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DOLLAR GENERAL CORP
Form DEF 14A
January 14, 2002

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

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| <input type="checkbox"/> [] Preliminary Proxy Statement | <input type="checkbox"/> [] Soliciting Material Under Rule |
| <input type="checkbox"/> [] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) | 14a-12 |
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DOLLAR GENERAL

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- [X] No fee required.
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2) Aggregate number of securities to which transaction applies:

N/A

3) Per unit price or other underlying value of transaction computed pursuant
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1) Amount previously paid:

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2) Form, Schedule or Registration Statement No.:

N/A

3) Filing Party:

N/A

4) Date Filed:

N/A

[GRAPHIC - DOLLAR GENERAL CORPORATION LETTERHEAD]

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON FEBRUARY 20, 2002

The Annual Meeting of Shareholders (the "Annual Meeting") of Dollar General Corporation (the "Company") will be held at the Goodlettsville City Hall auditorium, 105 South Main Street, Goodlettsville, Tennessee, on February 20, 2002 at 10:00 a.m. local time, for the following purposes:

1. To elect ten directors to serve until the next Annual Meeting and until their successors are duly elected and qualified;
2. To consider and act upon one shareholder proposal;
3. To ratify the appointment of Ernst & Young LLP as independent accountants for 2001; and
4. To transact such other business as properly may come before the meeting or

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any adjournments thereof.

Only shareholders of record at the close of business on January 11, 2002 are entitled to notice of and to vote at the Annual Meeting. Your attention is directed to the proxy statement accompanying this notice for a more complete statement regarding matters to be acted upon at the Annual Meeting.

By order of the Board of Directors,

January 14, 2002

Larry K. Wilcher
General Counsel and Corporate Secretary

Whether or not you expect to be physically present at the Annual Meeting, please vote your proxy as soon as possible. You may vote your proxy electronically or by phone according to the instructions on the enclosed card, or sign, date and return the enclosed printed proxy card in the enclosed business reply envelope. No postage is necessary if the proxy is mailed within the United States. You may revoke the proxy at any time before it is voted.

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DOLLAR GENERAL CORPORATION
100 Mission Ridge
Goodlettsville, Tennessee 37072
Telephone (615) 855-4000

Proxy Statement for
Annual Meeting of Shareholders

The enclosed proxy is solicited by the Board of Directors of Dollar General Corporation (the "Company") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held at the Goodlettsville City Hall auditorium, 105 South Main Street, Goodlettsville, Tennessee on February 20, 2002 at 10:00 a.m. local time, and any adjournment thereof. This proxy material was first mailed to shareholders on or about January 22, 2002.

The mailing address of the principal executive office of the Company is 100 Mission Ridge, Goodlettsville, Tennessee 37072-2170.

All valid proxies that are timely received will be voted in accordance with the recommendations of the Board of Directors unless otherwise specified on the proxy. Any shareholder 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 or by duly executing a proxy bearing a later date.

Only holders of the Company's common stock, \$0.50 par value per share (the "Common Stock"), of record at the close of business on January 11, 2002 (the "Record Date"), are entitled to vote at the Annual Meeting. On such date, the

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Company had 332,577,284 issued and outstanding shares of Common Stock, the holders of which are entitled to one vote for each share held. Attendance at the Annual Meeting will be limited to shareholders or their proxy holders and the Company's invited guests.

Throughout this statement "2000" refers to the Company's fiscal year ended February 2, 2001, "1999" refers to the Company's fiscal year ended January 28, 2000, and "1998" refers to the Company's fiscal year ended January 29, 1999. All share amounts have been adjusted to reflect the effects of all common stock splits declared on or before the Record Date.

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PROPOSAL NO. 1: ELECTION OF DIRECTORS

Directors are elected each year to hold office until the next Annual Meeting and until their successors are duly elected and qualified. The current Board of Directors consists of ten members. At its February 26, 2001, meeting the Board of Directors nominated each of the current directors as nominees to stand for election at the Annual Meeting, which nominations were confirmed by the Board on December 14, 2001.

In the election of directors, pursuant to Tennessee law, each share of Common Stock entitles its holder to cast one vote for each director nominee. Unless contrary instructions are received, the enclosed proxy will be voted in favor of electing the nominees listed below. Each nominee has consented to be a candidate and to serve if elected. While the Board of Directors has no reason to believe 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.

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The nominees for the Board of Directors are as follows:

| Name | Age | Director Since |
|---------------------|-----|----------------|
| Dennis C. Bottorff | 57 | 1998 |
| Barbara L. Bowles | 54 | 2000 |
| James L. Clayton | 67 | 1988 |
| Reginald D. Dickson | 55 | 1993 |
| E. Gordon Gee | 57 | 2000 |
| John B. Holland | 69 | 1988 |
| Barbara M. Knuckles | 53 | 1995 |
| Cal Turner | 61 | 1966 |
| David M. Wilds | 61 | 1991 |
| William S. Wire, II | 69 | 1989 |

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Certain information concerning each of the nominees is set forth below:

Mr. Bottorff currently serves as Chairman of Council Capital Management, Inc., which position he has held since January 2001. He previously served as Chairman of AmSouth Bancorporation, a bank holding company, and prior to that, as President and Chief Executive Officer of First American Corporation from 1991 to 1999. He was also First American's Chairman from 1995 to 1999. Mr. Bottorff is a director of Ingram Industries, a privately-held provider of wholesale distribution, inland marine transportation and insurance services. He also serves as a director of Memx, Inc., an optical systems component manufacturer.

Ms. Bowles currently serves as President of The Kenwood Group, an equity investment advisory firm that she founded in 1989. She also founded The Kenwood Growth and Income Fund in 1996. She previously served as Vice President of Kraft, Inc. from 1984 to 1989. Ms. Bowles is a director of Black & Decker Corporation, Wisconsin Energy Corporation, Georgia Pacific Corp., and the Chicago Urban League. She is also a trustee of Fisk University.

Mr. Clayton has served as Chairman of Clayton Homes, Inc. since 1956 and also served as its Chief Executive Officer from 1956 to 1999. Clayton Homes, Inc. manufactures, sells, finances and insures manufactured homes. Mr. Clayton is Chairman and Chief Executive Officer of FSB Bank Shares, Inc., a bank holding company, and is a Director and Regional Chairman of Branch Banking and Trust Co. Additionally, Mr. Clayton is a director of Chateau Communities, Inc., a manufactured housing property management real estate investment trust.

Mr. Dickson has served as Chairman of Buford, Dickson, Harper & Sparrow, Inc., Investment Advisors, and President Emeritus of Inroads, Inc., a non-profit organization supporting minority education since 1996. Mr. Dickson served as President and Chief Executive Officer of Inroads, Inc. from 1983 to 1993.

Dr. Gee has served as Chancellor of Vanderbilt University since 2000. He previously served as President of Brown University from 1998 until 2000. Prior to that, Dr. Gee served as President of The Ohio State University from 1990 until 1998. Dr. Gee is a director of The Limited, Inc., Intimate Brands, Inc., Allmerica Financial Corp., Hasbro, Inc., and Massey Energy, Inc.

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Mr. Holland served as President and Chief Operating Officer of Fruit of the Loom, Inc., a manufacturer of underwear and other soft goods, from 1985 until his retirement in February 1996, at which time he became a consultant to that corporation. In 1999, Mr. Holland returned to Fruit of the Loom as a director and Executive Vice President, Operations. Fruit of the Loom filed a petition for bankruptcy on December 29, 1999. Mr. Holland also serves as President of Dunree Capital, Inc.

Ms. Knuckles has served as Director of Development and Corporate Relations for North Central College in Naperville, Illinois since 1992. From 1988 to 1992, Ms. Knuckles was a private investor managing several family businesses. She serves as a member of the board of directors of J. R. Short Milling Company, a privately-held specialty corn-milling company, and Harris Bank of Naperville, Illinois.

Mr. Turner is the Chairman and Chief Executive Officer of the Company. He joined the Company in 1965 and has held the office of Chief Executive Officer since 1977. Mr. Turner became Chairman of the Board in 1989 and President in

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1977.

Mr. Wilds currently serves as Managing Partner of 1st Avenue Partners, L.P., a private equity partnership, which position he has held since 1998. From 1995 to 1998, Mr. Wilds was President of Nelson Capital Partners III, L.P., a merchant banking company. From 1990 to 1995, Mr. Wilds served as Chairman of the Board of Cumberland Health Systems, Inc., an owner and operator of psychiatric hospitals.

Mr. Wire served from 1986 until his retirement in 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 1986 to 1993. Mr. Wire is a director of Genesco, Inc. and American Endoscopy Services, Inc.

COMMITTEES OF THE BOARD. The Company currently has a Executive Compensation and Corporate Governance Committee (the "CGC Committee") and an Audit Committee.

The CGC Committee consists of Messrs. Bottorff, Gee, Wilds and Wire (Chairman). The CGC Committee reviews and recommends changes in the Company's corporate governance policies and practices, provides advice and assistance regarding corporate compliance matters, reviews the compensation policies of the Company and compensation programs in which officers may participate, 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 shareholders 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 (as required by the bylaws). A full statement of qualifications and an indication of the person's willingness to serve must accompany the recommendations. The CGC Committee also administers the Company's stock option plans, excluding the 1993 Outside Directors' Plan and the 1995 Outside Directors' Stock Option Plan, which are administered by a Director Compensation Committee made up of the Company's Chief Executive Officer, President and Vice President/Chief Administrative Officer. At least once a year, the CGC Committee specifically reviews the standards of performance of the Chief Executive Officer for compensation purposes. (See "Report of the Executive

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Compensation and Corporate Governance Committee of the Board of Directors on Executive Compensation.") The CGC Committee met four times during 2000.

The Audit Committee is composed of Messrs. Clayton, Dickson and Holland (Chairman), and Ms. Bowles and Ms. Knuckles. The Board of Directors has adopted and approved a formal written charter for the Audit Committee (which is attached to this proxy statement as Appendix "A"). The functions of the Audit Committee include providing advice and assistance regarding accounting, auditing, and financial reporting practices of the Company. Annually, the Audit Committee recommends to the Board of Directors a firm of independent certified public accountants to serve as auditors. The Audit Committee reviews with the auditors the scope and results of their annual audit, fees in connection with their audit and non-audit services, and the independence of the Company's auditors. (See "Report of the Audit Committee"). The Audit Committee met four times during 2000.

The Board of Directors has taken action such that, following the conclusion

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of the Annual Meeting, a new Compensation Committee will be established and the name of the existing Corporate Governance and Compensation Committee will be changed to the "Nominating and Corporate Governance Committee." The new Compensation Committee will be responsible for reviewing and monitoring the Company's compensation and human resources policies, programs and plans. The Nominating and Corporate Governance Committee will be responsible solely for corporate governance and related matters (including recommending to the full Board officer and director candidates). The Board of Directors has not yet determined which directors will be appointed to these two committees.

During 2000, 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 plus \$1,250 for attending each regular meeting of the Board of Directors or any committee thereof. Committee chairpersons receive an additional \$250 for each committee meeting attended. Compensation for telephonic meetings is one-half the above rates. Directors 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 nonqualified options for the purchase of Common Stock pursuant to the Company's 1998 Stock Incentive Plan.

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS. A non-employee director may defer all or a part of any fees normally paid by the Company to the director pursuant to a voluntary nonqualified compensation deferral plan. The compensation eligible for deferral includes the annual retainer, meeting and other fees, as well as any per diem compensation for special assignments, earned by a director for his or her service to the Board or one of its committees. The compensation deferred is credited to a liability account, which is then invested at the option of the director, in either an account which mirrors the performance of a fund selected by the CGC Committee, or in a phantom stock account which mirrors the performance of the Common Stock. In accordance with a director's election made at the time of the deferral, the deferred compensation will be paid in a lump sum or in annual installments, or a combination of both upon a director's resignation or termination from the Board. All deferred compensation will be immediately due and payable upon a "change in control" (as defined in the deferred compensation plan) of the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION. During 2000, the CGC Committee was comprised of Messrs. Bottorff, Gee, Wilds and Wire. None of these persons has at any time been an officer or employee of the Company or any subsidiary of the Company during 2000. No executive officer of the Company served as a member of a compensation committee or as a director of any entity of which any of the Company's directors served as an executive officer.

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VOTE REQUIRED

The affirmative vote of a plurality of the votes cast by the shareholders entitled to vote at the meeting is required for the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
EACH OF THE NOMINEES LISTED ABOVE.

PROPOSAL NO. 2: SHAREHOLDER PROPOSAL REGARDING

EQUAL EMPLOYMENT OPPORTUNITY INFORMATION

A shareholder, Calvert Asset Management Company, Inc., has notified the Company of its intention to propose the following resolution at the Annual Meeting. Proxy regulations require the Company to present the proposed resolution and supporting statement. Following the shareholder's proposed resolution and supporting statement is the response of the Company's Board of Directors. The shareholder recommends you vote for this proposal; however, the Company's Board of Directors unanimously recommends you vote AGAINST this proposal. The text of the proposed resolution from Calvert Asset Management Company, Inc., is as follows:

"Equal employment is a key issue for shareholders. The bipartisan Glass Ceiling Commission Study released in 1995 states that a positive diversity record also has a positive impact on the bottom line. This study is important for shareholders because it explains that many corporations in the United States select for advancement from less than 50% of the total talent available in our workforce.

1. Women and minorities comprise 57 percent of the work force, yet represent only 3 percent of executive management positions.
2. Women who were awarded more than half of all MBA degrees represent less than 5 percent of senior-level management positions.

These statistics show the limits placed on selecting the most talented people for top management positions. Neglecting the importance of diversity impacts the bottom line because of the real costs of discrimination cases, the potential loss of government contracts and the financial ramifications of a damaged corporate image:

1. In 1996, Texaco settled the largest racial discrimination lawsuit in U. S. history, costing a reported \$170 million to the company and stockholders. Texaco's public image was tarnished and the company faced a consumer boycott.
2. In 1996, the Wall Street Journal reported that Shoney's earnings for fiscal year 1992 posted a loss of \$16.6 million as a result of settling a racial discrimination suit for \$134.5 million.
3. In 1997, Denny's reported it was still trying to win back its minority customers, lost after a 1992 discrimination complaint.

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4. In 1998, Smith Barney agreed to spend \$15 million on diversity programs to settle a case brought by plaintiffs charging sexual harassment.

More than 150 major employers publicly report their work force diversity to their shareholders. Examples include Disney/ABC, USAir, Intel, Monsanto, and

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Texaco. These companies and many others regularly provide reports describing diversity progress and challenges. Often companies will also include this information in their annual reports.

RESOLVED: The shareholders request that our company prepare, at reasonable cost, a report to shareholders, which may omit confidential information to be made available to shareholders four months from the date of the annual meeting, which includes:

1. The consolidated EEO-1 report in standard federal government categories according to gender and race in each of the nine major EEOC-defined categories for the previous three years;
2. A description of any policies and programs oriented specifically toward increasing the number of managers who are qualified females and/or ethnic minorities;
3. A description of the company's efforts to increase its business with female and minority suppliers and service-providers;
4. A general description of how the company publicizes its diversity policies and programs to employees, merchandise suppliers and service providers.

BOARD OF DIRECTORS' RESPONSE:

THE BOARD HAS CONSIDERED THIS PROPOSAL AND RECOMMENDS THAT SHAREHOLDERS VOTE "AGAINST" IT FOR THE FOLLOWING REASONS:

The Company believes in the dignity of work and the dignity of every person. The Company firmly supports diversity in the workplace as evidenced by its policies and programs. For example, the Company focuses its recruiting and retention efforts on all people without regard to race, gender or other such characteristics. The Company's representation of women and minorities on the Board of Directors and at senior management levels reflects this policy.

The Company has already considered the principles set forth by the Glass Ceiling Commission, and the standing committees of the Board of Directors review various Company policies and programs that support workplace diversity. The Board of Directors also considers workforce issues relating to the effective recruitment of, and opportunities for, women and minorities.

In policy statements distributed to all employees, the Company makes clear that all employees have the right to work in an environment free from all forms of discrimination and conduct which can be considered harassing, coercive or disruptive. The Company values and respects the rights of each employee and will not tolerate discrimination or harassment based on race, color, religion, sex, national origin, age, disability, citizenship status or any other characteristic protected by law.

In addition to publishing the Company's "zero tolerance" anti-discrimination and harassment policy and distributing it to employees regularly, the Company regularly publishes notices to employees of the Company's mechanisms for reporting any form of discrimination or harassment, which includes a toll-free hotline linked directly to corporate headquarters.

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Since the Company's commitment to equal opportunity employment is part of its ordinary business operations, the time and expense involved in the process of gathering data and producing reports as requested by the proponents would do nothing to further the Company's equal employment efforts, and therefore would not be a prudent use of the Company's resources.

VOTE REQUIRED

To approve the shareholder proposal above, the votes cast for the shareholder proposal must exceed the votes cast against it.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE
"AGAINST" THIS PROPOSAL.

PROPOSAL NO. 3: RATIFICATION OF THE APPOINTMENT
OF INDEPENDENT PUBLIC ACCOUNTANTS

The accounting firm of Ernst & Young LLP ("Ernst & Young") has been selected as the independent public accountants for the Company for the fiscal year ending February 1, 2002. Although the selection of accountants does not require ratification, the Board of Directors has directed that the appointment of Ernst & Young be submitted to the shareholders for ratification due to the significance of their appointment by the Company. If the shareholders do not ratify the appointment of Ernst & Young, the Board of Directors will reconsider the appointment of independent accountants. A representative of Ernst & Young will be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

VOTE REQUIRED

The affirmative vote of a plurality of the votes cast by the shareholders entitled to vote at the meeting is required for the ratification of the appointment of independent accountants.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.

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EXECUTIVE OFFICERS

The Company's executive officers as of December 14, 2001, are:

Executive
Officer

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| Name | Age | Position | Since |
|--------------------|-----|--|-------|
| Cal Turner | 61 | Chairman and Chief Executive Officer | 1966 |
| Donald S. Shaffer | 58 | President and Chief Operating Officer | 2001 |
| Bruce Ash | 52 | Vice President, Information & Administrative Services | 1999 |
| Melissa Buffington | 43 | Vice President and Chief Administrative Officer | 1999 |
| Jim Hagan | 42 | Executive Vice President and Chief Financial Officer | 2001 |
| Tom Hartshorn | 50 | Executive Vice President, Merchandising | 1992 |
| Bob Layne | 35 | Vice President Merchandising Support | 2001 |
| Stonie O'Briant | 46 | Executive Vice President, Operations | 1995 |
| Robert A. Lewis | 40 | Vice President, Controller | 2001 |
| Jeff Sims | 50 | Vice President, Distribution | 1999 |
| Bob Warner | 51 | Vice President, General Merchandising Manager | 1998 |

All executive officers of the Company serve at the pleasure of the Board of Directors. Messrs. Turner, Hartshorn and O'Briant have been employed by the Company as executive officers for more than the past five years.

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The following is a brief summary of the business experience of the executive officers:

Mr. Turner joined the Company in 1965 and was elected President and Chief Executive Officer in 1977. Mr. Turner has served as Chairman of the Board and Chief Executive Officer since January 1989.

Mr. Shaffer joined the Company as President and Chief Operating Officer in May 2001. From 2000 to 2001, Mr. Shaffer served as President and Chief Executive Officer of Heilig-Meyers Company, a retailer of home furnishings and bedding, and as its President and Chief Operating Officer from 1999 to 2000. Heilig-Meyers Company filed a petition for bankruptcy on August 16, 2000. From 1997 to 1998, Mr. Shaffer served as Chairman and Chief Executive Officer of Western Auto Supply Company, a wholesaler of automotive parts and a subsidiary of Sears, Roebuck and Co. From 1994 to 1996, Mr. Shaffer served as President and Chief Executive Officer of Sears Canada Inc., a retailer of general merchandise and a majority-owned subsidiary of Sears, Roebuck and Co.

Mr. Ash joined the Company as Vice President, Information Services in September 1999. Before joining the Company, Mr. Ash served as Senior Vice President of Systems at Talbot's, a retailing company, for 10 years.

Ms. Buffington was named Vice President and Chief Administrative Officer in February 2001. She joined the Company as Vice President, Human Resources in November 1999. Before joining the Company, Ms. Buffington served as Executive Vice President, Human Resources of First American Corporation, a bank holding

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company. Ms. Buffington joined First American in 1992 as Vice President, Strategic Planning.

Mr. Hagan joined the Company as Executive Vice President and Chief Financial Officer in March 2001. From June 2000 through March 2001, Mr. Hagan served as Chief Financial Officer of Central Parking Corporation, a provider of parking and transportation management services. From April 1999 through June 2000, Mr. Hagan served as Executive Vice President and Chief Financial Officer of Saturn Retail Enterprises, an owner/operator of Saturn automobile dealerships and a wholly owned indirect subsidiary of General Motors Corporation. He served as Executive Vice President and Chief Financial Officer of Bruno's Inc., a supermarket operator, from May 1996 through April 1999, which company filed a petition for bankruptcy in January of 1998. Mr. Hagan also previously served as Executive Vice President and Chief Financial Officer of Revco D.S., Inc.

Mr. Hartshorn was named Executive Vice President, Merchandising in February 2001. Since February 2000, he served as Senior Vice President, Logistics and Merchandising Operations. He joined the Company as Vice President, Operations in 1992 and was named Vice President, Merchandising Operations in 1993. Before joining the Company, he was director of store operations for McCrory/TG&Y, a retailing company, where he held various management positions in operations since 1968.

Mr. Layne was named Vice President, Merchandising Support in February 2001. He joined the Company in 1985 and served various positions including staff attorney, senior director of administration and most recently, Corporate Secretary.

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Mr. O'Briant was named Executive Vice President, Operations in February 2001. Since February 2000, he served as Executive Vice President, Merchandising. Mr. O'Briant joined the Company in 1991 as Hardlines Merchandise Manager, was named General Merchandise Manager in 1992, Vice President, Merchandising in 1995, and Senior Vice President, Merchandising in 1998. Before joining Dollar General, Mr. O'Briant had 17 years of service with Fred's, Inc., a discount retailer, where he served in a number of executive management positions including Vice President, Hardlines, Vice President, Softlines and Vice President, Household Products.

Mr. Lewis joined the Company as Vice President, Controller in October, 2001. From May 1999 through September 2001, Mr. Lewis served as Group Vice President, overseeing operational, planning and administrative functions for Lux Corp., an apparel retailer doing business as "Mr. Rags" and a wholly owned subsidiary of Claire's Stores, Inc. Mr. Lewis served as Vice President of Finance from 1996 until May 1999, and as Controller from November 1988 until May 1999, for Claire's Stores, Inc., a retailer of popular-priced fashion accessories and apparel.

Mr. Sims was named Vice President, Distribution in March 1999. Before joining the Company, Mr. Sims served with Hills Department Stores, a mass merchandising company, in various management positions including Senior Vice President, Logistics from 1997 to 1999. From 1995 to 1996, Mr. Sims served as Vice President, Logistics for Thorn Services International, a rent-to-own services company. From 1992 to 1994, Mr. Sims served as Vice President, Logistics for Lesco, Inc., a manufacturer and distributor of industrial products.

Mr. Warner was named Vice President, General Merchandising Manager in

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November 1998. Mr. Warner joined the Company in 1989 as a hardware buyer. Mr. Warner has held various management positions with the Company including Hardlines Divisional Merchandise Manager, Director of Products and Processes and General Merchandise Manager.

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 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information concerning persons who, as of December 14, 2001, were known by management to be beneficial owners of more than five percent of the Company's common stock. Unless otherwise indicated, each person for whom information is provided had sole voting and investment power over the shares of common stock listed opposite his or her name. Computations are based on 332,577,284 shares of Common Stock outstanding as of December 14, 2001.

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| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Shares Outstanding |
|---|---|-------------------------------------|
| ----- | | |
| Cal Turner, Jr. 100 Mission Ridge Goodlettsville, TN 37072-2170 | 48,148,818 (1) | 14.9% |
| James Stephen Turner 138 Second Avenue Nashville, TN 37201 | 41,087,516 (2) | 12.7% |
| Turner Children Trust(3) dated January 21, 1980, Cal Turner, Jr. and James Stephen Turner, Co-Trustees 100 Mission Ridge Goodlettsville, TN 37072-2170 | 31,625,784 | 9.51% |
| Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071 | 31,133,000 (4) | 9.36% |
| Wellington Management Company, LLP 75 State Street Boston, MA 02109 | 24,626,675 (5) | 7.40% |

(1) Includes 41,449,796 shares held by various trusts and foundations (the largest of which is the "Turner Children Trust" shown in this table) for which Cal Turner, Jr. is a trustee; 727,587 shares held by Cal Turner, Jr.'s wife; 21,403 shares held in Company retirement and deferred

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compensation plans (IRA & 401(k)); direct ownership of 5,714,094 shares; and 235,938 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days. Cal Turner, Jr. has sole voting and investment power with respect to 5,971,435 shares of Common Stock and shared voting and investment power with respect to 41,449,796 shares of Common Stock. Cal Turner, Jr. disclaims ownership of the shares held by the various trusts and foundations, except to the extent of his pecuniary interests.

- (2) Includes 38,694,207 shares held by various trusts and foundations (the largest of which is the "Turner Children Trust" shown in this table) for which James Stephen Turner is a trustee; and 56,445 shares held by James Stephen Turner's wife. James Stephen Turner has sole voting and investment power with respect to 2,336,864 shares of Common Stock and shared voting and investment power with respect to 38,694,207 shares of Common Stock. James Stephen Turner disclaims ownership of the shares held by the various trusts and foundations, except to the extent of his pecuniary interests.
- (3) The co-trustees of the "Turner Children Trust" are Cal Turner, Jr. and James Stephen Turner.
- (4) According to a Form 13-F (effective September 30, 2001) filed by Capital Research and Management Company on November 14, 2001, it has shared investment power with respect to 31,133,000 shares of Common Stock, but does not have sole or shared voting power over any of the shares of Common Stock. The Company is unable to ascertain more recent information about this entity's holdings.
- (5) According to a Form 13-F (effective September 30, 2001) filed by Wellington Management Company, LLP on November 14, 2001, it has sole investment power with respect to 20,813,241 shares of common stock, shared investment power with respect to 3,813,434 shares of Common Stock, sole voting power with respect to 10,777,173 shares of Common Stock, shared voting power with respect to 3,013,309 shares of Common Stock and no voting power with regard to 10,836,193 shares of Common Stock. The Company is unable to ascertain more recent information about this entity's holdings.

 SECURITY OWNERSHIP BY OFFICERS AND DIRECTORS

The following table sets forth certain information as of December 14, 2001, concerning all directors and nominees, the executive officers named in the Summary Compensation Table and all executive officers and directors as a group. Unless otherwise indicated, the persons for whom information is provided had sole voting and investment power over the shares of Common Stock beneficially owned. Computations are based on 332,577,284 shares of Common Stock outstanding as of December 14, 2001.

| Nominee/Executive Officers | Shares Beneficially Owned | Percent of Shares Outstanding(1) |
|-------------------------------|------------------------------|--|
| ----- | | |

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| | | | |
|--|------------|----------|-------|
| Dennis C. Bottorff | 15,621 | (2) | * |
| Barbara L. Bowles | 4,150 | (3) | * |
| James L. Clayton | 478,623 | (4) | * |
| Reginald D. Dickson | 59,512 | (5) | * |
| E. Gordon Gee | 6,308 | (6) | * |
| John B. Holland | 503,304 | (7) | * |
| Barbara M. Knuckles | 20,664 | (8) | * |
| David M. Wilds | 269,665 | (9) | * |
| William S. Wire, II | 49,457 | (10) | * |
| Cal Turner, Jr. | 48,148,818 | (11) | 14.9% |
| Brian Burr | 25,500 | (15) | * |
| Bob Carpenter | 1,627,142 | (12, 15) | * |
| Tom Hartshorn | 630,936 | (13) | * |
| Stonie O'Briant | 328,614 | (14) | * |
| Earl Weissert | 31,313 | (15) | * |
| All directors and executive officers as a group (20 persons) | 51,101,338 | (16, 17) | 15.8% |

- (1) *Denotes less than 1% of class.
- (2) Includes 13,669 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (3) Includes 3,150 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (4) Includes 67,738 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (5) Includes 39,726 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (6) Includes 6,308 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (7) Includes 33,476 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.

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- (8) Includes 13,938 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (9) Includes 67,738 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (10) Includes 33,476 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (11) Includes 235,938 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days, and also includes shares beneficially owned as set forth under "Security Ownership of Certain Beneficial Owners."
- (12) Includes 656,628 shares issuable upon the exercise of outstanding options or options exercisable within 60 days, and 494,449 shares for which Mr. Carpenter has shared voting and investment rights as a Co-Trustee of the Calister Turner, III 1994 Generation Skipping Trust.
- (13) Includes 445,427 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (14) Includes 238,041 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
- (15) Denotes that executive officer has left the Company.

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- (16) Includes 1,680,723 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days.
 (17) Includes only those individuals who were directors or executive officers as of December 14, 2001.

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 EXECUTIVE COMPENSATION

The following table provides information as to annual, long-term or other compensation paid or accrued during 2000, 1999 and 1998, for the CEO and the persons who, at the end of 2000, were the other four most highly-compensated executive officers of the Company (collectively, the "Named Executive Officers") or those who are otherwise required to be included in this table.

SUMMARY COMPENSATION TABLE
 =====

| Name and Principal Position | Year | Annual Compensation | | | Long-term Compensation |
|---|------|---------------------|------------|-----------------------------------|------------------------------|
| | | Salary (\$) | Bonus (\$) | Other Annual Compensation (\$)(1) | Restricted Stock Awards (\$) |
| Cal Turner, Jr., Chairman and Chief Executive Officer | 2000 | 775,029 | 356,500 | 22,080 | 0 |
| | 1999 | 766,667 | 485,750 | 12,866 | 0 |
| | 1998 | 704,167 | 528,000 | 8,153 | 0 |
| Brian Burr, Executive Vice President and Chief Financial Officer(4) | 2000 | 333,346 | 149,500 | 56,444 | 0 |
| | 1999 | 320,833 | 88,500 | 16,704 | 0 |
| | 1998 | 137,500 | 0 | 0 | 0 |
| Bob Carpenter, President and Chief Operating Officer(5) | 2000 | 337,512 | 126,500 | 19,049 | 0 |
| | 1999 | 270,833 | 147,500 | 13,664 | 0 |
| | 1998 | 230,833 | 138,000 | 8,738 | 0 |
| Tom Hartshorn, Executive Vice President, Merchandising | 2000 | 201,674 | 85,100 | 3,584 | 0 |
| | 1999 | 181,249 | 100,300 | 4,081 | 0 |
| | 1998 | 167,083 | 110,400 | 3,502 | 0 |
| Stonie O'Briant, Executive Vice President, Operations | 2000 | 245,842 | 103,500 | 5,758 | 0 |
| | 1999 | 219,167 | 112,100 | 4,059 | 0 |
| | 1998 | 186,667 | 117,300 | 2,525 | 0 |
| Earl Weissert Executive Vice President, Operations(6) | 2000 | 297,510 | 170,000 | 23,463 | 0 |
| | 1999 | 201,875 | 0 | 93,467 | 0 |
| | 1998 | 0 | 0 | 0 | 0 |

 (1) The amounts reported in this column include gross-ups for tax

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reimbursements and \$42,831 reimbursed to Mr. Burr for relocation expenses in 2000.

- (2) Includes options granted under the Stock Plus program, which awards grants to key employees who maintain a specified level of stock ownership, as well as options granted under the Stock Incentive Program which are tied to employee and company performance. All share amounts have been adjusted to reflect all common stock splits as of the date of this report.
- (3) Includes contributions to retirement and deferred compensation plans in 2000, 1999 and 1998.
- (4) Mr. Burr left the Company in February 2001.
- (5) Mr. Carpenter retired effective as of October 1, 2001.
- (6) Mr. Weissert left the Company in January 2001.

 OPTIONS GRANTED IN LAST FISCAL YEAR

The following table provides information as to options granted to the Named Executive Officers during 2000. The Company granted no Stock Appreciation Rights in 2000, and no Named Executive Officer holds any Stock Appreciation Rights.

=====

| Name | Number of Securities Underlying Options Granted (#) (1) | % of Total Options Granted to Employees In 2000 (%) | Exercise or Base Price (\$/Share) | Expiration Date | Potenti |
|-------------------|---|---|-----------------------------------|-----------------|------------|
| | | | | | Assumed An |
| ----- | | | | | |
| Individual Grants | | | | | |
| ----- | | | | | |
| | | | | | 5% |
| Cal Turner, Jr. | 109,425 | 3.54 | \$ 21.25 | 4/4/2010 | 1,462 |
| | 54,712 | | \$ 21.25 | 4/4/2010 | 731 |
| | 41,031 | | \$ 17.31 | 6/5/2010 | 446 |
| ----- | | | | | |
| Brian Burr | 33,593 | 1.14 | \$ 21.25 | 4/4/2010 | 448 |
| | 16,793 | | \$ 21.25 | 4/4/2010 | 224 |
| | 15,675 | | \$ 17.31 | 6/5/2010 | 170 |
| ----- | | | | | |
| Bob Carpenter | 25,713 | 2.84 | \$ 14.65 | 2/21/2010 | 236 |
| | 12,861 | | \$ 14.65 | 2/21/2010 | 118 |

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| | | | | | |
|-----------------|--------|-------|----------|-----------|-------|
| | 19,040 | | \$ 14.65 | 2/21/2010 | 175 |
| | 9,523 | | \$ 14.65 | 2/21/2010 | 87 |
| | 74,125 | | \$ 21.25 | 4/4/2010 | 990 |
| | 23,293 | | \$ 17.31 | 6/5/2010 | 253 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Tom Hartshorn | 9,852 | 1.66 | \$ 14.65 | 2/21/2010 | 90 |
| | 4,921 | | \$ 14.65 | 2/21/2010 | 45 |
| | 13,553 | | \$ 14.65 | 2/21/2010 | 124 |
| | 6,772 | | \$ 14.65 | 2/21/2010 | 62 |
| | 33,593 | | \$ 21.25 | 4/4/2010 | 448 |
| | 16,793 | | \$ 21.25 | 4/4/2010 | 224 |
| | 10,856 | | \$ 17.31 | 6/5/2010 | 118 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Stonie O'Briant | 33,593 | 1.14 | \$ 21.25 | 4/4/2010 | 448 |
| | 16,793 | | \$ 21.25 | 4/4/2010 | 224 |
| | 15,675 | | \$ 17.31 | 6/5/2010 | 170 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Earl Weissert | 33,593 | 1.14 | \$ 21.25 | 4/4/2010 | 448 |
| | 16,793 | | \$ 21.25 | 4/4/2010 | 224 |
| | 15,675 | | \$ 17.31 | 6/5/2010 | 170 |

=====

(1) Options granted under the Stock Incentive Program will vest nine and one-half years from the date of grant. These options may vest on an accelerated basis upon the attainment of individual and Company performance goals. Each Named Executive Officer met Company stock ownership requirements to receive additional grants under the Stock Plus Program. Option grants for each Named Executive Officer are listed in the following order: (1) Stock Incentive Program grants which for purposes of accelerated vesting are tied to earnings goal one, (2) Stock Incentive Program grants which for purposes of accelerated vesting are tied to earnings goal two and (3) Stock Plus Program grants. All share amounts and prices have been adjusted to reflect all common stock splits as of the date of this report.

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

The following table provides information as to options exercised or held by the Named Executive Officers during 2000.

=====

| Name | Shares Acquired on Exercise (#) | Value Realized (\$)(1) | Number of Securities Underlying Unexercised Options at Fiscal Year End | | Exercis |
|-------|---------------------------------------|------------------------------|--|---------------|---------|
| | | | Exercisable | Unexercisable | |
| ----- | ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|-----------------|---------|-----------|---------|---------|------|
| Cal Turner, Jr. | 357,621 | 2,443,516 | 41,200 | 864,542 | |
| Brian Burr | 0 | 0 | 142,160 | 192,813 | 24 |
| Bob Carpenter | 0 | 0 | 398,000 | 377,354 | 4,54 |
| Tom Hartshorn | 50,000 | 870,975 | 388,814 | 246,879 | 4,71 |
| Stonie O'Briant | 142,712 | 2,100,002 | 172,916 | 255,250 | 81 |
| Earl Weissert | 0 | 0 | 18,750 | 0 | |

EMPLOYEE RETIREMENT PLAN

The Dollar General Corporation 401(k) Savings and Retirement Plan (the "401(k) Plan") became effective on January 1, 1998. Balances in two earlier plans were transferred into the 401(k) Plan.

The Company makes a discretionary annual contribution, which has generally been equal to 2% of each eligible employee's compensation. Seventy-five percent of this contribution will be made in cash, while the remaining twenty-five percent will be contributed in the Company's Common Stock. Eligible employees are not required to make any additional contributions in order to receive this contribution from the Company. However, participants may elect to contribute between 1% and 15% of their annual salary, up to a maximum annual contribution of \$10,500. The Company will match fifty percent of employee contributions, up to 6% of annual salary.

The 401(k) Plan covers substantially all employees, including the Named Executive Officers, subject to certain eligibility requirements. The 401(k) Plan is subject to the Employee Retirement and Income Security Act ("ERISA").

A participant's right to claim a distribution of his or her account balance is dependent on ERISA guidelines, Internal Revenue Service regulations and the vesting schedule below:

- (1) Market value of underlying securities at exercise, minus the exercise price.

| | | |
|--|-----------------------------------|-----------|
| Employee Contributions | Immediately Vested | |
| Dollar General Discretionary Contribution (2%) | Immediately Vested | |
| Employer Matching Contribution | At the end of the 1st - 3rd Years | 0% Vest |
| | At the end of the 4th Year | 40% Vest |
| | At the end of the 5th Year | 100% Vest |

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As of February 2, 2001, Messrs. Turner, Carpenter, Burr, O'Briant, Hartshorn and Weissert had 35, 19, 2, 9, 9 and 1 years of credited service, respectively. The estimated present value of benefits under the plan as of January 1, 2001, was \$723,768 for Cal Turner, Jr.; \$343,971 for Bob Carpenter; \$200,117 for Brian Burr; \$125,709 for Stonie O'Briant; \$122,817 for Tom Hartshorn; and \$12,592 for Earl Weissert. Upon retirement, each participant has the option of taking a lump sum or an average annual payment over a 10-year period.

OTHER EXECUTIVE BENEFITS

The Company offers the Supplemental Executive Retirement Plan (the "SERP") and Compensation Deferral Plan (the "CDP") to certain key employees who are determined to be eligible by the CGC Committee. Pursuant to the CDP, participants make annual elections to defer up to 100% of base pay, reduced by any deferrals to the qualified plan, and up to 100% of bonus. All participants are 100% vested for all compensation deferrals. Pursuant to the SERP, the Company makes an annual contribution to all participants who are actively employed on December 31. The contribution percentage is based on age plus service where:

| Age plus Service | Percent of Base plus Bonus | |
|------------------|----------------------------|----------|
| ----- | ----- | ----- |
| | Non-Officer | Officers |
| | ----- | ----- |