" as defined in Section 9(c), but only if and to the extent so determined by the Committee or the Board at or after grant (subject to any right of approval expressly reserved by the Committee or the Board at the time of such determination);

(i) subject to the limitations set forth below in this Section 9(a), the following acceleration provisions shall apply:

(A) Any Stock Appreciation Right, Stock Option or Outside Director Option awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested.

(B) The restrictions applicable to any Restricted Stock or Restricted Units in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested.

(ii) subject to the limitations set forth below in this Section 9(a), the value of all outstanding Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units and Outside Director Options in each case to the extent vested, shall, unless otherwise determined by the Board or by the Committee in its sole discretion prior to any Change in Control, be cashed out on the basis of the "Change in Control Price" as defined in Section 9(d) as of the date such Change in Control or such Potential Change in Control is determined to have occurred or such other date as the Board or Committee may determine prior to the Change in Control.

(iii) The Board or the Committee may impose additional conditions on the acceleration or valuation of any award in the award agreement.

(b) Definition of Change in Control. For purposes of Section 9(a), a "Change in Control" means the happening of any of the following:

(i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Corporation or a wholly-owned subsidiary thereof or any employee benefit plan of the Corporation or any of its Subsidiaries, becomes the beneficial owner of the Corporation's securities having 35% or more of the combined voting power of the then outstanding securities of the Corporation that may be cast for the election of directors of the Corporation (other than as a result of an issuance of securities initiated by the Corporation in the ordinary course of business); or

(ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sales of assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Corporation or any successor corporation or entity entitled to vote generally in the election of the directors of the Corporation or such other corporation or entity after such transaction are held in the aggregate by the holders of the Corporation's securities entitled to vote generally in the election of directors of the Corporation immediately prior to such transaction; or

(iii) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Corporation's shareholders, of each director of the Corporation first elected during such period was approved by a vote of at least two-thirds of the directors of the Corporation then still in office who were directors of the Corporation at the beginning of any such period.

(c) Definition of Potential Change in Control . For purposes of Section 9(a), a “ Potential Change in Control ” means the happening of any one of the following:

(i) The approval by shareholders of an agreement by the Corporation, the consummation of which would result in a Change in Control of the Corporation as defined in Section 9(b); or

(ii) The acquisition of beneficial ownership, directly or indirectly, by any entity, person or group (other than the Corporation or a Subsidiary or any Corporation employee benefit plan (including any trustee of such plan acting as such trustee)) of securities of the Corporation representing 5% or more of the combined voting power of the Corporation's outstanding securities and the adoption by the Committee of a resolution to the effect that a Potential Change in Control of the Corporation has occurred for purposes of this Plan.

(d) Change in Control Price . For purposes of this Section 9, “ Change in Control Price ” means the highest price per share paid in any transaction reported on the New York Stock Exchange or such other exchange or market as is the principal trading market for the Common Stock, or paid or offered in any bona fide transaction related to a Potential or actual Change in Control of the Corporation at any time during the 60 day period immediately preceding the occurrence of the Change in Control (or, where applicable, the occurrence of the Potential Change in Control event), in each case as determined by the Committee except that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, such price shall be based only on transactions reported for the date on which the optionee exercises such Stock Appreciation Rights or, where applicable, the date on which a cash out occurs under Section 9(a)(ii).

SECTION 10. Amendments and Termination . The Board may at any time amend, alter or discontinue the Plan without shareholder approval to the fullest extent permitted by the Exchange Act and the Code; provided, however, that no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Unit or Outside Director Option theretofore granted, without the participant's consent.

Subject to Section 5(b) above, the Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Stock Options for previously granted Stock Options (on a one for one or other basis), subject to Section 5(a) above. Solely for purposes of computing the Section 162(m) Maximum, if any Stock Options or other awards previously granted to a participant are canceled and new Stock Options or other awards having a lower exercise price or other more favorable terms for the participant are substituted in their place, both the initial Stock Options or other awards and the replacement Stock Options or other awards will be deemed to be outstanding (although the canceled Stock Options or other awards will not be exercisable or deemed outstanding for any other purposes).

SECTION 11. Unfunded Status of Plan . The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Corporation, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Corporation. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu of or with respect to awards hereunder; provided, however, that, unless the Committee otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

SECTION 12. General Provisions . (a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Corporation in writing that the optionee or participant is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of the Plan shall not confer upon any employee of the Corporation or any Subsidiary or Affiliate any right to continued employment with the Corporation or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Corporation or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includable in the gross income of the participant for Federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Corporation, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The Committee may require withholding obligations to be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangements and the Corporation and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The actual or deemed reinvestment of dividends or Dividend Equivalents in additional Restricted Stock (or other types of Plan awards) at the time of any dividend payment shall only be permissible if sufficient shares of Common Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options and other Plan awards).

(f) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Tennessee.

(g) The members of the Committee and the Board shall not be liable to any employee or other person with respect to any determination made hereunder in a manner that is not inconsistent with their legal obligations as members of the Board. In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys’ fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel

selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his duties; provided that within 60 days after institution of any such action, suit or proceeding, the Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

(h) In addition to any other restrictions on transfer that may be applicable under the terms of this Plan or the applicable award agreement, no Stock Option, Stock Appreciation Right, Restricted Stock Award, Restrict Unit Award or other right issued under this Plan is transferable by the participant without the prior written consent of the Committee, or, in the case of an Outside Director, the Board, other than (i) transfers by an optionee to a member of his or her Immediate Family or a trust for the benefit of the optionee or a member of his or her Immediate Family or (ii) transfers by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order. The designation of a beneficiary will not constitute a transfer.

(i) The Committee may, at or after grant, condition the receipt of any payment in respect of any award or the transfer of any shares subject to an award on the satisfaction of a six-month holding period, if such holding period is required for compliance with Section 16 under the Exchange Act.

SECTION 13. Effective Date of Amended and Restated Plan . This Amended and Restated Plan shall be effective as of the date of approval by a majority of the votes cast by the holders of the Corporation's Common Stock (the "Effective Date").

SECTION 14. Term of Plan . No awards may be granted under the Plan after May 31, 2008, but awards granted prior to such date may extend beyond such date.

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: August 29, 2003

/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: August 29, 2003

/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 August 1, 2003 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: August 29, 2003

/s/ James J. Hagan

Name: James J. Hagan
Title: Chief Financial Officer
Date: August 29, 2003

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