

# DOLLAR GENERAL CORP

## FORM DEF 14A (Proxy Statement (definitive))

Filed 04/27/95 for the Period Ending 01/31/95

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 DEF 14A (Proxy Statement (definitive))

Filed 4/27/1995 For Period Ending 1/31/1995

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



**DOLLAR GENERAL CORPORATION**

Nashville, Tennessee

Telephone (615) 783-2000

Proxy Statement for  
Annual Meeting of Stockholders

The enclosed proxy is solicited by the Board of Directors of Dollar General Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held in the corporate auditorium at Dollar General Corporation, 427 Beech Street, Scottsville, Kentucky, on June 5, 1995, at 11:00 a.m., local time, and any adjournment thereof. This proxy material was first mailed to stockholders on or about April 28, 1995.

The purposes of the Annual Meeting are: to elect nine(9) directors; to approve the 1995 Employee Stock Incentive Plan; to approve the 1995 Outside Directors Stock Option Plan; to ratify the appointment of Coopers & Lybrand L.L.P. as the Company's independent accountants for the current fiscal year; and to transact such other business as may properly be brought before the Annual Meeting or and adjournment thereof. The Board of Directors recommends a vote FOR the election of the nominees as directors, FOR each of the stock plans and FOR the appointment of Coopers & Lybrand L.L.P.

All valid proxies which are received will be voted in accordance with the recommendations of the Board of Directors unless otherwise specified thereon. Any stockholder giving a proxy is entitled to revoke it by giving the Secretary of the Company written notice of such revocation at any time before it has been voted.

Only holders of the Company's common stock, \$.50 par value per share (the "Common Stock"), and of Series A Convertible Junior Preferred Stock, no par value (the "Series A Preferred Stock"), of record at the close of business on April 14, 1995 are entitled to vote at the meeting. On such date, the Company had 67,365,900 outstanding shares of Common Stock, the holders of which are entitled to one vote for each share held and to cumulative voting in the election of directors. On such date, the Company had 1,715,742 (or an aggregate voting power equal to 10,723,387 shares of Common Stock) issued and outstanding shares of Series A Preferred Stock, the holders of which are entitled to 6.25 votes for each share of Series A Preferred Stock held and to cumulative voting in the election of directors. Pursuant to the Company's Restated Articles of Incorporation, each share of Series A Preferred Stock shall entitle the holder thereof to vote with the holders of Common Stock on all matters submitted to a vote of the holders of the Common Stock. The number of shares of Common Stock issued and outstanding, and the voting rights of the holders of the Series A Preferred Stock, reflect the five-for-four stock split declared by the Board of Directors February 6, 1995, paid March 6, 1995 to stockholders of record on February 23, 1995. All references to shares of Common Stock have been adjusted accordingly.

The mailing address of the principal executive office of the Company is 104 Woodmont Boulevard, Suite 500, Nashville, Tennessee 37205. The Company also maintains a company operations office at 427 Beech Street, Scottsville, Kentucky 42164.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information furnished to the Company as of January 31, 1995 concerning persons who are the beneficial owners of more than five percent (5%) of the Company's Common Stock and/or Series A Preferred Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership-Common Stock/Series A Preferred Stock()	Percent of Class - Common Stock/Series A Preferred Stock
Cal Turner, Jr. 104 Woodmont Blvd., Suite 500 Nashville, TN 37205	13,093,838/1,715,7429()	19.5%/100.0%
James Stephen Turner 138 Second Avenue, Suite 500 Nashville, TN 37201	11,468,970/1,643,037()	17.1%/95.8%
Turner Children Trust dated January 21, 1980, Cal Turner, Jr. and James Stephen Turner, Co-Trustees 104 Woodmont Blvd., Suite 355 Nashville, TN 37205	10,085,887/1,613,742()	15.0%/94.1%

SECURITY OWNERSHIP BY OFFICERS AND DIRECTORS

The following table contains certain information (furnished by the individuals named) concerning each of the nominees, the executive officers named in the Summary Compensation Table and all executive officers and directors as a group.

Nominee/Executive Officers	Age	Principal Occupation	Shares of Stock Beneficially Owned on January 31, 1995			
			Director or Off. Since	Series A(1) Preferred	Percent of Class	Common Stock
James L. Clayton	61	Chairman and CEO, Clayton Homes, Inc.	1989			185,531(3) *
James D. Cockman	62	Chairman and CEO, Ocean Fresh Express International, Inc.	1988			10,814(4) *
Reginald D. Dickson	49	Chairman New Age Bank Corp. and President Emeritus, Inroads, Inc.	1993			11,716(5) *
John B. Holland	63	President and COO, Fruit of the Loom, Inc.	1988			108,052(6) *
Wallace N. Rasmussen	80	Retired Chairman of the Board, Beatrice Foods, Inc.	1990			17,768(7) *
Cal Turner	79	Chairman Emeritus of the Company	1955			1,433,557(8) 2.1
Cal Turner, Jr.	55	Chairman, President and Chief Executive Officer	1966	1,715,742(9)	100.0%	13,093,839(10) 19.5%(11)
David M. Wilds	54	Principal, Nelson Capital Corp.	1991			45,947(12) *
William S. Wire, II	63	Retired Chairman of Genesco, Inc.	1989			39,233(13) *

(1) Reflects the Series A Preferred Stock issued August 22, 1994.

(2) Unless otherwise noted in the following footnotes, the persons for whom information is provided had sole voting and investment power over the shares of Common Stock or Series A Preferred Stock shown as beneficially owned. Computations are based upon 67,186,39 shares of Common Stock and 1,715,742 shares of Series A Preferred Stock outstanding as of January 3, 1995. \* - denotes less than 1% of class.

(3) Includes options to acquire 56,021 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(4) Includes options to acquire 7,187 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(5) Includes options to acquire 7,560 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(6) Includes options to acquire 7,560 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(7) Includes options to acquire 7,187 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(8) Includes 1,433,527 shares for which Mr. Turner has sole voting and investment rights as trustee of trusts established for the benefit of his children.

(9) See Notes 1 and 2 on page 2. Cal Turner, Jr. is the son of Cal Turner.

(10) See Notes 1 and 2 on page 2.

(11) Percentage of class reflects Common Stock beneficially owned, including full conversion of the Series A Preferred Stock.

(12) Includes options to acquire 35,880 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(13) Includes options to acquire 35,880 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

SECURITY OWNERSHIP BY OFFICERS AND DIRECTORS (CONTINUED)

The following table contains certain information (furnished by the individuals named) concerning each of the nominees, the executive officers named in the Summary Compensation Table and all executive officers and directors as a group.

Nominee/Executive Officers	Age	Principal Occupation	Shares of Stock Beneficially Owned on January 31, 1995			
			Director or Off. Since	Series A(2) Preferred	Percent of Class	Common Stock
Bob Carpenter	47	Vice President and Chief Administrative Officer	1981			237,134(1) *
Mike Ennis	41	Vice President, Merchandising Operations	1988			114,398(2) *
C. Kent Garner	48	Vice President and Chief Financial Officer	1992			143,104(3) *
Leigh Stelmach	55	Executive Vice President, Operations	1989			126,215(4) *
All directors and executive officers as a group (20 persons)				1,715,742(5)	100.0%	16,804,765(6) 25.0%

(1) Includes options to acquire 88,652 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days. Also includes 116,821 shares for which Mr. Carpenter has shared voting and investment rights as a Co-Trustee of the Calister Turner, III 1994 Generation Skipping Trust.

(2) Includes options to acquire 31,640 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(3) Includes options to acquire 124,292 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(4) Includes options to acquire 43,358 shares of the Company's Common Stock which are currently exercisable or exercisable within 60 days.

(5) See Notes 1 and 2 on page 2.

(6) Includes 826,482 shares of the Company's Common Stock subject to option exercise which are currently exercisable or exercisable within 60 days and full conversion of the Series A Preferred Stock deemed to be beneficially held by Cal Turner, Jr.

## **PROPOSAL NO. 1: ELECTION OF DIRECTORS**

Directors are elected each year to hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified. The Company's bylaws provide for a minimum of three and a maximum of fifteen directors, the exact number to be set by the Board of Directors. The current Board of Directors consists of nine members, and at its March 1995 meeting the Board of Directors nominated those same nine individuals to stand for election at the 1995 Annual Meeting of Stockholders.

In the election of directors, pursuant to the Kentucky Business Corporation Act, each stockholder shall have the right to cast as many votes in the aggregate as he shall hold shares of Common Stock (or Series A Preferred Stock as adjusted for its voting rights) multiplied by the number of directors to be elected; and each stockholder may cast the whole number of votes for any one nominee or distribute such votes among two or more nominees. Unless contrary instructions are received, the enclosed proxy will be voted in favor of electing as directors the nominees listed below. Each nominee has consented to be a candidate and to serve, if elected. While the Board has no reason to believe that any nominee will be unable to accept nomination or election as a director, if such an event should occur, the proxies will be voted with discretionary authority for a substitute or substitutes as shall be designated by the current Board of Directors.

The following sets forth certain information concerning each of the nominees:

James L. Clayton has served for more than the past five years as Chief Executive Officer of Clayton Homes, Inc. Clayton Homes, Inc. produces, sells and finances manufactured homes. Mr. Clayton served as President of Clayton Homes, Inc. from 1956 through 1993. Mr. Clayton has served as Chairman of First Heritage Bank since 1992, is a director of ROC Communities, Inc., a manufactured homes company and Goody's Family Clothing, Inc.

James D. Cockman, Chairman and Chief Executive Officer of Ocean Fresh Express International, Inc., has served as an executive of the following divisions of Sara Lee Corporation: Chairman, Food Service (1989 to September, 1992); Chairman, President and Chief Executive Officer, PYA/Monarch, Inc. (1985 to 1989). Mr. Cockman is also a member of the boards of directors of Clayton Homes, Inc. and Ryan's Family Steak House, a family restaurant chain.

Reginald D. Dickson is Chairman of the New Age Bank Corp. and President Emeritus of Inroads, Inc., a non-profit organization supporting minority education. Mr. Dickson served as President and Chief Executive Officer of Inroads, Inc. from 1983 to 1993. He also serves as a director of First American Corporation, Nashville, Tennessee.

John B. Holland has served since 1992 as President and Chief Operating Officer of Fruit of the Loom, Inc., a manufacturer of underwear and other soft goods. Mr. Holland has served since 1975 as Chairman and Chief Executive Officer of Union Underwear Co., Inc., a subsidiary of Fruit of the Loom, Inc. Mr. Holland is a member of the board of directors of National City Bank Kentucky, a bank holding company, and Fruit of the Loom, Inc.

Wallace N. Rasmussen served as Chairman of the Board and Chief Executive Officer of Beatrice Foods, Inc. until his retirement in June, 1979, at which time he became a consultant to that corporation. He serves as a member of the board of directors of Shoney's, Inc., a family restaurant chain, and NationsBank - Tennessee, N.A.

Cal Turner, founder of the Company, served as Chairman of the Board from 1955 until December, 1988. He is currently a consultant to the Company. See "Transactions with Management and Others."

Cal Turner, Jr. joined the Company in 1965 and was elected President and Chief Executive Officer in 1977. Mr. Turner has served as Chairman of the Board since January, 1989. Mr. Turner is a member of the board of directors of First American Corporation, Nashville, Tennessee, Thomas Nelson, Inc., a publishing company, and Shoney's Inc.

David M. Wilds is a principal of Nelson Capital Corp. From 1990 to 1995, Mr. Wilds served as Chairman of the Board of Cumberland Health Systems, Inc., an owner and operator of psychiatric hospitals. From 1969 until 1990, Mr. Wilds was a partner with J. C. Bradford & Co., an investment banking company. Mr. Wilds is also a director of LDDS Communications, Inc.

William S. Wire, II served from 1986 until January 31, 1994 as Chairman of the Board of Genesco, Inc., a manufacturer, wholesaler and retailer of footwear and clothing. Mr. Wire served as Chief Executive Officer of Genesco, Inc. from April, 1986 to January 31, 1993. Mr. Wire serves as a director of First American Corporation, Nashville, Tennessee and Genesco, Inc.

**COMMITTEES OF THE BOARD.** The Company has a Corporate Governance and Compensation Committee ("CGC Committee") and an Audit Committee. The current members of the CGC Committee are Messrs. Wire (Chairman), Wilds and Rasmussen. The CGC Committee reviews and recommends policies and practices for the Corporation's corporate governance profile. The CGC Committee sets the total compensation of, and reports to the Board of Directors initial and proposed salary changes paid to all executive officers and any employee whose annual compensation exceeds that of the lowest paid executive officer. The CGC Committee reviews the compensation policies of the Company and compensation programs in which officers may participate. In addition, the CGC Committee develops general criteria concerning the qualifications and selection of Board members and officers, and recommends candidates for such positions to the Board of Directors. The CGC Committee will consider persons recommended by stockholders as potential nominees for directors, if the names of such persons are submitted in writing to the Chairman of the CGC Committee or the Secretary of the Company. These recommendations must be accompanied by a full statement of qualifications and an indication of the person's willingness to serve.

The CGC Committee also administers the Company's stock option plans, excluding the 1988 Outside Directors' Plan and the 1993 Outside Directors' Plan which are administered by Cal Turner and Cal Turner, Jr. At least annually, the CGC Committee specifically reviews the standards of performance of the President and Chief Executive Officer ("CEO") for compensation purposes. (See "Report of the Corporate Governance and Compensation Committee of the Board of Directors on Executive Compensation.") The CGC Committee met four times during fiscal 1995.

The Audit Committee is composed of Messrs. Holland (Chairman), Cockman, Clayton and Dickson. The functions of the Audit Committee include providing advice and assistance regarding accounting, auditing, corporate compliance and financial reporting practices of the Company. Each year it will recommend to the Board a firm of independent certified public accountants to serve as auditors. The Audit Committee will review with the auditors the scope and results of their annual audit, fees in connection with their audit and nonaudit services, and the independence of the Company's auditors. The Audit Committee met three times during fiscal 1995.

During fiscal 1995, the Board of Directors held five meetings. All directors attended more than 75% of the aggregate number of meetings of the Board and committees on which they serve.

**COMPENSATION OF DIRECTORS.** Directors receive a \$5,000 quarterly retainer, an additional \$1,250 for attending each regular meeting of the Board, and an additional \$1,250 for members attending each committee meeting. Committee Chairmen receive an additional \$250 per Committee meeting. Compensation for telephonic meetings is one-half the above rates. Board members who are officers of the Company do not receive any separate compensation for attending Board or committee meetings. In addition, the directors who are not employees of the Company are entitled to receive stock options pursuant to the terms of the Company's 1993 Outside Directors Stock Option Plan. Subject to stockholder approval, the non-employee directors shall be entitled to receive stock option grants pursuant to the 1995 Outside Directors Stock Option Plan. Each non-employee director is entitled to the nondiscretionary grants set forth therein. See Proposal No. 3 and Exhibit B attached hereto.

**DEFERRED COMPENSATION PLAN FOR DIRECTORS.** In December 1993, the Board of Directors unanimously approved a voluntary, nonqualified compensation plan for Director compensation. All outside Directors are eligible to participate in the plan. Under the plan, each Director may voluntarily defer receipt of all or a part of any fees normally paid by the Company to the Director. The fees eligible for deferral are defined as retainer, Board meeting fees and committee meeting fees. The compensation deferred is credited to a liability account which is increased quarterly at a minimum rate of 6% per year. The benefits will be paid, upon termination from the Board, as deferred compensation to the Director as follows: (a) upon attaining age 65 or any age thereafter as a lump sum of the accumulated account; (b) in the event of total disability, as a lump sum of the accumulated account; (c) in the event of death, as a lump sum of the accumulated account; or (d) in the event of voluntary termination, as a lump sum of the accumulated account.

## **REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION**

The three-member Corporate Governance and Compensation Committee of the Board of Directors ("Committee") prepared the following executive compensation report.

### **A. COMPENSATION PHILOSOPHY**

The Company has adopted the concept of pay-for-performance linking management compensation, Company performance and stockholder return. This strategy reflects the Company's desire to pay for results that are consistent with the key goals of the Company and the stockholders. The Committee and the Company believe that combining variable, direct and indirect pay components of its compensation program enables the Company to attract, retain and motivate results-oriented employees to achieve higher levels of performance.

#### **1. VARIABLE COMPENSATION PHILOSOPHY**

At nearly all levels of the Company, a significant portion of pay is variable, being contingent upon Company (or store) performance. The performance-based component, whether annual incentive or long-term incentive, is significant enough to serve as a strong incentive. Additionally, performance-based compensation through the granting of stock options to employees serves to increase employee ownership of the Company.

#### **2. DIRECT COMPENSATION PHILOSOPHY**

Though performance-based compensation is to be emphasized, base pay is competitive. The Company believes base pay should relate to the skills required to perform a job and to the value of each job performed relative to the market, industry, and strategic importance to the Company. This method of valuation allows the Company to respond to changes in its needs and changes in the labor market. Increases in base pay require a satisfactory or better level of performance as determined by the Committee.

#### **3. INDIRECT COMPENSATION PHILOSOPHY**

The Company's indirect-compensation programs protect its employees from extreme financial hardship in the event of a catastrophic illness or injury and provide limited income security for retirement years. Health, life and disability benefit programs should provide competitive levels of protection without jeopardizing the Company's position as a low-cost retailer. The Company manages health care costs aggressively and enlists employee assistance in cost management. Employees have various opportunities to share in health care cost-reductions and are encouraged to adopt healthy lifestyles.

The Company's retirement benefit plans should provide limited income security at retirement for the typical employee. The Employee Stock Ownership Plan reflects the Company's commitment to widespread stock ownership of the Company by employees at all levels of employment. Employees are also invited to share in ownership of the Company through participation in the Dollar General Stock Purchase Plan.

## B. EXECUTIVE OFFICER COMPENSATION

Under the supervision of the Committee, the Company has developed compensation policies and programs designed to provide competitive levels of compensation that integrate pay with the Company's annual and long-term performance goals. The Company is committed to creating an incentive for its employees to contribute to the overall results of the Company thereby encouraging a team approach toward accomplishment of corporate objectives and creating value for stockholders.

The executive officers' compensation for fiscal 1995 reflected the Company's increasing emphasis on tying pay to both short-term and long-term incentives. The short-term incentive is an annual cash bonus based on a percentage of the executive officer's salary. The long-term incentives are performance-based stock options. Incentive pay awarded to the CEO and the other officers named in the Summary Compensation Table in fiscal 1995 (or the "Named Executive Officers") was controlled by Company performance goals which are established annually. While the Committee's approach to base compensation is to offer competitive (although slightly lower- than-average) salaries to the CEO and the other Named Executive Officers in comparison with market practices, base salaries have become a relatively smaller element in the total executive officer compensation package as the Company's pay-for-performance component plays a more significant role. The fiscal 1995 average base salaries for the Named Executive Officers (not including the CEO) increased 12%. The increase in base salaries in fiscal 1995 was determined based upon recommendations made by the human resources department to the Committee, a review of peer group comparison data (using the peer group compensation survey published by Management Compensation Services) and the subjective analysis of the Committee after evaluating the recommendations, peer group data, the Company's overall performance and the respective individual performance criteria of the Named Executive Officers.

### 1. ANNUAL CASH BONUSES

The Company's annual cash bonuses paid to the executive officers make up the short-term incentive component of their fiscal 1995 cash compensation. The payment of annual cash bonuses is based on both objective and subjective criteria.

Objective criteria include actual earnings per share results versus target earnings per share results as established by the Committee at the end of the prior fiscal year. The Company uses earnings per share improvement for determining target goals for the executive officer's variable pay for primarily two reasons: First, it is a defined measure of total Company performance and second, it can be easily identified and reviewed by stockholders.

Under the cash bonus incentive program effective for cash bonuses paid in fiscal 1995, there were two earnings per share goals established by the Committee, both of which exceeded the prior year's performance. If the Company reached the first established or "target" goal, which was considered by the Committee to be challenging, then 50% of the total possible payout was awarded. If the Company reached the second or "stretch" goal, which was considered by the Committee to be extremely challenging, then the total possible payout was awarded.

In fiscal 1995, the Committee approved an enhancement to the existing program, which will be applicable for fiscal 1996, that establishes an additional earnings-per-share goal between the target goal and stretch goal and enhances the cash bonuses available for participants. Under the enhanced program, if the target goal is met, the executive officer will receive 25% of salary as a cash bonus. If the mid-level goal is met, the executive officer will receive 50% of fiscal 1996 salary as a cash bonus and, if the stretch goal is met, the executive officer will receive 75% of fiscal 1996 salary as a cash bonus. The enhanced program for the CEO differs. If the Company meets or exceeds its stretch earnings-per-share goal, the CEO's cash bonus will be equal to 100% of his salary.

Subjective performance criteria include the results of each executive officer's performance review pursuant to the Company's Performance Development Process ("PDP"). The Company's PDP is a comprehensive program that focuses on total performance improvement by concentrating on "Key Development Areas" ("KDA") and "Key Result Areas" ("KRA"). KDAs emphasize skill enhancement, leadership development, and career goal aspirations of employees. KRAs focus on the key results required to actively pursue the Company's mission. KDAs and KRAs are set annually for each management employee by the employee's supervisor, and the payment of an annual bonus is dependent upon each executive officer achieving his individual goals. That is, Company performance is not the sole criterion by which an executive officer's annual cash bonus payout is determined. Two factors determine whether an executive officer would receive an annual cash bonus: (1) the Company must achieve an established earnings-per-share improvement goal; AND (2) the individual must achieve a satisfactory performance evaluation based upon the above-described PDP factors. Therefore, full weight is given to each of these factors. For each executive officer, both Company and individual goals for fiscal 1995 were met or exceeded.

Because the Company exceeded its stretch earnings-per-share improvement goals for fiscal 1995, and because each executive officer achieved his previously-established subjective performance goals, the maximum cash bonus award was paid. This cash bonus component represents 30% of the total cash compensation paid to each executive officer.

## 2. EMPLOYEE STOCK INCENTIVE PLAN

The Company's 1989 Employee Stock Incentive Plan ("1989 Plan") and 1993 Employee Stock Incentive Plan ("1993 Plan") award non-qualified performance-based stock options to the executive officers, department directors and other personnel considered to be in key positions, as approved by the Compensation Committee.

In fiscal 1994, the Committee granted performance-based stock options under its "Stock Incentive" program with three annual vesting schedules (fiscal 1995, fiscal 1996 and fiscal 1997) based on corporate performance goals (as measured by earnings-per-share improvement) and individual performance goals (as measured by a comprehensive review process, the "PDP"). To further encourage outstanding performance, the Committee adopted a compensation program that ties stock option awards to target and stretch earnings-per-share goals. If the Committee-established target earnings per share goal is met and the individual performance goals are met, 67% of the total possible stock option benefit (based on stock options with a fair market value of approximately three times salary) will be earned. If the Committee-established stretch earnings-per-share goal is met and the individual performance goals are met, 100% of the total possible stock option benefit (based on stock options with a fair market value of approximately four and one-half times salary) will be earned. Except for certain stock options

granted to Mr. Garner, all stock options granted in fiscal years 1993, 1994 and 1995 to the officers identified in the summary compensation table were granted at market price.

In fiscal 1993, the Company hired Mr. Garner to take the position of Chief Financial Officer. His initial salary was deemed to be below-market for such a position; however, he was awarded stock options at an exercise price below the then current market price (as provided for in the 1989 and 1993 Plan). The value of the below-market portion of the options granted to Mr. Garner is presented in the summary compensation table in the "Other Annual Compensation" column.

In fiscal 1995, the Committee approved an enhancement to the existing stock option program that establishes incremental earnings-per-share goals between the target goal and stretch goal. Under the enhanced program, if the target goal is exceeded but the stretch goal is not met, then a payout greater than 50% of the total possible payout but less than 100% of the total possible payout is awarded. The percentage payout above 50% of the total possible payout increases commensurately with the rate at which the target goal is exceeded up to the total possible payout that is tied to the Committee-established stretch goal.

In determining the number of the shares subject to stock options granted to the employees eligible to participate in the Plan, the Committee takes into account the respective scope of accountability, the strategic and operational responsibilities of such employees, as well as the salary levels of such employees.

Compensation data from the Management Compensation Services compensation survey reveals that annual stock grants (calculated as grant price times the number of shares granted) are typically expressed as a multiple of salary. For the CEO, annual grant amounts fall within a range of one to three times the CEO's annual salary, and executive officer's grant amounts fall within a range of one-half to one and one-half times the executive officer's salary. Because the Committee has decided to place greater emphasis on the performance-based component of compensation, it pays lower-than-average salaries for the CEO and executive officers but sets incentive compensation multiples at or above the high end of the peer group survey ranges for these positions. Specifically, the Committee has established an incentive compensation multiple of approximately three to four and one-half times salary for determining annual stock option grants for the CEO and the other executive officers. These options are valued by multiplying the option exercise price (fair market value at the time of grant) by the number of shares granted.

In addition, in fiscal 1995 the Committee established a stock- option program called the "Stock Plus" program. This program, which is composed of option grants under the 1989 Plan and the 1993 Plan, awards additional stock options to executive officers who maintain a level of Company-stock ownership (determined by the fair market value as set by the New York Stock Exchange trading price at the close of business on April 1) equal to at least two and one-half times their salary. The CEO is required to maintain ownership of four times his salary to be eligible to participate in this program. Each executive officer earns additional options for the purchase of Common Stock equal to 25% of the annual number of options for the purchase of Common Stock earned by the executive officer through the Stock Incentive program if he maintains his required ownership level from May 1 to April 30 of the vesting year. Because the stock options available under the Stock Plus program are based on the number of Stock Incentive program options that vest in a given year, if the Company fails to meet any of its earnings-per-share goals or the executive officer fails to meet his individual performance goals, the Stock Plus stock options will not be awarded even if the executive officer has maintained his required level of Company-stock

ownership. That is, the Stock Plus program rewards the CEO and the Named Executive Officers with a premium of 25% of the number of options for the purchase of Common Stock shares that vest under the provisions of the Stock Incentive program if he maintains the required level of Company stock.

Because (1) the Company exceeded its stretch earnings-per-share improvement goals for fiscal 1995, (2) each named executive officer achieved his previously-established subjective performance goals and (3) each Named Executive Officer met the ownership requirements to be eligible for the Stock Plus program grants, the maximum number of options which could vest in fiscal 1995 became fully vested. These grants do not provide for the power to accelerate vesting by the Committee based upon the achievement of only one of the two vesting criteria--each must be met or the options designated for that year are canceled.

### C. CHIEF EXECUTIVE OFFICER COMPENSATION

As with the other executive officers, the CEO's compensation reflects the Company's increasing emphasis on tying compensation to both short-term and long-term performance goals. When determining the CEO's salary, the Committee considers the CEO's prior year performance and expected future contributions to the Company as well as peer-industry survey results published annually. As compared to the industry comparison group, the CEO's salary was 6% less than the group median. The 19% increase in the CEO's salary in 1995 was a result of the Committee's decision to reward him for his leadership and the Company's outstanding performance as measured by, but not limited to, such factors as earnings-per-share improvement, sales and profit increases and expense reduction. The CEO's salary increase is also a result of the Committee's effort to bring his salary closer to the industry average which, prior to the increase, was 22% below the comparison year peer-industry average.

The Committee, believing that the CEO should have some compensation at risk in order to encourage performance that maximizes stockholder return, has created a significant opportunity for additional compensation through performance-based incentives. The performance-based compensation for which the CEO is eligible takes the form of both short-term and long-term incentives. Like the other executive officers, the CEO is eligible for a cash bonus--

--the short-term incentive--based on the attainment of individual goals and earnings-per-share improvement goals. In fiscal 1995, this incentive linked 30% of the CEO's total cash compensation to performance. Also like the other executive officers, the CEO is eligible for non-qualified performance-based stock options--the long-term incentive--awarded upon the attainment of Committee-established earnings-per-share improvement goals, individual performance goals and, for "Stock Plus" program eligibility, certain ownership level requirements.

The Committee believes that in order to maximize the CEO's performance, a substantial portion of the CEO's compensation should be tied directly to overall Company performance. Consistent with this philosophy, the Committee has established a slightly lower-than-average salary for the CEO (as compared to CEOs of the peer-group compensation survey participants) while emphasizing the pay-for-performance components of the CEO's total compensation package. When considering the CEO's pay-for-performance component of his compensation package, the Committee took into consideration prior pay-for-performance awards. The Committee determined that based on the CEO's individual performance and the performance of the Company, it was important to continue its incentive compensation program in a manner that is competitive in the industry and that continues to motivate and reward outstanding performance. In fact, in fiscal 1995, upon reviewing the CEO's fiscal 1994 performance, and the CEO's compensation package including past stock option grants, the Committee decided to grant him additional stock options under the Stock Incentive program as a reward for past outstanding performance and as an incentive for future outstanding performance. Like all Stock Incentive program grants, vesting is

contingent upon both the Company's achievement of earnings-per-share goals and the CEO's achievement of individual performance goals. This additional grant is set forth in the stock option grant table in the "number of options granted" column.

The CEO's short-term incentive compensation program effective for performance of fiscal 1994 and paid in fiscal 1995 rewarded the CEO with a cash bonus of 50% of his annual salary. To be eligible for this cash bonus award, the CEO was required to achieve personal performance goals established by the Committee, and the Company had to meet its stretch earnings-per-share goal.

The CEO's long-term incentive compensation program effective for fiscal 1995 rewards the CEO with stock option grants up to approximately three to four and one-half times his annual salary. If the Committee-established "target" earnings-per-share goals are met and the CEO meets his individual performance goals, he will earn 67% of the total possible payout (based on three times his annual salary). If both individual and "stretch" earnings per share goals are met, then the CEO will earn 100% of the total possible stock option benefit (based on four and one-half times his annual salary).

In fiscal 1995, the Committee enhanced both its short-term incentive program (cash bonus) and long-term incentive program (stock option grants). Under the Company's enhanced cash bonus program, the Committee added a "mid-level" earnings-per-share goal between the target goal and stretch goal and increased the CEO's total possible cash-bonus incentive to 100% of his salary. To be eligible for this cash bonus award, the CEO must achieve personal performance goals established by the Committee, and the Company must meet at least one of its earnings-per-share goals. If the CEO meets his individual performance goals and the Company meets its Committee-established "target" goal, the CEO will receive a cash bonus equal to 25% of his annual salary. If the CEO's individual goals and the Committee-established "mid-level" earnings-per-share goal is met, then the CEO will receive a cash bonus equal to 50% of his annual salary. If the CEO's individual goals are met and the Committee-established "stretch" earnings-per-share goal is met, then the CEO will receive a cash bonus equal to 100% of his annual salary.

The Committee's enhancement to the existing Stock Incentive program establishes incremental earnings-per-share goals between the target earnings-per-share goal and stretch earnings-per-share goal. Under the enhanced program, if the target goal is exceeded but the stretch goal is not met, then a payout greater than 50% of the total possible payout but less than 100% of the total possible payout is awarded. The percentage payout above 50% of the total possible payout increases commensurately with the rate at which the target goal is exceeded up to the total possible payout that is tied to the Committee-established stretch goal.

The CEO is also eligible to participate in the Company's Stock Plus program. This program, which is composed of option grants under the 1989 Plan and the 1993 Plan, rewards the CEO with additional stock options if he maintains a level of Company-stock ownership equal to at least four times his salary. The CEO earns additional options for the purchase of Common Stock equal to 25% of the maximum number of options for the purchase of Common Stock that he earns through the Stock Incentive program if he maintains his required ownership level from May 1 to April 30 of the vesting year. Because the stock options available under the Stock Plus program are based on the number of Stock Incentive program options that vest in a given year, if the Company fails to meet any of its earnings per share goals or the executive officer fails to meet his individual performance goals, the Stock Plus stock options will not be rewarded even if the executive officer has maintained his required level of Company-stock ownership. That is, the Stock Plus program rewards the CEO with a premium of 25% of the shares that vest under the provisions of the Stock Incentive program if he maintains the required level of Company stock.

For fiscal 1995, the Company exceeded its established performance goals with a 26.6% increase in total store sales, a 13.5% increase in same-store sales and a 47.9% increase in earnings per share. Because the Company exceeded the Committee-established "stretch" earnings-per-share improvement goals, the CEO achieved previously-established subjective performance goals, and the CEO met the share ownership requirement, he received the maximum amount of the available variable component.

#### D. DEDUCTIBILITY

The Committee continues to analyze the potential impact of the \$1,000,000 limit on the deductibility of executive compensation for federal income tax purposes enacted as part of the 1993 Omnibus Budget Reconciliation Act ("OBRA"). Under the regulations proposed by the Department of the Treasury, particularly the transition rules, compensation pursuant to the Company's stock plans should qualify as "performance-based" and, therefore, excluded from the \$1,000,000 limit. The Board has proposed certain per-participant limitations on grants pursuant to the proposed 1995 Employee Stock Incentive Plan (see Proposal No. 2) so that awards of stock options should be considered "performance based" following expiration of the transition rules.

Other forms of compensation provided by the Company to its executives, however, are not excluded from such limit. Because the Company does not believe it is in any immediate danger of losing any deductions, no definitive determinations have been made by the Committee as to whether it will approve any compensation arrangements that will cause the \$1,000,000 limit to be exceeded in the future.

William S. Wire, II - Committee Chairman  
Wallace N. Rasmussen  
David M. Wilds

## COMMON STOCK PERFORMANCE

As a part of the executive compensation information presented in this Proxy Statement, the Securities and Exchange Commission requires the Company to prepare a performance graph that compares its cumulative total shareholders' return during the previous five years with a performance indicator of the overall stock market and the Company's peer group. For the overall stock market performance indicator, the Company has chosen to use the S&P Midcap 400 index. For the peer group, the Company has chosen to use the publicly-held participants of the compensation survey published by Management Compensation Services used by the Committee when reviewing and establishing the Company's executive compensation policies.

	1/90	1/91	1/92	1/93	1/94	1/95	
Dollar General Corporation	100	122	308	467	715	1066	
Peer Group (see Note 1)	100	112	193	244	231	198	
S & P Midcap 400	100	108	158	176	203	193	

## EXECUTIVE COMPENSATION

The following table provides information as to annual, long-term or other compensation during fiscal 1995, 1994 and 1993 for the Company's Chief Executive Officer and the persons who, at the end of fiscal 1995, were the other four most highly-compensated executive officers of the Company (collectively the "Named Executive Officers"). The Company awarded no SARs in fiscal 1995, and no Named Executive Officer holds any SARs. (Please see table notes on following page.)

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards			All Other
		Salary (\$)	Bonus (\$)	Other Annual Comp. (\$)	Re-stricted Stock Awards (\$)	Sec. Under-lying Options	LTIP Pay	
Cal Turner, Jr., Chairman, President and Chief Executive Officer	1995	474,220	200,000	10,034		312,741		59,420
	1994	400,000	177,500	10,599		357,420		92,509
	1993	355,000	177,500	12,133		-0-		86,838
Bob Carpenter, Chief Administrative Officer, Corporate Secretary and Chief Counsel	1995	147,083	70,000	8,773		41,317		6,000
	1994	140,000	62,500	8,625		165,466		14,903
	1993	125,000	62,500	6,677		-0-		11,650
Mike Ennis, Vice President Merchandising Operations	1995	139,379	62,500	2,636		30,153		6,000
	1994	125,000	44,800	2,636		120,623		15,148
	1993	112,000	44,800	1,146		-0-		9,830
C. Kent Garner, Chief Financial Officer	1995	166,720	80,000	830,942		41,317		6,000
	1994	155,274	-0-	294,834		165,466		1,179
	1993	9,952	-0-	1,027		170,897		-0-
Leigh Stelmach, Executive Vice President Operations	1995	212,832	87,500	8,851		41,317		6,000
	1994	175,000	75,000	8,851		165,466		8,254
	1993	150,000	75,000	3,858		-0-		8,010

## **NOTES TO SUMMARY COMPENSATION TABLE:**

**OTHER ANNUAL COMPENSATION** - The amounts reported in this column reflect gross-ups for tax reimbursements. The 1995 amount reported for Mr. Garner includes \$825,315 representing the above-market value of stock options paid or payable to him during this period (see Corporate Governance and Executive Compensation Committee Report for a discussion of Mr. Garner's stock option grants) and a \$5,727 gross-up for tax reimbursement. The 1994 amount reported for Mr. Garner includes \$228,825 representing the above-market value of stock options paid or payable to him during this period (see Corporate Governance and Executive Compensation Committee Report for a discussion of Mr. Garner's stock option grants), a \$5,727 gross-up for tax reimbursement, the forgiveness of a \$56,600 relocation loan, and \$3,782 in other perquisites. The 1993 amount reported for Mr. Garner reflects the forgiveness of a \$1,027 moving-expenses loan.

**SECURITIES UNDERLYING OPTIONS** - The Stock Incentive Program options granted in fiscal 1994 and 1995 are to vest in three increments upon the attainment of individual and Company performance (earnings-per-share improvement) goals established for fiscal years 1995, 1996 and 1997. The Stock Plus program options granted in fiscal 1995 are to vest in fiscal 1996 upon the holder s maintaining the required stock ownership level, the holder s attaining individual perform fully vested.

**RESTRICTED STOCK AWARDS** - The Company granted no restricted stock awards in fiscal 1995, fiscal 1994 or fiscal 1993. No executive officer holds any restricted stock awards.

### **LTIP PAYOUTS - None paid.**

**ALL OTHER COMPENSATION** - Includes \$5,250 contributed to each executive officer's retirement account in fiscal 1995, \$8,254 contributed to each executive officer's retirement account in fiscal 1994 and \$8,010 contributed to each executive officer's retirement account in fiscal 1993 (with the exception of Mr. Garner who was ineligible because of length of service to receive a contribution in fiscal 1994 or fiscal 1993). Includes the Company's contribution to each executive officer's Employee Stock Ownership Plan (ESOP) account for the following fiscal years: Mr. Turner: 1995 - \$750, 1994 - \$8,965, 1993 - \$3,836; Mr. Carpenter: 1995 - \$750, 1994 - \$6,649, 1993 - \$3,640; Mr. Ennis: 1995 - \$750, 1994 - \$6,894, 1993 - \$1,820; Mr. Garner: 1995 - \$750, 1994 - \$1,179, 1993 - \$-0-; Mr. Stelmach: 1995 - \$750, 1994 - \$6,867, 1993 - \$3,897. Includes for Mr. Turner the following amounts paid as premiums on a split-dollar life insurance policy: 1995 - \$53,420, 1994 - \$75,290 and 1993, \$75,290.

OPTIONS GRANTED IN LAST FISCAL YEAR

The following table provides information as to options granted to the Named Executive Officers during fiscal 1995. The Company granted no SARs in fiscal 1995.

Name	No. of Options Granted to Employees in Fiscal Year 1995	Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term(1)	Potential Realizable Value		
					5%(\$)	10%(\$)	
Cal Turner, Jr.	312,741	40.24%	\$19.28	4/11/04	<	\$3,792,012	\$9,609,704
Bob Carpenter	41,317	2.67%	\$19.04	3/21/04		\$ 494,736	\$1,253,758
Mike Ennis	30,153	1.95%	\$19.04	3/21/04		\$ 361,057	\$ 914,988
C. Kent Garner	41,317	2.67%	\$19.04	3/21/04		\$ 494,736	\$1,253,758
Leigh	41,317	2.67%	\$19.04	3/21/04		\$ 494,736	\$1,253,758

(1) Based on actual option term and annual compounding.

(2) Grants for executive officers and stock grants based on personal performance goals, corporate performance goals, and personal ownership. In addition, Cal Turner, Jr. received additional performance-based stock options. Of the 312,741 shares granted, 178,709, although tied to performance are not tied to personal ownership. See Corporate Governance and Compensation Committee report for discussion of these grants.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND AND YEAR-END OPTION VALUES

The following table provides information as to options exercised or held by the Named Executive Officers during fiscal 1995.

Name	Shares Acquired on Exercise(#)	Value Realized(\$)*	Number of Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End(\$)	
			Exercis.	Unexercis.	Exercis.	Unexercis.*
Cal Turner, Jr.	353,061	\$6,978,355	-0-	670,161	-0-	\$3,793,829
Bob Carpenter	135,333	\$2,470,254	45,293	206,783	\$911,852	\$1,396,840
Mike Ennis	82,022	\$1,433,743	-0-	150,776	-0-	\$1,018,409
C. Kent Garner	89,963	\$1,099,080	80,934	206,783	\$1,202,938	\$1,396,840
Leigh Stelmach	164,043	\$2,782,480	-0-	206,783	-0-	\$1,396,840

\*Market value of underlying securities at exercise or year-end, minus the exercise price.

## EMPLOYEE RETIREMENT PLAN

The Company has a non-contributory defined contribution plan which covers substantially all employees, including the Named Executive Officers. The plan provides retirement, disability, termination and death benefits. Each year, as of December 31, the Company contributes for the benefit of each eligible participating employee 3-1/2% of calendar year gross wages to such participant's retirement account under the plan. At least once each year, each participating employee's retirement account is adjusted to reflect investment gains or losses.

A participating employee will be paid the full value of his account if the employee retires at the normal retirement age of 65, dies while an active member of the plan, or becomes totally and permanently disabled. If a participating employee leaves the Company for reasons other than retirement, death or disability, the employee will be entitled to the full value of his vested pension account. The employee's right to all or part of the value of his retirement account will depend on his years of service with the Company as provided in the following chart:

Years of Credited Service	Non-forfeitable Percentage
Less than 4	0%
4	40%
5 or more	100%

As of January 31, 1995, Messrs. Cal Turner, Jr., Bob Carpenter, Mike Ennis, C. Kent Garner and Leigh Stelmach had 29, 14, 7, 2 and 5 years of credited service, respectively. The estimated present value of benefits under the plan as of January 31, 1995 was \$222,250 for Cal Turner, Jr., \$77,939 for Bob Carpenter, \$42,713 for Mike Ennis, \$13,399 for C. Kent Garner and \$35,762 for Leigh Stelmach. Upon retirement, each participant has the option of taking a lump sum or an average annual payment over a ten-year period.

## OTHER EXECUTIVE BENEFIT PLANS

Since 1988, the Company has provided the Master Retirement Plan for Select Key Employees a salary continuation plan (the "Select Retirement Plan"), for eligible employees which will continue to operate in fiscal 1996. The Select Retirement Plan generally provides for an annual retirement benefit of 100% of the employee's salary on the date of entry into the plan with adjustments based on certain subsequent salary increases. The retirement benefit for each eligible participant, which cannot exceed an amount greater than the cash value of the life insurance policy for such participant, is payable over 10 years commencing at age 65. The Select Retirement Plan also provides that in the event an employee dies while in the employ of the Company after entering the Select Retirement Plan but before retirement, his beneficiaries will receive 50% of such employee's salary annually, for a period of 10 years. The Named Executive Officers are eligible to participate in the Select Retirement Plan, which is funded by life insurance purchased by the Company and payable to the Company on the life of the employee. Participants in the Select Retirement Plan are vested only upon reaching retirement age or, if retirement occurs prior to age 65, the Compensation Committee may decide in its sole discretion whether to pay benefits under the plan equal to a value no greater than the cash value of the life insurance policy for such person. Directors of the Company who are not also executive officers or employees do not participate in the Select Retirement Plan. If the annual salary levels reported in the Summary Compensation Table

for the Named Executive Officers were applicable at retirement, the estimated annual benefits payable over a ten-year period for Messrs. Cal Turner, Jr., Bob Carpenter, Mike Ennis, C. Kent Garner and Leigh Stelmach are \$474,220, \$147,082, \$139,379, \$166,720, and \$212,832, respectively.

## **TRANSACTIONS WITH MANAGEMENT AND OTHERS**

Cal Turner, Chairman Emeritus, is engaged as a consultant to the Company and receives annual compensation of \$60,000. This amount is for consulting services unrelated to Mr. Turner's service as a member of the Company's Board of Directors.

On August 22, 1994, the Company announced the issuance of 1,715,742 shares of a newly authorized series of convertible junior preferred stock, as approved by the Board of Directors. The shares of Series A Convertible Junior Preferred Stock (the "Series A Preferred Stock") were issued in exchange for the 8,578,710 (10,723,387 split adjusted) shares of Dollar General Common Stock, owned by C.T.S., Inc., a personal holding company controlled by members of the Turner family (founders of the Company). The exchange, negotiated and recommended by a special committee of independent directors of the Company's Board of Directors, came in response to a request from C.T.S., Inc. to consider a transaction to meet certain estate planning needs of the Turner family. In connection with the exchange, the Board of Directors obtained an opinion from its financial advisor that the exchange was fair, from a financial point of view, to the stockholders of the Company.

The Articles of Amendment to the Restated Articles of Incorporation setting forth the terms, rights and conditions of the Series A Preferred Stock were approved by the Board of Directors. The Series A Preferred Stock was designated from the undesignated preferred stock previously authorized by the Company's stockholders. The transaction was effected through an Exchange Agreement dated August 22, 1994 by and among the Company, Dolgencorp, Inc., a wholly-owned subsidiary of the Company, C.T.S., Inc. and the shareholders of C.T.S., Inc. On August 22, 1994, the Company filed with the Securities and Exchange Commission a Current Report on Form 8-K detailing this exchange transaction and including copies of the Exchange Agreement, the Articles of Amendment to the Restated Articles of Incorporation and Registration Rights Agreement which contain the terms and conditions of the exchange, the rights and preferences of the Series A Preferred Stock and certain limited registration rights for the underlying Common Stock for the benefit of the beneficiaries of the Turner Children Trust.

John B. Holland, a director, is President and Chief Operating Officer of Fruit of the Loom, Inc., a manufacturer of underwear and other soft goods. In fiscal 1995, the Company purchased approximately \$28,500,000 in goods from Fruit of the Loom, Inc.

During 1986, the Company moved certain of its executive personnel to Nashville, Tennessee. In connection with such relocation, the Company agreed to make a loan to Cal Turner, Jr. to assist in the purchase of a new home. The loan is in the form of a junior mortgage secured by the real property and home. The mortgage will be fully paid upon a 15-year amortization of the loan. The borrower is liable for the unpaid balance of the mortgage at all times. The Company will forgive a portion of the amortized principal and interest annually, and such amount will be included as income to the borrower. The Company's agreement to periodically forgive mortgage amounts will terminate if the borrower leaves the Company. In the opinion of management, the loan was made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and

does not involve more than the normal risk of collectability or present other unfavorable features. The outstanding loan carries an annual interest rate of 9.0% and the amount forgiven by the Company last year was \$30,100.50. On January 31, 1995, the current balance of this junior mortgage was \$84,933.00. The largest aggregate amount of indebtedness outstanding at any time during fiscal 1995 was \$93,933.00.

## **PROPOSAL NO. 2: APPROVAL OF THE 1995 EMPLOYEE STOCK INCENTIVE PLAN**

The Board believes that a key element of officer and key employee compensation is stock-based incentive compensation. Such compensation advances the interests of the Company by encouraging, and providing for, the acquisition of equity interests in the Company by officers and key employees, thereby providing substantial motivation for superior performance. In order to provide the Board with greater flexibility, to adapt to changing economic and competitive conditions, and to implement stock-based compensation strategies which will attract and retain those employees who are important to the long term success of the Company, the Board, at its March, 1995 meeting, adopted, subject to stockholder approval, the 1995 Employee Stock Incentive Plan (the "1995 Employee Plan"). If approved by the stockholders, the 1995 Employee Plan will become effective as of March 27, 1995 and will terminate ten years after that date. The full text of the 1995 Employee Plan is reproduced and attached to this proxy statement as Exhibit A.

The 1995 Employee Plan authorizes the issuance of up to 2,900,000 shares of the Company's Common Stock, subject to adjustment for events affecting all of the outstanding Common Stock. The 1995 Employee Plan shall be administered by the Company's Corporate Governance and Compensation Committee (the "Committee") and all grants made are at the discretion of the Committee.

The 1995 Employee Plan is proposed because of the limited number of shares remaining available for grant under the 1989 and 1993 Plans. Assuming full vesting of the maximum number of shares granted under the 1989 and 1993 Plans, essentially all shares authorized under the 1989 and 1993 Plans shall be allocated. The 1995 Employee Plan will allow the Committee the flexibility to continue the Company's stock-based compensation strategy to incent those employees who are important to the long term success of the Company.

Awards under the 1995 Employee Plan may be made to officers and key employees of the Company, its subsidiaries and affiliates (currently approximately 245 persons), but may not be granted to any director who is a member of the Committee (as defined in the 1995 Employee Plan) or to any other director unless the director is also a regular employee of the Company, its subsidiaries or affiliates. The 1995 Employee Plan imposes no limit on the number of officers and other key employees to whom awards may be made.

The 1995 Employee Plan does limit the number of shares that may be granted to any one person in a single fiscal year to options for the purchase of 500,000 shares. Under OBRA, compensation expense with respect to stock options, stock appreciation rights and other stock-based awards having an exercise price that is greater than or equal to the fair market value of the underlying stock at the time of grant are exempt from the \$1,000,000 limitation on deductibility if, among other things, the options or stock appreciation rights are granted pursuant to a plan approved by stockholders which contains a per person limit on the number of shares underlying stock-based award which may be granted during a specific period to a particular executive. This limitation to the plan is anticipated to make stock-based compensation to Named Executive Officers not subject to the limitations of OBRA.

The Committee will have the authority to grant the following type of awards under the 1995 Employee Plan: (1) Stock Options; (2) Stock Appreciation Rights; (3) Restricted Stock and (4) Other Stock-Based Awards.

1. **Stock Options.** Incentive stock options ("ISOs") and non-qualified stock options may be granted for such number of shares as the Committee will determine and may be granted alone, in conjunction with, or in tandem with, other awards under the 1995 Employee Plan, but subject to the per person limitation on awards.

A stock option will be exercisable at such times and subject to such terms and conditions as the Committee will determine and over a term to be determined by the Committee, which term will be no more than ten years after the date of grant, or no more than five years in the case of an ISO awarded to certain 10% shareholders. The option price for any ISO will not be less than 100% (110% in the case of certain 10% shareholders) of the fair market value of the Company's Common Stock as of the date of grant and for any non-qualified stock option, will be not less than 50% of the fair market value as of the date of grant. Payment of the option price may be in cash, or, in the case of a non-qualified stock option, as determined by the Committee, in shares of Company Common Stock having a fair market value equal to the option price.

Upon termination of an optionholder's employment for cause, such employee's stock options will terminate. If an optionholder's employment is involuntarily terminated without cause, stock options will be exercisable for three months following termination or until the end of the option period, whichever is shorter. Upon the disability of an employee, stock options will be exercisable within the lesser of the remainder of the option period or, in the case of a non-qualified stock option, three years and, in the case of an ISO, one year from the date of disability. Upon the retirement of an employee, stock options will be exercisable within the lesser of the remainder of the option period or, in the case of a non-qualified stock option, three years and, in the case of an ISO, three months from the date of retirement. Upon the retirement of an employee, stock options will be exercisable within the lesser of the remainder of the option period or, in the case of a non-

qualified stock option, three years and, in the case of an ISO, three months from the date of retirement. Upon the death of an employee, stock options will be exercisable by the deceased employee's representative within the lesser of the remainder of the option period or one year from the date of the employee's death. Unless otherwise determined by the Committee, only options which are exercisable on the date of termination, death, disability, or retirement may be subsequently exercised.

2. **Stock Appreciation Rights.** Stock appreciation rights ("SARs") may be granted alone or in conjunction with all or part of a stock option. Once a SAR has been exercised, the related portion of the stock option, if any, underlying the SAR will terminate. Upon the exercise of an SAR, the Committee will pay to the employee in cash, Company Common Stock or a combination thereof (the method of payment to be at the discretion of the Committee), an amount of money equal to the excess between the fair market value of the stock on the exercise date and the SAR exercise price, multiplied by the number of SARs being exercised. An SAR granted in tandem with all or part of a stock option will be exercisable only when the underlying option is exercisable, subject to any conditions specified by the Committee at the time of grant.

3. **Restricted Stock.** Restricted stock may be granted alone, in conjunction with, or in tandem with, other awards under the 1995 Employee Plan and may be conditioned upon the attainment of specific performance goals or such other factors as the Committee may determine. Upon the termination of the

employee's employment for any reason during the restriction period, all restricted stock either will vest or be subject to forfeiture, in accordance with the terms and conditions of the initial award. During the restriction period, the employee will have the right to vote the restricted stock and to receive any cash dividends. At the time of award, the Committee may require the deferral and reinvestment of any cash dividends in the form of additional shares of restricted stock. Stock dividends will be treated as additional shares of restricted stock and will be subject to the same terms and conditions as the initial grant.

4. Other Stock-Based Awards. The Committee may also grant other types of awards that are valued, in whole or in part, by reference to or otherwise based on the Company's Common Stock. These awards may be granted alone, in addition to, or in tandem with, stock options, SARs and restricted stock. Such awards will be made upon terms and conditions as the Committee may in its discretion provide.

Federal Income Tax Aspects of the 1995 Employee Plan. The following is a brief summary of the federal income tax aspects of awards made under the 1995 Employee Plan based upon the federal income tax laws in effect on the date hereof. This summary is not intended to be exhaustive, and does not describe state or local tax consequences.

1. Incentive Stock Options. No taxable income is realized by the participant upon the grant or exercise of an ISO. If Common Stock is issued to a participant pursuant to the exercise of an ISO, and if no disqualifying disposition of the shares is made by the participant within two years of the date of grant or within one year after the transfer of the shares to the participant, then: (a) upon the sale of the shares, any amount realized in excess of the option price will be taxed to the participant as a long-term capital gain, and any loss sustained will be a capital loss, and (b) no deduction will be allowed to the Company for federal income tax purposes. The exercise of an ISO will give rise to an item of tax preference that may result in an alternative minimum tax liability for the participant unless the participant makes a disqualifying disposition of the shares received upon exercise.

If Common Stock acquired upon the exercise of an ISO is disposed of prior to the expiration of the holding periods described above, then generally: (a) the participant will realize ordinary income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the shares at exercise (or, if less, the amount realized on the disposition of the shares) over the option price paid for such shares, and (b) the Company will be entitled to deduct any such recognized amount. Any further gain or loss realized by the participant will be taxed as short-term or long-term capital gain or loss, as the case may be, and will not result in any deduction by the Company.

Subject to certain exceptions for disability or death, if an ISO is exercised more than three months following the termination of the participant's employment, the option will generally be taxed as a non-qualified stock option.

2. Non-Qualified Stock Options. Except as noted below, with respect to non-qualified stock options: (a) no income is realized by the participant at the time the option is granted; (b) generally upon exercise of the option, the participant realizes ordinary income in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares on the date of exercise and the Company will be entitled to a tax deduction in the same amount; and (c) at disposition, any appreciation (or

depreciation) after the date of exercise is treated either as short-term or long-term capital gain or loss, depending upon the length of time that the participant has held the shares. See "Restricted Stock" for tax rules applicable where the spread value of an option is settled in an award of restricted stock.

3. Stock Appreciation Rights. No income will be realized by a participant in connection with the grant of an SAR. When the SAR is exercised, the participant will generally be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash and the fair market value of any shares received. The Company will be entitled to a deduction at the time and in the amount included in the participant's income by reason of the exercise. If the participant receives Common Stock upon exercise of a SAR, the post-exercise appreciation or depreciation will be treated in the same manner discussed above under "Non- Qualified Stock Options."

4. Restricted Stock. A participant receiving restricted stock generally will recognize ordinary income in the amount of the fair market value of the restricted stock at the time the stock is no longer subject to forfeiture, less the consideration paid for the stock. However, a participant may elect, under Section 83(b) of the Code within 30 days of the grant of the stock, to recognize taxable ordinary income on the date of grant equal to the excess of the fair market value of the shares of restricted stock (determined without regard to the restrictions) over the purchase price of the restricted stock. Thereafter, if the shares are forfeited, the participant will be entitled to a deduction, refund, or loss, for tax purposes only, in an amount equal to the purchase price of the forfeited shares regardless of whether he made a Section 83(b) election. With respect to the sale of shares after the forfeiture period has expired, the holding period to determine whether the participant has long-term or short-term capital gain or loss generally begins when the restriction period expires and the tax basis for such shares will generally be based on the fair market value of such shares on such date. However, if the participant makes an election under Section 83(b), the holding period will commence on the date of grant, the tax basis will be equal to the fair market value of shares on such date (determined without regard to restrictions), and the Company generally will be entitled to a deduction equal to the amount that is taxable as ordinary income to the participant in the year that such income is taxable.

5. Dividends and Dividend Equivalents. Dividends paid on restricted stock generally will be treated as compensation that is taxable as ordinary income to the participant, and will be deductible by the Company. If, however, the participant makes a Section 83(b) election, the dividends will be taxable as ordinary income to the participant but will not be deductible by the Company.

6. Other Stock-Based Awards. The federal income tax treatment of other stock-based awards will depend on the nature of any such award and the restrictions applicable to such award. Such an award may, depending on the conditions applicable to the award, be taxable as an option, an award of restricted stock, or in a manner not described herein.

Section 162(m) Provisions. OBRA, passed by Congress in 1993, imposes a limitation, included as Section 162(m) of the Code, on the deductibility of certain compensation paid to the chief executive officer and certain other executive officers of publicly traded companies. Compensation paid to these officers in excess of \$1,000,000 cannot be claimed as a tax deduction by such companies unless such compensation qualifies for an exemption as performance-based compensation under Section 162(m) of the Code. It is anticipated that

compensation in respect of stock options and SARs granted under the 1995 Employee Plan will qualify for an exemption as performance-based compensation under Section 162(m) of the Code, if the exercise price per share for such options and SARs is at least equal to the fair market value per share of the Common Stock on the date of grant. Other awards (if any) granted under the 1995 Employee Plan are not expected to qualify for an exemption as performance-based compensation.

Other Provisions of the 1995 Employee Plan. Options and other rights that may be granted under the 1995 Employee Plan will vest and become immediately exercisable (to the extent not theretofore vested and exercisable and the restrictions and forfeiture provisions applicable to restricted stock and other stock-based awards will lapse) if:

(a) any person or entity (including a "group" as defined in Section 13 (d) (3) of the Exchange Act), other than the Company or a wholly owned subsidiary of the Company or an employee benefit plan of the Company or any of its subsidiaries, becomes the beneficial owner of the Company's securities having 20% or more of the combined voting power of all securities that may be cast in the election of directors of the Company;

(b) as a result of or in connection with a cash tender or exchange offer, merger or other business combination, sale 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 Company or any successor entity entitled to vote generally in the election of directors or any such successor are held in the aggregate by holders of the Company's securities entitled to vote generally in the election of directors immediately prior to such transaction;

(c) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute the majority thereof, unless the election or nomination for election of such individuals was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period; or

(d) the Committee determines that a potential change in control has occurred as a result of either (i) shareholder approval of an agreement that would result in one of the events described above or (ii) the acquisition of beneficial ownership by any person, entity or group (other than the Company, any of its subsidiaries or any Company employee benefit plan) of the Company's securities representing 10% or more of the combined voting power of the then outstanding securities.

Following the occurrence of any event that would result in the acceleration of vesting and exercisability as described above, the holders of stock options and other rights (to the extent that they have been held for at least six months in the case of options and other rights held by executive officers and directors or other persons subject to Section 16 of the Exchange Act) will, unless otherwise determined by the Committee, receive cash equal to the difference between the highest price paid per share of Common Stock in any transaction during the 60 days prior to the change in control or potential change in control event and the exercise price of the option or other right.

The 1995 Employee Plan may be amended by the Company's Board of Directors; provided, however, that the approval of the Company's shareholders shall be required for any amendment that would (a) increase the total number of shares

of Common Stock reserved for the purposes of the 1995 Employee Plan or increase the number of shares that may be issued thereunder to any single participant in any year or over the life of the 1995 Employee Plan (except as a result of a stock split, stock dividend or similar change in the capital structure of the Company affecting the Common Stock); (b) materially increase the benefits accruing to participants under the 1995 Employee Plan or (c) materially modify the requirements as to eligibility for participation in the 1995 Employee Plan.

In March 1995, the Committee authorized options for the purchase of Common Stock under the 1995 Employee Plan subject to shareholder approval at the 1995 Annual Meeting. These options were granted to employees, none of whom were executive officers. This grant information is presented in the table below.

#### 1995 Employee Stock Incentive Plan

Name and Position	Dollar Value	Number of Units
Non-Executive Officer		
Employee Group	\$6,093,937	232,150

The 1995 Employee Plan will expire on March 27, 2005.

On April 14, 1995, the last reported sale price of the Company's Common Stock reported on the New York Stock Exchange was \$25.375 per share.

Vote Required: The affirmative vote of the holders of a majority of the Company's Common Stock (including the Series A Preferred Stock voting with the Common Stock) present and entitled to vote at the Annual Meeting is required to approve the 1995 Employee Plan. The Board of Directors recommends a vote FOR ratification and approval of the 1995 Employee Plan.

#### **PROPOSAL NO. 3: THE 1995 OUTSIDE DIRECTORS STOCK OPTION PLAN**

The Company believes that a key element to ensuring its continued success and advancing value to its stockholders, is its ability to attract and retain the highest quality of experienced person as directors of the Company. The Company believes that a crucial step to achieving this goal is to provide such directors with the incentive for outstanding performance inherent in stock options and to increase the opportunity for proprietary interest in the Company through stock ownership.

The Board, at its March 1995 meeting, adopted, subject to stockholder approval, the 1995 Outside Directors Stock Option Plan (The "1995 Outside Directors Plan"). If approved by the stockholders, the 1995 Outside Directors Plan will become effective as of March 27, 1995 and will terminate ten years after that date. The full text of the 1995 Outside Directors Plan is reproduced and attached to this proxy statement as Exhibit B.

The 1995 Outside Directors Plan authorizes the issuance of up to 450,000 shares of the Company's Common Stock. The 1995 Outside Directors Plan provides for a grant of an option to each non-employee director (currently 7 persons) once each year based upon the following nondiscretionary formula (as set forth in the plan): Each non-employee director's annual option grant will be equal to the number of shares determined by dividing (i) the annual retainer for such non-employee director payable during the year in which the grant is made by (ii) the fair market value of a share of Common Stock on the date of the option grant, multiplying the result (the quotient) by three (3) in the case of an option grant to a non-employee director other than the Chairman of the Board,

or by four in the case of the Chairman of the Board (only in the event the Chairman is not an employee), rounding the resulting number of shares up to the nearest whole share. All options granted under the 1995 Outside Directors Plan will have an exercise price per share equal to the fair market value of the underlying Common Stock of the Company on the dates of grant. No options may be granted under the 1995 Outside Directors Plan after March 26, 2005, and no option will be exercisable more than ten years after it is granted. Additionally, no option will be exercisable prior to the optionee having completed at least one year of continual service as a director after the date such option is granted.

The number of shares subject to each option and the exercise price will be adjusted upon the occurrence of certain changes in the Company's capital structure as a result of a stock dividend, stock split or similar transaction affecting the Common Stock. Each option will vest one year following the date of grant and will expire on the tenth year following the date of grant. If the optionholder's service as a director terminates by reason of death or disability, the options will be exercisable for a period of three years following the date of death or one year following the date of disability, but in no event later than the expiration date of the option. If an optionholder's service as a director terminates for cause, the options will immediately terminate. If an optionholder's service as director terminates for any reason other than death, disability or cause, the options will remain exercisable for a period of one year, but in no event later than the expiration date of the option. Options granted under the 1995 Outside Directors Plan will be treated in the same way as non-qualified stock options under the 1995 Employee Plan for federal income tax purposes.

The Board of Directors may amend the 1995 Outside Directors Plan; provided, however, that (a) no change in any option theretofore granted may be made that would impair the rights of an optionholder without the optionholder's consent; (b) amendments may be made not more than once every six months other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974 or the rules thereunder, and (c) the approval of the shareholders of the Company will be required for any amendment that would materially increase the benefits accruing to participants, increase the number of shares that may be issued under the 1995 Outside Directors Plan (except as a result of a stock dividend, stock split or other change in the capital structure of the Company) or extend the term of the 1995 Outside Directors Plan.

On April 14, 1995, the last reported sales price of the Company's Common Stock reported on the New York Stock Exchange was \$25.375 per share.

Vote Required: The affirmative vote of the holders of a majority of the Company's Common Stock (including the Series A Preferred Stock voting with the Common Stock) present and entitled to vote at the Annual Meeting is required to approve the 1995 Outside Directors Plan. The Board of Directors recommends a vote FOR ratification and approval of the 1995 Outside Directors Plan.

#### **PROPOSAL NO. 4: RATIFICATION OF COOPERS & LYBRAND L.L.P. AS**

##### **INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Directors of the Company has selected Coopers & Lybrand L.L.P. to serve as its independent auditor for the current fiscal year. Coopers & Lybrand L.L.P. has served as the Company's independent auditor for more than the past 30 years. The Company has no information that Coopers & Lybrand L.L.P. has any direct or material indirect financial interest in the Company or any of its subsidiaries, in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

Representatives of Coopers & Lybrand L.L.P. are expected to be present at the Annual Meeting and will be given the opportunity to make a statement if they desire to do so and to respond to appropriate questions.

Vote Required. Under Kentucky law, the affirmative vote of the holders of a majority of the votes cast by the holders of the Company's Common Stock represented and entitled to vote at the Annual Meeting is required to adopt Proposal 4.

The Board of Directors recommends a vote FOR approval of this appointment.

### **STOCKHOLDER PROPOSALS FOR 1996 ANNUAL MEETING**

Stockholders' proposals intended for presentation at the 1996 Annual Meeting of Stockholders must be received by Bob Carpenter, Chief Administrative Officer and Corporate Secretary, at 104 Woodmont Boulevard, Suite 500, Nashville, Tennessee 37205 not later than December 29, 1995 for inclusion in the proxy statement and form of proxy relating to that meeting. All such proposals must be in writing and mailed by certified mail, return receipt requested, and must comply with Rule 14a-8 of Regulation 14A of the proxy rules of the Securities and Exchange Commission.

### **COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Securities Exchange Act of 1934 and the disclosure requirements of Item 405 of Regulation S-K require the Company's executive officers and directors, and any person who owns more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission, the applicable market or exchange upon which the Company's shares are listed, and the Company. Based solely on the Company's review of copies of such forms it has received and based on written representations from certain reporting persons that they were not required to file Forms 5 for specified fiscal years, the Company believes that all its officers, directors, and greater than ten percent beneficial owners complied with all filing requirements applicable to them with respect to transactions during fiscal 1995 with the exception that James L. Clayton did not timely report on Form 4 a sale of 2,000 shares of stock sold by his wife. With respect to the inadvertent omission, the required Form 4 has been filed.

### **METHOD OF COUNTING VOTES**

Unless a contrary choice is indicated, all duly executed proxies will be voted in accordance with the instructions set forth on the back side of the proxy card. Abstentions and "non-votes" are counted as present only for purposes of determining a quorum. Abstentions and "non-votes" will be treated as votes against the proposed 1995 Employee Stock Incentive Plan and the 1995 Outside Directors Stock Option Plan. Because directors are elected by a plurality of the votes cast, abstentions are not considered in the election of directors. In addition, the ratification of Coopers & Lybrand L.L.P. is determined by the number of votes cast; therefore, an abstention or withholding of authority to vote will have no effect on such outcome. A "non-vote" occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instruction from the beneficial owner.

## OTHER MATTERS

The cost of soliciting proxies will be borne by the Company. In addition to this solicitation by mail, proxies may be solicited by officers, directors and regular employees of the Company, without extra compensation, personally and by mail, telephone or telegraph. Brokers, nominees, fiduciaries and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. The Company's regularly retained investor relations firm, Corporate Communications, Inc., may also be called upon to solicit proxies by telephone and mail.

The Board of Directors is not aware of any matter to be submitted for consideration at the Annual Meeting other than those set forth in the accompanying notice. If any other matter properly comes before the meeting for action, proxies will be voted on such matter in accordance with the best judgment of the persons named as proxies. Any stockholder has the unconditional right to revoke his or her proxy at any time prior to the voting thereof by giving the Secretary of the Company written notice of such revocation.

The Annual Report of the Company is mailed herewith. A copy of the Company's Annual Report on Form 10-K for the year ended January 31, 1995 (as filed with the Securities and Exchange Commission) is available without charge to any stockholder on request. Requests for the Company's Annual Report on Form 10-K should be directed to Bob Carpenter, Chief Administrative Officer and Corporate Secretary.

Whether or not you expect to be present at the meeting in person, please sign, date and return the enclosed proxy promptly in the enclosed business reply envelopment. No postage is necessary if the proxy is mailed in the United States.

**Exhibit A**

**DOLLAR GENERAL CORPORATION  
1995 EMPLOYEE STOCK INCENTIVE PLAN**

SECTION 1. Purpose; Definitions.

(a) Purpose. The purpose of the Plan is to enable the Corporation to attract, retain and reward officers and key employees of and consultants to the Corporation and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such individuals and the Corporation's shareholders, by offering such officers, key employees and consultants Options or other rights with respect to shares of Common Stock of the Corporation. The creation of the Plan shall not diminish or prejudice other compensation programs approved from time to time by the Board.

(b) Definitions. For purposes of the Plan, the following terms are defined as set forth below:

(i) "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.

(ii) "Board" means the Board of Directors of the Corporation.

(iii) "Capital Transaction" has the meaning provided in Section 3(b) of the Plan.

(iv) "Cause" has the meaning provided in Section 5(b)(x) of the Plan.

(v) "Change in Control" has the meaning provided in Section 9(b) of the Plan.

(vi) "Change in Control Price" has the meaning provided in Section 9(d) of the Plan.

(vii) "Common Stock" means the Corporation's Common Stock, \$.50 par value.

(viii) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(ix) "Commission" means the Securities and Exchange Commission.

(x) "Committee" means the Committee referred to in Section 2 of the Plan.

(xi) "Corporation" means Dollar General, a corporation organized under the laws of the State of Kentucky, or any successor corporation.

- (xii) "Disability" means disability as determined under the Corporation's long-term disability insurance policy or, if there is no such definition, as reasonably determined by the Committee.
- (xiii) "Disinterested Person" has the meaning set forth in Rule 16b-3(c)(2)(i) as promulgated by the Commission under the Exchange Act, or any successor definition adopted by the Commission.
- (xiv) "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.
- (xv) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- (xvi) "Fair Market Value" means the reported closing price of the Common Stock on The New York Stock Exchange, or such other exchange or over the counter market on or through which the Common Stock trades on the relevant date or, if no shares of Common Stock are traded on that date, the reported closing price on the next preceding date on which shares were traded. In the event that trading in the shares of Common Stock is no longer reported on The New York Stock Exchange, or such other exchange or market, Fair Market Value shall be determined by such other method as the Committee in good faith deems appropriate without regard to any restriction other than a restriction which, by its terms, will never lapse.
- (xvii) "Incentive Stock Option" means any Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.
- (xviii) "Non-Qualified Stock Option" means any Option that is not an Incentive Stock Option.
- (xix) "Normal Retirement" means retirement from active employment with the Corporation and any Subsidiary or Affiliate on or after age 65.
- (xx) "Option" means any option to purchase shares of Common Stock granted pursuant to Section 5 below.
- (xxi) "Other Stock-Based Award" means an award under Section 8 below that is valued in whole or in part by reference to, or is otherwise based on, Common Stock.
- (xxii) "Plan" means this Dollar General Corporation 1995 Employee Stock Incentive Plan, as amended from time to time in accordance herewith.

(xxiii) "Restriction Period" has the meaning provided in Section 7(c)(i) of the Plan.

(xxiv) "Restricted Stock" means an award of shares of Common Stock that is subject to restrictions under Section 7 of the Plan.

(xxv) "Retirement" means Normal Retirement or Early Retirement.

(xxvi) "Stock Appreciation Right" means the right granted under Section 6 of the Plan.

(xxvii) "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.

(a) The Committee. The Plan shall be administered by a Committee of not less than two Disinterested Persons, 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 Disinterested Persons. The initial Committee shall be the Compensation Committee of the Board.

(b) Authority of the Committee. 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 hereof:  
Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards.

In particular, the Committee shall have the authority, consistent with the terms of the Plan:

(i) to select the officers and other key employees of and consultants to the Corporation and its Subsidiaries and Affiliates to whom Options, Stock Appreciation Rights, Restricted Stock or Other Stock-Based Awards may from time to time be granted hereunder;

(ii) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock or Other Stock-Based Awards, or any combination thereof, are to be granted hereunder to one or more eligible employees;

(iii) to determine the number of shares to be covered by each such award granted hereunder;

(iv) 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 of vesting or waiver of forfeiture restrictions regarding any Option or other award 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;

(v) to determine whether and under what circumstances an Option or Stock Appreciation Right may be settled in cash or Restricted Stock under Section 5(b)(xiii) hereof, instead of shares of Common Stock;

(vi) to determine whether, to what extent and under what circumstances Option grants or other awards under the Plan are to be made, and operate, on a tandem basis vis-a-vis other awards under the Plan, or on an additive basis;

(vii) 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); and

(viii) to determine whether to require payment of any withholding requirements in shares of Common Stock.

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.

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) Shares of Common Stock Reserved Under Plan. The aggregate number of shares of Common Stock reserved and available for distribution under the Plan shall be 2,900,000 shares. Such shares of Common Stock may consist, in whole or in part, of authorized and unissued shares or treasury shares. The aggregate number of shares of Common Stock that may be granted to any individual pursuant to any award under the Plan shall be 500,000 in any one year.

If any Option or Stock Appreciation Right expires or is forfeited without exercise, or if any shares of Common Stock that are subject to any Restricted Stock or Other Stock-Based Award granted hereunder are forfeited prior to the payment of any dividends, if applicable, with respect to such shares of Common Stock, such shares shall again be available for distribution in connection with future awards under the Plan. If dividends have been paid to the grantee with respect to the shares of Common Stock subject to such forfeited award, such shares shall not be available for distribution in connection with future awards under the Plan.

(b) Adjustment in Certain Events. 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 (a "Capital Transaction"), a substitution or adjustment will be made in the aggregate number of shares reserved for issuance under the Plan, the number that may be granted to any individual in any year or over the life of the Plan and the number and price (if applicable) of shares subject to outstanding awards granted under the Plan, so as to provide each holder of an award under this Plan with the same rights on exercise or distribution of the benefits of such award that such holder would have received if such holder had exercised or received a distribution of the benefits of such award immediately prior to the occurrence of such Capital Transaction; provided, however, that the number of shares subject to any award shall always be a whole number. In the event of any dispute as to any substitution or adjustment made under this Section 3(b), the decision of the Committee shall be final and binding on all persons, including the Corporation and Plan participants.

#### SECTION 4. Eligibility.

Officers and other key employees of and consultants to the Corporation and its Subsidiaries and Affiliates (but excluding members of the Committee and any person who serves only as a director) who are responsible for or contribute to the management, growth or profitability of the business of the Corporation and its Subsidiaries and Affiliates are eligible to be granted awards under the Plan. Incentive Stock Options may only be granted to persons who are employees of the Corporation or a Subsidiary of the Corporation.

#### SECTION 5. Options.

(a) Administration. Options may be granted alone, in addition to or in tandem with other awards granted under the Plan. Any Option granted under the Plan shall be in such form as the Committee may from time to time approve.

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.

The Committee shall have the authority to grant to any optionee (subject to the limitation set forth in the paragraph above)

Incentive Stock Options, Non-Qualified Stock Options, or both types of Options (in each case with or without Stock Appreciation Rights).

(b) Terms and Conditions. Options granted 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.

(i) Option Price. The option price per share of Common Stock purchasable under an 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 subsidiary or parent corporations, not less than 110%) of the Fair Market Value of the Common Stock at grant, in the case of Incentive Stock Options, and not less than 50% of the Fair Market Value of the Common Stock at grant, in the case of Non-Qualified Stock Options.

(ii) Option Term. The term of each Option shall be fixed by the Committee, but no Incentive Stock Option 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 subsidiary or parent corporations, more than five years) after the date the Option is granted.

(iii) Exercisability. 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 except as provided in Section 5(b)(vii), (viii) and (ix) hereof and Section 9 hereof, unless otherwise determined by the Committee at or after grant, no Option shall be exercisable prior to the first anniversary date of the granting of the Option. The Committee may provide that an Option shall vest over a period of future service at a rate specified at the time of grant, or that the Option is exercisable only in installments. If the Committee provides, in its sole discretion, that any 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. The Committee may establish performance conditions or other conditions to the exercisability of any Options, as determined by the Committee in its sole discretion, which conditions may be waived by the Committee in its sole discretion.

(iv) Method of Exercise. Subject to whatever installment or other exercise restrictions apply under Section 5(b)(iii) hereof, 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.

Such notice shall be accompanied by payment in full of the purchase price, either by check, note or such other instrument as the Committee may accept. 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 unrestricted shares of Common Stock already owned by the optionee or, in the case of the exercise of a Non-Qualified Stock Option or Restricted Stock subject to an award hereunder (based in each case, on the Fair Market Value of the Common Stock on the date the option is exercised, as determined by the Committee). If payment of the exercise price is made in part or in full with shares of Common Stock, the Committee may (subject to the availability of additional shares reserved for issuance under Section 3 above) award to the optionee a new Option to replace the shares of Common Stock which were 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 shares of 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 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) hereof.

(v) Non-Transferability of Incentive Stock Options. Notwithstanding any other provision of this Plan, 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.

(vi) Bonus for Taxes. In the case of a Non-Qualified Stock Option, the Committee in its discretion may award at the time of grant or thereafter the right to receive upon exercise of such 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.

(vii) Termination by Death. Subject to Section 5(b)(xi) hereof, 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 Option held by such optionee may thereafter be exercised, to the extent such Option was exercisable at the time of death 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) by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of one year (or such shorter period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Option, whichever period is the shorter.

(viii) Termination by Reason of Disability. Subject to

Section 5(b)(xi) hereof, 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 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 (A) three years (or such shorter period as the Committee may specify at grant) from the date of such termination of employment or until the expiration of the stated term of such Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (B) one year from the date of termination of employment or until the expiration of the stated term of such 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 clause (A) above (or such other period as the Committee shall specify at 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 Option, whichever period is the 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.

(ix) Termination by Reason of Retirement. Subject to

Section 5(b)(xi) hereof, 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 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 (A) three years (or such shorter period as the Committee may specify at grant) from the date of such termination of employment or the expiration of the stated term of such Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (B) three months from the date of such termination of employment or the expiration of the stated term of such 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 clause (A) above (or such shorter period as the Committee may specify at 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 12 months from the date of such death or until the expiration of the stated term of such Option, whichever period is the 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.

(x) Other Termination. 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 Option shall thereupon terminate, except that such Option may be exercised, to the extent otherwise then exercisable, for the lesser of three months or the balance of such Option's term if the involuntary termination is without Cause. For purposes of this Plan, "Cause" means (A) a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or (B) 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. 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 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 Option's term.

(xi) 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 shares of Common Stock with respect to which all Incentive Stock Options are exercisable for the first time by such optionee 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:

a. 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" under Section 422 of the Code by reason of the \$100,000 limitation contained in Section 422(d) of the Code shall be treated as a Non-Qualified Stock Option;

b. if for any other reason the portion of any Incentive Stock Option that is otherwise exercisable 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" under Section 422 of the Code, such excess shall be treated as a Non- Qualified Stock Option; and

c. the Committee shall have the right, with the consent of the optionee, to treat an Incentive Stock Option that cannot be exercised, for any other reason, as an "incentive stock option" under Section 422 of the Code as a Non-Qualified Stock Option.

(xii) 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 immediately prior to its expiration if the conditions to exercise have not theretofore been satisfied. The shares of Common Stock acquired pursuant to any conditional Option shall not be transferable by an optionee subject to Section 16(a) of the Exchange Act within six months of the date such Option first becomes exercisable.

(xiii) 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 regards to the forfeiture restrictions involved.

#### SECTION 6. Stock Appreciation Rights.

(a) Grant and Exercise. Stock Appreciation Rights may be granted alone or in conjunction with all or part of any 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 Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Option.

A Stock Appreciation Right or applicable portion thereof granted with respect to a given Option shall terminate and no longer be exercisable upon the termination or exercise of the related 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 Option.

A Stock Appreciation Right may be exercised by the grantee, subject to Section 6(b) hereof, in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the grantee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b) hereof. 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) Exercise Provisions for Tandem Grants. A Stock Appreciation Right granted in conjunction with all or part of any Option shall be exercisable only at such time or times and to the extent that the Option to which it relates shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan; provided, however, that any Stock Appreciation Right granted to a grantee subject to Section 16(a) of the Exchange Act shall be subject to the further limitations set forth in Section 6(b)(v) and, if applicable, Section 6(b)(vi) below.

(ii) Payment on Exercise. Upon the exercise of a Stock Appreciation Right, a grantee shall be entitled to receive an amount in cash or shares of Common Stock (or a combination of cash and shares of Common Stock) equal in value to the excess of the Fair Market Value of one share of Common Stock over the price per share specified in the Stock Appreciation Right or related 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.

(iii) Use of Authorized Shares. Upon the exercise of a Stock Appreciation Right, any shares of Common Stock issued thereunder or with respect to which a cash payment was made 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.

(iv) Payment based on Change in Control Price. Unless otherwise determined by the Committee at grant, in the event of a Change in Control 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.

(v) Restrictions on Exercise by Persons Subject to Section

16(a). The exercise of Stock Appreciation Rights held by grantees who are subject to Section 16(a) of the Exchange Act shall comply with Rule 16b-3(e) thereunder. In particular, such Stock Appreciation Rights shall be exercisable only pursuant an irrevocable election made at least six months prior to the date of exercise or within the applicable ten business day "window" periods specified in Rule 16b-3(e)(3). Stock Appreciation Rights held by grantees who are subject to Section 16(a) of the Exchange Act shall not be exercisable for the first six months after the date of grant.

(vi) Performance and Other Conditions. 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. Unless specifically provided in the applicable award agreement, any such conditional Stock Appreciation Right shall vest immediately prior to its expiration, if the conditions to exercise have not theretofore been satisfied. A conditional Stock Appreciation Right held by a grantee subject to Section 16(a) of the Exchange Act shall not be exercisable until the expiration of six months following the satisfaction of the condition giving rise to such Stock Appreciation Right.

#### SECTION 7. Restricted Stock.

(a) Administration. Shares of Restricted Stock may be issued either alone, in addition to or in tandem with other awards granted under the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares of Restricted Stock to be awarded to any person, the price (if any) to be paid by the recipient of Restricted Stock (subject to Section 7(b) hereof), 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) hereof.

The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance goals or other factors as the Committee may determine, in its sole discretion.

(b) Awards and Certificates. The prospective recipient of a Restricted Stock 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) Purchase Price. The purchase price for shares of Restricted Stock shall be established by the Committee and may be zero.

(ii) Acceptance of Awards. Awards of Restricted Stock 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 and paying whatever price (if any) is required under Section 7(b)(i) hereof.

(iii) Stock Certificates. Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such award.

(iv) Custody of Stock Certificates. The Committee shall require that the stock certificates evidencing such shares 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.

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

(i) Restriction Period. Subject to 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 awarded under the Plan. 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, performance or other factors or criteria as the Committee may determine, in its sole discretion.

(ii) Dividends. Except as provided in this paragraph (ii), Section 7(c)(i) hereof and the award agreement, 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) hereof, in additional Restricted Stock to the extent shares are available under Section 3 hereof, or otherwise reinvested. Pursuant to Section 3 hereof, 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 of Restricted Stock with respect to which such dividends are issued.

(iii) Vesting and Forfeiture. 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 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) Delivery of Shares on Termination of Restriction Period. 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 promptly.

#### SECTION 8. Other Stock-Based Awards.

(a) Administration. Other Stock-Based Awards valued by reference to shares of Common Stock may be granted either alone or in addition to or in tandem with Options, Stock Appreciation Rights or Restricted Stock granted under the Plan; provided that no such Other Stock-Based Awards may be granted in tandem with Incentive Stock Options if that would cause such Incentive Stock Options not to qualify as "incentive stock options" pursuant to Section 422 of the Code.

Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other conditions of the awards. The Committee may also provide for the grant of shares of Common Stock upon the completion of a specified performance period.

The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Other Stock-Based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Restriction on Transfer. Subject to the provisions of this Plan and the award agreement referred to in Section 8(b)(v) below, shares subject to awards under this Section 8 may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) Dividends and Interest. Subject to the provisions of this Plan and the award agreement and unless otherwise determined by the Committee at grant, the recipient of an award under this Section 8 shall be entitled to receive, currently or on a deferred basis, interest or dividends or interest or dividend equivalents with respect to the number of shares covered by the award, as determined at the time of the award by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional shares of Common Stock or otherwise reinvested.

(iii) Vesting and Forfeiture. Any award under this Section 8 and any shares of Common Stock covered by any such award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee, in its sole discretion.

(iv) Waiver of Vesting or Forfeiture Provisions. In the event of the participant's Retirement, Disability or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the remaining limitations imposed hereunder (if any) with respect to any or all of an award under this Section 8.

(v) Awards Agreements. Each award under this Section 8 shall be confirmed by, and subject to the terms of, an agreement between the Corporation and the participant.

(vi) Purchase Price. Shares of Common Stock (including securities convertible into shares of Common Stock) issued on a bonus basis under this Section 8 may be issued for no cash consideration. The purchase price of shares of Common Stock (including securities convertible into shares of Common Stock) purchased pursuant to a purchase right awarded under this Section 8 shall be determined by the Committee in its sole discretion on the date of grant.

#### SECTION 9. Change in Control Provisions.

(a) Impact of Event. In the event of a Change in Control or Potential Change in Control, the following acceleration and valuation provisions shall apply if so determined by the Committee in its sole discretion:

(i) Acceleration of Vesting. Any Stock Appreciation Rights and any Option awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested; provided, however, that Stock Appreciation Rights held by persons subject to Section 16(a) under the Exchange Act shall not become exercisable until six months after the date of grant.

(ii) Lapse of Other Restrictions. The restrictions and deferral limitations applicable to any Restricted Stock and Other Stock-Based Awards, in each case

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to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested.

(iii) Cash-Out Provisions. Except as otherwise provided in Section 9(a)(iv) below, the value of all outstanding Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards shall, unless otherwise determined by the Committee in its sole discretion at or (except in the case of an Incentive Stock Option) after grant but prior to any Change in Control, be cashed out on the basis of the Change in Control Price 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 Committee may determine prior to the Change in Control.

(iv) Cash-Out Provisions for Statutory Insiders. In the case of any Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards held by any person subject to Section 16(a) of the Exchange Act, the value of all such Options, Stock Appreciation Rights, Restricted Stock or Other Stock-Based Awards, in each case to the extent that they have been held for at least six months, shall be cashed out on the basis of the Change in Control Price as of the date of such Change in Control or such Potential Change in Control is determined to have occurred. The Committee shall have the right (A) to cause any right to receive the Change in Control Price to be cancelled with respect to all or any grantee(s) who are subject to Section 16(a) of the Exchange Act if payment of the Change in Control Price to such grantee(s) would cause liability under Section 16 of the Exchange Act, and (B) to determine whether the change in Control Price shall be paid in cash or in shares of capital stock (including the capital stock of any acquiring corporation) to grantees who are subject to Section 16(a) of the Exchange Act.

(b) Definition of Change in Control. 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 20% 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, sale 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. 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; 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 10% 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. The "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 Change in Control or Potential 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 Incentive Stock Option or Stock Appreciation Rights or, where applicable, the date on which a cash out occurs under Section 9(a)(iii) or (iv) hereof.

#### SECTION 10. Amendments and Termination.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under an Option, Stock Appreciation Right, Restricted Stock award or Other Stock-Based Award theretofore granted, without the optionee's or participant's consent. In addition, no amendment

or alteration shall be made without the approval of the Corporation's shareholders, if such amendment or alteration would:

- (a) except as provided in Section 3(b) of the Plan, increase the total number of shares of Common Stock reserved for the purpose of the Plan;
- (b) materially increase the benefits accruing to participants under the Plan; or
- (c) materially modify the requirements as to eligibility for participation in the Plan.

The Committee may amend the terms of any Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3(b) above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Options for previously granted Options (on a one for one or other basis), including previously granted Options having higher option exercise prices.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

#### 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 shares of 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) Securities Law Restrictions. The Committee may require each person purchasing shares of Common Stock pursuant to an 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 stock-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) Other Compensation Arrangements. 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) No Right to Continued Employment. 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) Withholding. No later than the date as of which an amount first becomes includible 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 shares of Common Stock, including shares of Common Stock that are 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) Dividends. 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 hereof for such reinvestment (taking into account then outstanding Options and other Plan awards).

(f) Restrictions on Transfer. In addition to any other restrictions on transfer that may be applicable under the terms of this Plan or the applicable award agreement, no Option, Stock Appreciation Right, Restricted Stock award, or Other Stock-Based Award or other right issued under this Plan is transferable by the participant other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended. The designation of a beneficiary will not constitute a transfer.

(g) Governing Law. 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, without regard to the principles of conflicts of law thereof.

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

(i) Award Provisions May Differ. The provisions of awards need not be the same with respect to each recipient.

(j) Liability and Indemnification of Board and Committee Members. 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 a 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.

#### SECTION 13. Effective Date of Plan.

The Plan was previously adopted by the Board, subject to approval by the shareholders of the Corporation on June 5, 1995.

#### SECTION 14. Term of Plan.

No Stock Option, Stock Appreciation Right, Restricted Stock award or Other Stock-Based Award shall be granted pursuant to the Plan on or after the tenth anniversary of the date of adoption of the Plan by the Board, but awards granted prior to such tenth anniversary may be extended beyond that date.

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## **Exhibit B**

### **DOLLAR GENERAL CORPORATION**

#### **1995 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS**

##### 1. Purpose

The purposes of the Plan are to advance the interests of the Company and its shareholders by attracting and retaining the highest quality of experienced persons as Outside Directors and to align the interests of the Outside Directors more closely with the interests of the Company's shareholders.

##### 2. Definitions

For purposes of the Plan, the following terms shall have the meanings indicated below:

- (a) "Board" shall mean the Board of Directors of the Company.
- (b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- (c) "Committee" shall mean the members of the Board not eligible to participate in the Plan.
- (d) "Company" shall mean Dollar General Corporation, a corporation organized under the laws of the State of Kentucky, or any successor corporation.
- (e) "Disability" means permanent and total disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.
- (f) "Exercise Date" shall mean the date on which the Company receives the notice of exercise of an Option from an Optionee as set forth in Section 7(d).
- (g) "Fair Market Value" means the reported closing price of the Stock on the New York Stock Exchange, or such other exchange or over the counter market on or through which the Stock trades on the relevant date or, if no shares of Stock are traded on that date, the reported closing price on the next preceding date on which shares were traded. In the event that trading in the shares of Stock is no longer reported on the New York Stock Exchange, or such other exchange or market, Fair Market Value shall be determined by such other method

as the Committee in good faith deems appropriate without regard to any restriction other than a restriction which, by its terms, will never lapse.

(h) "Option" shall mean an option granted to an Outside Director pursuant to the Plan.

(i) "Optionee" shall mean an Outside Director who has been granted an Option pursuant to the Plan.

(j) "Outside Director" shall mean any member of the Board who has not served as an employee of the Company at any time during the two-year period preceding the date on which an Option is granted to such Optionee.

(k) "Plan" shall mean the 1995 Stock Option Plan for Outside Directors.

(l) "Stock" shall mean the Common Stock, \$.50 par value, of the Company.

### 3. Administration

The Plan shall be administered by the Committee. The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the Plan; provided, however, that the Committee shall have no discretion with respect to designating the recipient of an Option, the number of shares of Stock that are subject to an Option or the per share exercise price for an Option. All decisions made by the Committee in construing the provisions of the Plan shall be final.

### 4. Eligibility

Each Outside Director shall be eligible to participate under the Plan.

### 5. Stock Subject to the Plan

Subject to adjustment as provided in Paragraph 9, not more than 450,000 shares of Stock may be issued with respect to the Options granted under the Plan. Such shares that are reserved for issuance under the Plan are authorized but unissued shares of Stock. Shares of Stock subject to an Option shall, upon the expiration or termination of any such Option to the extent unexercised, again be available for grant under the Plan.

## 6. Grant of Options

Options will be awarded under this Plan pursuant to the following formula: Each Outside Director shall receive an annual Option for the purchase of 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 Options are granted) by (ii) the Fair Market Value of a share of Stock on the date of the Option 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 Option granted under this Plan shall be the Fair Market Value on the date of grant.

## 7. Terms and Conditions of Options

### (a) Term

Options shall vest on the first anniversary of the date of grant and shall be exercisable in whole or part at any time upon fulfillment of the vesting period. In no event may an Option be exercisable:

(i) Until the Optionee shall have completed at least one year of continued service as a director of the Company after the date such Option is granted; or

(ii) For more than ten years from the date of grant.

Whether an authorized leave of absence shall constitute termination of service as a director shall be determined by the Committee. In the event of the death or Disability of an Optionee during his service as a director, all his unexercised Options shall immediately become exercisable and may be exercised (by his personal representative in the event of such death) for a period of three years following the date of such death or one year following the date of such Disability, but in no event after the respective expiration dates of such Options. In the event of the termination of an Optionee's service as a director for cause, any Options held by him under the Plan not theretofore exercised shall terminate immediately upon such termination of service as a director and may not be exercised thereafter. The Committee in its sole discretion may determine that an Optionee's service as a director was terminated for cause, if it finds that the Optionee willfully violated any of the Company's policies on ethical business conduct or engaged in any activity or conduct during his service as a director

which was inimical to the best interests of the Company. If an Optionee's service as a director is terminated for any reason other than by his death or Disability or by the Company for cause, his Options, to the extent then exercisable, may be exercised within one year immediately following the date of termination, but in no event after the respective expiration dates of such Options.

(b) Exercise of Options

An Option shall be exercised by delivering to the Corporate Secretary of the Company a written notice of exercise in the form prescribed by the Corporate Secretary for use from time to time. Such notice of exercise shall indicate the number of shares for which the Option is to be exercised and shall be accompanied by the full exercise price for the portion of the Option to be exercised.

(c) Form of Payment

The exercise price may be paid in cash (including certified or cashier's check, bank draft or money order), Stock which is free and clear of all liens, claims or other encumbrances by third parties, or a combination of Stock and cash. The Stock so delivered shall be valued at the Fair Market Value as of the Exercise Date. No shares of Stock shall be issued or delivered until full payment therefor has been made.

(d) Non-Transferability

No Option shall be assignable or transferable by the Optionee, except by will or pursuant to applicable laws of descent and distribution. During the life of an Optionee, an Option shall be exercisable only by such Optionee or such Optionee's legal representative.

(e) No Rights as Shareholders

Neither an Optionee nor an Optionee's legal representative shall have any rights as shareholders of the Stock unless and until certificates for shares of Stock are registered in his or her name in satisfaction of a duly exercised Option.

8. Withholding Taxes

Whenever the Company grants, issues or transfers shares of Stock under the Plan, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate for such shares. The Company shall have the right to retain sufficient shares of Stock to cover the amount of any tax required by any government to be withheld or otherwise deducted or paid with respect to the exercise of the Options. The Stock so retained shall be valued at the Fair Market Value as of the date of such retention.

9. Capital Adjustments and Corporate Reorganizations

In the event of any change in the outstanding shares of Stock by reason of a stock dividend, split or combination, or recapitalization or reclassification, or reorganization, merger or consolidation, in which the Company is the surviving corporation or other similar change affecting the Stock, the number of shares then subject to Options and for which Options may thereafter be granted and the price per share of Stock payable upon exercise or surrender of such Options shall be appropriately adjusted by the Committee to reflect such change. No fractional shares shall be issued as a result of such adjustment. In the event of a dissolution of the Company or a reorganization, merger or consolidation in which the Company is not the surviving corporation, the Company by action of its Board shall either (i) terminate outstanding and unexercised Options as of the effective date of such dissolution, merger or consolidation by giving notice to each Optionee of its intention to do so and permitting the exercise, during the period prior to such effective date to be specified by the Committee, of all outstanding and unexercised Options or portions thereof; provided, however, that no Option shall become exercisable hereunder either after the expiration date thereof or prior to six (6) months from the date of grant thereof, or (ii) in the case of such reorganization, merger or consolidation, arrange for an appropriate substitution of shares or other securities of the corporation with which the Company is reorganized, merged or consolidated in lieu of the shares which are subject to any outstanding and unexercised Options.

10. Effective Date and Term of the Plan

The Plan shall be effective as of March 27, 1995. Subject to Section 11 hereof, the Board in its discretion may terminate the Plan at any time with respect to any shares for which Options have not theretofore been granted. Except with respect to Options then outstanding, if not sooner forfeited or terminated, the Plan shall terminate upon, and no further Options shall be granted after March 26, 2005.

## 11. Amendments

The Board shall have the right to alter or amend the Plan or any part thereof from time to time provided that:

- (a) no change in any Option theretofore granted may be made which would impair the rights of an Optionee without the consent of such Optionee;
- (b) Plan provisions may not be amended more than once every  
(6) six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder; and
- (c) the Board may not make any alteration or amendment which would materially increase the benefits accruing to participants under the Plan, increase the aggregate number of shares of Stock which may be issued pursuant to provisions of the Plan or extend the terms of the Plan, without the approval of the shareholders of the Company.

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