DOLLAR GENERAL CORP
Form DEF 14A
April 30, 2003

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 (Amendment No. ___)

Filed by the Registrant

[X]

Filed by a Party other than the Registrant

[ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ]

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Under Rule 14a-12

DOLLAR GENERAL CORPORATION

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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(1)

Title of each class of securities to which transaction applies: N/A

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Total fee paid: N/A

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1)

Amount previously paid: N/A

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Form, Schedule or Registration Statement No.: N/A

(3)

Filing Party: N/A

(4)

Date Filed: N/A

Dollar General Corporation

100 Mission Ridge

Goodlettsville, Tennessee 37072

Dear Shareholder:

The Notice of Annual Meeting and the Proxy Statement for our 2003 Annual Meeting of Shareholders are enclosed with this letter. We hope you find them interesting and useful in understanding the state of your company.

The Annual Meeting will be held on Monday, June 2, 2003, at 10:00 a.m. Central Time, at Goodlettsville City Hall Auditorium, 105 South Main Street, Goodlettsville, Tennessee, and you are most welcome to attend.

At this year s meeting, you will have an opportunity to vote on the election of directors and on an amendment to Dollar General s 1998 Stock Incentive Plan, as well as to ratify the selection of Ernst & Young LLP as Dollar General s independent auditors. We have invited representatives from Ernst & Young to attend the meeting. In addition to the formal voting, we will discuss Dollar General s performance during the past fiscal year and then answer your questions as best we can.

Your interest in Dollar General and your vote are very important to us. Please review the Proxy Statement and our Annual Report in detail and return your proxy card as soon as possible so your vote can be represented at the Annual Meeting. For those of you who plan to visit with us in person at the Annual Meeting, we look forward to seeing you.

Sincerely,

/s/ Susan S. Lanigan

Susan S. Lanigan

Vice President, General Counsel

and Corporate Secretary

April 30, 2003

Dollar General Corporation

100 Mission Ridge

Goodlettsville, Tennessee 37072

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

DATE:	Monday, June 2, 2003
TIME:	10:00 a.m., local time
PLACE:	Goodlettsville City Hall Auditorium 105 South Main Street Goodlettsville, Tennessee
ITEMS OF BUSINESS:	1) To elect directors; 2) To consider and vote on an amendment to the Dollar General Corporation 1998 Stock Incentive Plan; and 3) To ratify the appointment of the independent auditors for 2003.
WHO MAY VOTE:	You can vote if you were a shareholder of record on April 10, 2003.

By Order of the Board of Directors,

/s/ Susan S. Lanigan

Susan S. Lanigan

Goodlettsville, Tennessee

Vice President, General Counsel and Corporate

April 30, 2003 *Secretary*

Please vote your proxy as soon as possible even if you expect to physically attend the Annual Meeting. You may vote your proxy electronically or by phone according to the instructions on the enclosed card, or sign, date and return the enclosed proxy card in the enclosed reply envelope. No postage is necessary if the proxy is mailed within the United States. You may revoke the proxy by following the instructions listed on page 4 of the proxy statement.

DOLLAR GENERAL CORPORATION

Proxy Statement for

2003 Annual Meeting of Shareholders

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GENERAL INFORMATION

What is this document?

This document is the Proxy Statement of Dollar General Corporation for the Annual Meeting of Shareholders to be held on Monday, June 2, 2003. A form of proxy card accompanies this document. This document is first being mailed to shareholders on or about April 30, 2003.

We have tried to make this document simple and easy to understand. The Securities and Exchange Commission (SEC) encourages companies to use plain English and we will always try to communicate with you clearly and effectively. We will refer to our company throughout as we or us or Dollar General.

Throughout this document, 2002 refers to our fiscal year ended January 31, 2003, 2001 refers to our fiscal year ended February 1, 2002, and 2000 refers to our fiscal year ended February 2, 2001. All share amounts have been adjusted to reflect the effects of all common stock splits declared on or before April 10, 2003.

Why am I receiving this document?

We are sending this document and the form of proxy card to you to solicit your proxy to vote upon certain matters at the annual meeting.

Who is paying the costs of this document and the solicitation of my proxy?

All expenses of this solicitation, including the cost of preparing and mailing this document, will be borne by Dollar General.

Who is soliciting my proxy and will anyone be compensated to solicit my proxy?

Your proxy is being solicited by and on behalf of our Board of Directors. In addition to solicitation by use of the mails, proxies may be solicited by our officers and employees in person or by telephone, telegram, electronic mail, facsimile transmission or other means of communication. Our officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses in connection with any solicitation. We also may reimburse custodians, nominees and fiduciaries for their expenses in sending proxies and proxy material to beneficial owners.

We also have retained Morrow & Co., Inc. to assist us in the solicitation of proxies. We will pay Morrow a fee of $5,000, plus reimbursement of out-of-pocket expenses, in connection with their solicitation services.

Who may attend the annual meeting?

Only shareholders, their proxy holders and our invited guests may attend the annual meeting. If you plan to attend the annual meeting, please detach the admission ticket from the enclosed proxy card and bring it with you. If you do not bring your admission ticket to the annual meeting, you will be admitted only if we can verify that you are a shareholder. If your shares are held by a broker, bank or other nominee in street name, you must bring a copy of the account statement reflecting your stock ownership as of April 10, 2003 and check in at the registration desk at the meeting. We also will require photo identification for admission.

What if I have a disability?

If you are disabled and would like to participate in the annual meeting, we can provide reasonable assistance. Please write to our Corporate Secretary, Dollar General Corporation, 100 Mission Ridge, Goodlettsville, TN 37072, at least two weeks before the annual meeting.

What is Dollar General Corporation?

We are a leading discount retailer of quality general merchandise at everyday low prices. As of April 10, 2003, we operated 6,276 Dollar General stores in 27 states. Through conveniently located stores, we offer a focused assortment of consumable basic merchandise including health and beauty aids, packaged food products, home cleaning supplies, housewares, stationery, seasonal goods, basic clothing and domestics. Our stores serve primarily low-, middle- and fixed-income families.

Where is Dollar General Corporation located?

We conduct our business from offices located at 100 Mission Ridge, Goodlettsville, TN 37072. Our telephone number is 615-855-4000.

Where is Dollar General common stock traded?

Our common stock is traded and quoted on the New York Stock Exchange under the symbol DG.

VOTING MATTERS

What am I voting on?

You will be voting on the following:

- the election of directors;
- amendments to the Dollar General 1998 Stock Incentive Plan; and
- the ratification of the appointment of our auditors.

Who is entitled to vote?

You may vote if you were the record owner of shares of Dollar General common stock on the close of business on April 10, 2003. Each share of stock is entitled to one vote. As of April 10, 2003, there were 333,513,979 shares of Dollar General common stock outstanding.

May other matters be raised at the annual meeting; how will the meeting be conducted?

We are not currently aware of any business to be acted upon at the annual meeting other than the three matters described above. Under Tennessee law and our governing documents, no other business aside from procedural matters may be raised at the annual meeting unless proper notice has been given to the shareholders. If other business is properly raised, your proxies have authority to vote as they think best, including to adjourn the meeting.

The Chairman has broad authority to conduct the annual meeting so that the business of the meeting is carried out in an orderly and timely manner. In doing so, he has broad discretion to establish reasonable rules for discussion, comments and questions during the meeting. The Board of Directors has decided that our annual meeting will be conducted in accordance with the American Bar Association s Handbook for the Conduct of Shareholders Meetings published in 2000, including the supplemental rules thereto, as modified by our Board. The Chairman is also entitled to rely upon applicable law regarding disruptions or disorderly conduct to ensure that the annual meeting proceeds in a manner that is fair to all participants.

How do I vote?

Proxies may be voted by returning the printed proxy card, or by voting via telephone or Internet. For more information about how to vote your proxy, please see the instructions on your proxy card.

In addition to voting by proxy, you may vote in person at the annual meeting. However, in order to assist us in tabulating votes at the annual meeting, we encourage you to vote by proxy even if you plan to be present at the annual meeting.

How will my proxy be voted?

The individuals named on the proxy card will vote your proxy in the manner you indicate on the proxy card. If your proxy card is signed but does not contain specific instructions, your proxy will be voted: FOR all of the directors nominated, FOR approval of the amendment to the Dollar General 1998 Stock Incentive Plan and FOR ratification of Ernst & Young LLP as our independent auditors for 2003.

Can I change my mind and revoke my proxy?

Yes. To revoke a proxy given pursuant to this solicitation, you must:

- sign another proxy with a later date and return it to our Corporate Secretary at or before the annual meeting;
- provide our Corporate Secretary with a written notice of revocation dated later than the date of the proxy at or before the annual meeting; or
- attend the annual meeting and vote in person. Note that attendance at the annual meeting will not revoke a proxy if you do not actually vote at the annual meeting.

What if I receive more than one proxy card?

Multiple proxy cards mean that you have more than one account with brokers or our transfer agent. Please vote all of your shares. We also recommend that you contact your broker and our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Registrar and Transfer Company, P.O. Box 1010, Cranford, New Jersey 07016-3572, and it may be reached at 1-800-368-5948.

How will abstentions and broker non-votes be treated?

Abstentions and broker non-votes will be treated as shares that are present and entitled to vote for purposes of determining whether a quorum is present, but will not be counted as votes cast either in favor of or against a particular proposal.

What are broker non-votes?

If you are the beneficial owner of shares held in street name by a broker, your broker is the record holder of the shares, however the broker is required to vote those shares in accordance with your instructions. If you do not give instructions to your broker, your broker may vote the shares with respect to discretionary items, routine matters like uncontested elections of directors, the proposed amendments to the stock incentive plan, and the appointment of auditors, but the broker may not vote your shares with respect to non-discretionary items. In the case of non-discretionary items, the affected shares will be treated as broker non-votes. To avoid giving them the effect of negative votes, broker non-votes are disregarded for the purpose of determining the total number of votes cast or entitled to vote with respect to a proposal.

How many votes must be present to hold the annual meeting?

A quorum must be present at the annual meeting for any business to be conducted. A quorum exists when the holders of a majority of the 333,513,979 shares of Dollar General common stock outstanding on April 10, 2003 are present at the meeting, in person or by proxy.

How many votes are needed to elect directors and approve other matters?

Directors are elected by a plurality of the votes cast by the holders of shares entitled to vote at the annual meeting. This means that the director nominee with the most affirmative votes for a particular slot is elected for that slot. You may vote in favor of all nominees, withhold your vote as to all nominees or withhold your vote as to specific nominees.

Every proposal submitted to the shareholders at the annual meeting, other than the election of directors, will be approved if the votes cast for the proposal exceed the votes cast against it.

Will my vote be confidential?

Yes. We will continue our practice of keeping the votes of all shareholders confidential. Shareholder votes will not be disclosed to our directors, officers, employees or agents, except:

- to allow the independent inspectors of election to certify the results;
- as necessary to meet applicable legal requirements and to assert or defend claims for or against us;
- in the case of a contested proxy solicitation; or
- when a shareholder makes a written comment on the proxy card or otherwise communicates the vote to management.

PROPOSAL 1:

ELECTION OF DIRECTORS

What is the structure of the Board of Directors?

Our Board of Directors must consist of at least three but not more than fifteen directors, but the exact number is set by the Board. The Board of Directors has fixed the size of the Board at twelve effective June 2, 2003. All directors are elected annually by our shareholders.

Who are the nominees this year?

The nominees for the Board of Directors consist of eleven current directors who were elected at our 2002 annual meeting and one additional director nominee, David A. Perdue, Jr., who was elected to the Board on April 2, 2003 by unanimous vote of the directors, exercising their authority to fill vacancies on the Board. Cal Turner, Jr. is not standing for re-election. If elected, each nominee would hold office until the 2004 annual meeting of shareholders or until his or her successor is elected and qualified. These nominees, their ages and the year in which they first became a director are as follows:

Name	Age	Director Since
David L. Beré	50	2002
Dennis C. Bottorff	58	1998
Barbara L. Bowles	55	2000
James L. Clayton	69	1988
Reginald D. Dickson	57	1993
E. Gordon Gee	59	2000
John B. Holland	71	1988
Barbara M. Knuckles	55	1995
David A. Perdue, Jr.	53	2003
James D. Robbins	56	2002
David M. Wilds	62	1991
William S. Wire, II	71	1989

What is the background of this year s nominees?

David L. Beré has served as President and Chief Executive Officer and as a director of Bakery Chef, Inc., a specialty frozen baking company and a wholly owned subsidiary of Value-Added Bakery Holding Company, a partnership formed by Mr. Beré, since 1998. From 1996 to 1998, Mr. Beré served as President and Chief Executive Officer of McCain Foods USA, a manufacturer and marketer of frozen foods and a subsidiary of McCain Foods Limited. From 1978 to 1995, Mr. Beré worked for The Quaker Oats Company and served as President of the Breakfast Division from 1992 to 1995 and President of the Golden Grain Division from 1990 to 1992. Mr. Beré currently serves on the Board of Advisors for the Alford Group, Inc., the Board of Trustees of Fuller Theological Seminary, and the Dean s Advisory Council Indiana University Kelly School of Business.

Dennis C. Bottorff has served as Chairman of Council Ventures, an investment firm, 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 (1991-1999) and Chairman (1995-1999) of First American Corporation. Mr. Bottorff is a director of Ingram Industries, a privately held provider of wholesale distribution, inland marine transportation and insurance services, and Lancope, Inc., a developer of behavorial-based intrusion detection systems for network security, and serves on the Board of Trustees of Vanderbilt University. He also served until April 2003 as a director of MEMX, Inc., a developer of horizontal micro-electronic mechanical systems applications.

Barbara L. Bowles currently serves as Chairman and Chief Executive Officer of The Kenwood Group, Inc., an equity investment advisory firm that she founded in 1989. Ms. Bowles also started The Kenwood Funds (Kenwood Growth and Income Fund) in 1996. She previously served as Vice President, Investor Relations 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 also is a trustee of Fisk University.

James L. 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. He also is a Director of Branch Banking and Trust Co. of North Carolina, and Regional Chairman of Branch Banking and Trust Co. of Tennessee.

Reginald D. Dickson has served as Chairman (since 1996) and Chief Executive Officer (since 2001) of Buford, Dickson, Harper & Sparrow, Inc., Investment Advisors, and as 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.

E. Gordon Gee has served as Chancellor of Vanderbilt University since 2000. Dr. Gee previously served as President of Brown University from 1998 until 2000, and 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., Massey Energy, Inc. and Gaylord Entertainment Company.

John B. Holland has served as President and Chief Executive Officer of Fruit of the Loom, Inc., a manufacturer of underwear and other soft goods, since May 2001, and as a director of that company since 1999. Mr. Holland also served as Executive Vice President, Operations (1999-2001), consultant (1996-1999), and President and Chief Operating Officer (1976-1996) of Fruit of the Loom. Fruit of the Loom filed a petition for bankruptcy on December 29, 1999.

Barbara M. Knuckles has served as Director of Development and Corporate Relations for North Central College in Naperville, Illinois since 1992, and as a director of Harris Bank of Naperville, Illinois since 1990. Ms. Knuckles served as a director of J.R. Short Milling Company, a privately held specialty corn-milling company, from 1988 to 2002, and as a director of Edward Hospital Services Corp. from 1988 to 1999. From 1988 to 1992, Ms. Knuckles was a private investor managing several family businesses. Ms. Knuckles also served as a Corporate Vice President both for Beatrice Foods, Inc. (1978-1986) and for The Wirthlin Group (1986-1988).

David A. Perdue, Jr. currently serves as the Chief Executive Officer and a director of Dollar General. Prior to joining Dollar General on April 2, 2003, Mr. Perdue served as Chairman and Chief Executive Officer of Pillowtex Corporation, a leading producer and marketer of home textiles, from July 2002 through March 27, 2003. Mr. Perdue also served as Executive Vice President (January 2001 to July 2002) and Senior Vice President, Global Supply Chain (September 1998 to October 1999) of Reebok International Ltd., as well as President and Chief Executive Officer (January 2001 to July 2002) and Executive Vice President, Global Operating Units (October 1999 to January 2001) of the Reebok Brand. From 1994 to September 1998, Mr. Perdue was Senior Vice President of Haggar, Inc., where he was responsible for all aspects of operations from planning through distribution. From 1992 until 1994, he was based in Hong Kong as Senior Vice President of Operations for Sara Lee Corp. Mr. Perdue also has served as a director of Alliant Energy Corporation since 2001.

James D. Robbins served as Managing Partner of the Columbus, Ohio office of PricewaterhouseCoopers L.L.P. from 1993 until his retirement in 2001. Mr. Robbins is a director (and chairman of the audit committee) of both Huntington Preferred Capital, Inc., and TEAM America, Inc.

David M. Wilds has served as Managing Partner of 1st Avenue Partners, L.P., a private equity partnership, and as a senior advisor for The Family Office, a limited liability company formed by the family of Mr. Turner, our Chairman, 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 Cumberland Health Systems, Inc., an owner and operator of psychiatric hospitals. Mr. Wilds currently serves as a director of Internet Pictures Corporation (since 2001), iPayment Technologies (since 2001) and Symbion Inc. (since 1998).

William S. Wire, II served as Chairman of Genesco, Inc., a manufacturer, wholesaler and retailer of footwear and clothing, from 1986 until his retirement in 1994. Mr. Wire also served as Chief Executive Officer (1986-1993) and

Vice President Finance and Chief Financial Officer (1974-1986) of Genesco. Mr. Wire currently serves as a director of Genesco.

What if a nominee is unwilling or unable to serve?

That is not expected to occur. If it does, proxies will be voted for a substitute designated by our Board of Directors.

Are there any familial relationships between any of the nominees?

There are no familial relationships between any of the nominees.

How often did the Board meet in 2002?

Our Board of Directors met 8 times during 2002. Each director attended at least 75% of the total of all meetings of the Board and all committees on which he or she served.

What are the standing committees of the Board?

Our Board of Directors has the following standing committees: audit, compensation and nominating and corporate governance. Our Board has adopted a written charter for each of these committees. A copy of the charter of the Audit Committee is attached to this proxy statement as **Appendix A**. Current information regarding these committees is set forth below.

Name of Committee & Members	Functions of the Committee	Number of Meetings in 2002
AUDIT:	•	12
Mr. Wire, Chairman	Appoints and oversees outside auditors	
Ms. Knuckles		

Mr. Robbins	• Acts as liaison between the Board and outside auditors • Reviews audit fees • Discusses the independence of our outside auditors • Pre-approves all audit and non-audit services rendered by our outside auditors • Develops procedures to receive information and address complaints regarding the status of our financial condition and effectiveness of our internal controls and audit process • Reviews internal accounting controls and systems, including internal audit plan • Reviews results of the annual audit • Discusses generally earnings press releases • Reviews our accounting policies and any changes to those policies	
COMPENSATION:	•	8

Dr. Gee, Chairman Mr. Beré Mr. Clayton Mr. Dickson	Establishes and reviews salaries, bonuses, equity-based incentives and other benefits of senior management • Reviews and recommends CEO compensation • Reviews and reports on human resources policies, programs and plans • Reviews equity incentive and other compensation plans • Reviews and recommends director compensation • Evaluates and reports on CEO performance • Administers stock compensation plans	
NOMINATING AND CORPORATE GOVERNANCE: Mr. Bottorff, Chairman Ms. Bowles Mr. Wilds	• Considers and recommends to the Board nominees for director • Considers nominees recommended by shareholders in writing to the Secretary of Dollar General prior to the annual deadline for submission of shareholder proposals in accordance with Dollar General s Bylaws. A full statement of qualifications and an indication of	9

the person's willingness to serve must accompany the recommendation.

- Proposes nominees to serve on Board committees
- Evaluates Board and individual director performance and effectiveness
- Reviews and recommends changes to corporate governance policies and practices and matters relating to corporate compliance

How are directors compensated?

Directors receive a $5,000 quarterly retainer plus $1,250 for attending each regular Board or committee meeting. Committee chairpersons receive an additional $250 for each committee meeting attended. Compensation for telephonic meetings is one-half the above rates. Directors who also are Dollar General officers do not receive any separate compensation for attending Board or committee meetings. In addition, directors who are not Dollar General employees are entitled to receive nonqualified options for the purchase of Dollar General common stock pursuant to our 1998 Stock Incentive Plan. The number of shares granted is dependent upon current director compensation levels and the fair market value of the stock on the grant date.

Our Board has taken action such that, immediately following the conclusion of the annual meeting, the quarterly retainer for directors will be increased to $6,250. Also, the $250 per meeting fee paid to committee chairpersons will be eliminated and replaced with an additional quarterly retainer of $1,250. In addition, if the amendments to our 1998 Stock Incentive Plan described in this document are approved by our shareholders at the annual meeting, our directors will be entitled to receive grants of restricted stock units rather than nonqualified options pursuant to that plan. See Proposal 2: Amendment to the Dollar General Corporation 1998 Stock Incentive Plan below for further information regarding the grants of restricted stock units.

Non-employee directors may defer all or a part of any fees normally paid by us to them 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 that mirrors the performance of a fund selected by the Compensation Committee, or in a phantom stock account which mirrors the performance of our 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 compensation deferral plan) of Dollar General.

What does the Board of Directors recommend?

Our Board of Directors recommends that you vote **FOR** the election of each of these nominees.

TRANSACTIONS WITH MANAGEMENT AND OTHERS

Except as disclosed under Executive Compensation, and except as set forth below, our executive officers, directors and director nominees did not have significant business relationships with us which would require disclosure under applicable SEC regulations and no other transactions which need to be disclosed are currently planned for the 2003 fiscal year.

John B. Holland, one of our directors, was a director and executive officer of Fruit of the Loom, Inc., a manufacturer of underwear and other soft goods, during 2002. In 2002, we purchased approximately $41 million in goods from Fruit of the Loom, Inc. in the ordinary course of business.

In July and August of 2002, Cal Turner, Jr., our Chairman, made voluntary payments to Dollar General totaling approximately $6.8 million in cash. Of that amount, approximately $6.0 million represented the value on April 10, 2002 of stock Mr. Turner acquired on April 7, 1999 and April 20, 2000 upon the exercise of stock options (net of the strike price of those options), which stock Mr. Turner continues to own, and approximately $0.8 million represented the value of performance-based bonuses he received in April 1999 and April 2000. Mr. Turner voluntarily paid these amounts because the options vested and the performance bonuses were paid based on performance measures that were attained under our originally reported financial results for the period covered by our restatement of certain previously released financial information. Those measures would not have been attained under the subsequently restated results. For further information about the restatement, please see our Annual Report on Form 10-K for the fiscal year ended January 31, 2003.

Pursuant to law and our governing corporate documents, we advanced to our directors and certain of our officers, employees and agents reasonable expenses, including legal fees, for representation in connection with legal proceedings and an investigation by the SEC arising out the restatement referred to above. The legal proceedings are no longer pending. Accordingly, no additional advances will be made in connection with those proceedings. However, we continue to advance to those persons reasonable expenses for representation in connection with the SEC investigation. These advances are made pursuant to a written undertaking by each such person to repay in full the amounts advanced if it is ultimately determined that such person is not entitled to indemnification by us in connection with such legal proceedings and investigations. No interest is charged on these advances. In 2002, the expenses we advanced were less than $60,000 for each of our directors and executive officers except for Cal Turner, Jr., John Holland and James Hagan to whom we advanced $363,487, $61,766 and $100,080, respectively. Because the SEC investigation is ongoing, we cannot reasonably estimate the total amount of expenses that may ultimately be advanced or be advanced in 2003 to our directors and executive officers individually or in the aggregate.

EXECUTIVE OFFICERS

Who are our executive officers and what are their backgrounds?

The backgrounds of our current executive officers are set forth below, other than David A. Perdue, Jr., our Chief Executive Officer, whose background is set forth above under the heading Proposal 1: Election of Directors.

Name, Age, Position with Dollar General	Business Experience
Donald S. Shaffer, 60 President and Chief Operating Officer	Mr. Shaffer joined Dollar General as President and Chief Operating Officer in May 2001. He also served as Acting Chief Executive Officer from November 2002 until April 2, 2003. 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 was 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, he 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.
James J. Hagan, 44 Executive Vice President, Chief Financial Officer	Mr. Hagan joined Dollar General as Executive Vice President and Chief Financial Officer in March 2001. From June 2000 through March 2001, he 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. From May 1996 through April 1999, he served as Executive Vice President and Chief Financial Officer of Bruno s Inc., a supermarket operator. Mr. Hagan also previously served as Executive Vice President and Chief Financial Officer of Revco D.S., Inc.

Tom J. Hartshorn, 52 Executive Vice President, Merchandising	Mr. Hartshorn joined Dollar General as Vice President, Operations in 1992 and became Vice President, Merchandising Operations in 1993. He was named Senior Vice President, Logistics and Merchandising Operations in February 2000 and assumed his present position in February 2001. Before joining Dollar General, Mr. Hartshorn was Director of Store Operations for McCrory/TG&Y, a retailing company. Mr. Hartshorn joined TG&Y in 1968 and held various operations management positions, including Corporate Directors of Store Operations, Expense and Budget Control; Territorial Director of Store Operations; District Manager; and Store Manager.
Stonie R. O Briant, 49 Executive Vice President, Operations	Mr. O Briant joined Dollar General in 1991 as Divisional Merchandise Manager. Mr. O Briant was named General Merchandise Manager in 1992, Vice President, Merchandising in 1995, Senior Vice President, Merchandising and MIS in 1998, and Executive Vice President in 2000. He was promoted to his current position in February 2001. Before joining Dollar General, Mr. O Briant spent 17 years 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 Goods. He also owned his own business, O Briant Enterprises, Inc. from 1989 to 1991, specializing in the service sector serving retail and wholesale customers and the military.
Melissa J. Buffington, 45 Senior Vice President, Human Development and Planning	Ms. Buffington joined Dollar General as Vice President, Human Resources in October 1999 before becoming Vice President and Chief Administrative Officer in February 2001. She was promoted to Senior Vice President, Human Development and Planning in September 2002. Before joining Dollar General, she served as Executive Vice President, Human Resources of First American Corporation, a bank holding company. She spent seven years with First American, holding various top management positions, including Senior Vice President, Quality Management, and Assistant Director, Strategic Planning. Ms. Buffington s work experience also includes six years with NationsBank where she held positions as Assistant Vice President, Cost and Profitability Management and Senior Financial Analyst.
Susan S. Lanigan, 40 Vice President, General Counsel and Corporate Secretary	Ms. Lanigan joined Dollar General in July 2002 as Vice President, General Counsel and Corporate Secretary. Prior to joining Dollar General, Ms. Lanigan served as Senior Vice President, General Counsel and Secretary at Zale Corporation, a specialty retailer of fine jewelry, headquartered in Irving, Texas. During her six years with Zale, Ms. Lanigan held various positions, including Associate General counsel, before being promoted to Vice President in 1997. Prior to that, she held legal positions with both Turner Broadcasting System, Inc. and Troutman Sanders law firm.

Robert A. Lewis, 41 Vice President, Controller	Mr. Lewis joined Dollar General 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 then wholly-owned subsidiary of Claire s Stores, Inc. Mr. Lewis served as Vice President of Finance from February 1996 until May 1999, and as Controller from November 1988 until May 1999, for Claire s Stores, Inc., an international retailer of value-priced costume jewelry and accessories. Prior to joining Claire s Stores, Mr. Lewis was employed with Arthur Andersen & Co.

What are the terms of office of our executive officers?

All of our executive officers serve at the pleasure of the Board of Directors, and, in the case of Messrs. Perdue, Shaffer and Hagan, pursuant to employment agreements. *See* Executive Compensation - Other Executive Benefits.

Are there any familial relationships between any of our executive officers or directors?

There are no familial relationships between any of our executive officers or between any of our executive officers and any member of the Board of Directors.

EXECUTIVE COMPENSATION

The following tables discuss the compensation earned or accrued in 2002, 2001 and 2000 by those persons who served during 2002 in the capacity as Chief Executive Officer or were one of our other four most highly compensated executive officers in 2002. In particular, the table entitled Option Grants in Last Fiscal Year sets forth all options to acquire Dollar General common stock granted to these officers during 2002 and the table entitled Aggregated Option Exercises in the Last Fiscal Year and Year-End Values sets forth the number and value of unexercised options held by these officers at the end of 2002. We granted no stock appreciation rights in 2002, and none of these officers holds any stock appreciation rights. We will refer to these officers as our named executive officers throughout this document.

Summary Compensation Table

		Annual Compensation			Long-term Compensation Awards		
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Restricted Stock Awards ($)**	**Securities Underlying Options (#)[1]**	**All Other Compensation ($)**
Cal Turner, Jr., *Chairman*[2]	2002	800,030	374,320	17,578	0	446,925	250,795 [3]
	2001	795,864	800,000	20,145	0	111,785	35,255
	2000	775,029	0	22,080	0	205,168	35,014
Donald S. Shaffer, *President and Chief Operating Officer*[4]	2002	639,060	336,891	16,075	0	137,600	136,037 [6]
	2001	425,016	600,000	101,782 [5]	318,800	332,041	11,400
	2000	0	0	0	0	0	0
James J. Hagan, *Executive Vice President and Chief Financial Officer*[7]	2002	391,679	187,160	3,568	0	62,800	38,259 [9]
	2001	312,870	262,500	89,363 [8]	224,800	132,564	3,750
	2000	0	0	0	0	0	0
Tom J. Hartshorn, *Executive Vice President, Merchandising*	2002	267,508	128,672	7,575	0	62,800	54,675 [10]
	2001	225,841	172,500	5,578	0	109,184	12,098
	2000	201,674	0	3,584	0	96,340	13,357
Stonie R. O Briant, *Executive Vice President, Operations*	2002	343,345	163,765	7,943	0	123,148	51,161 [11]
	2001	264,593	200,625	6,865	0	35,965	10,025
	2000	245,842	0	5,758	0	66,061	10,415
Melissa J. Buffington, *Senior Vice President, Human Development and Planning*	2002	241,674	96,550	7,199	0	25,200	33,557 [12]
	2001	196,674	150,000	11,515	0	45,111	9,311
	2000	178,756	0	13,493	0	39,712	5,112

(1)

The numbers in this column have been adjusted to reflect all common stock splits as of April 10, 2003.

(2)

Mr. Turner served as our Chief Executive Officer until November 11, 2002.

(3)

Includes $9,566 for Dollar General s contributions to the 401(k) Plan, $27,060 for premiums paid under the Executive Life Plan, $192,003 for Dollar General s contributions to the Supplemental Executive Retirement Plan and $22,166 for Dollar General s contributions to the Compensation Deferral Plan.

(4)

Mr. Shaffer joined Dollar General on May 14, 2001. He served as Acting Chief Executive Officer from November 11, 2002 until April 2, 2003.

(5)

Of the amount listed, $76,359 was a reimbursement for relocation expenses.

(6)

Includes $8,500 for Dollar General s contributions to the 401(k) Plan, $23,144 for premiums paid under the Executive Life Plan, $3,633 for premiums paid under the Disability Insurance Plan, $92,179 for Dollar General s contributions to the Supplemental Executive Retirement Plan and $8,581 for Dollar General s contributions to the Compensation Deferral Plan.

(7)

Mr. Hagan joined Dollar General on March 8, 2001.

(8)

Of the amount listed, $44,357 was a reimbursement on Mr. Hagan s behalf to his previous employer for relocation expenses that he received from, and was required to reimburse to, that previous employer, and $15,480 was reimbursement for a company car that Mr. Hagan purchased from his previous employer.

(9)

Includes $5,259 for premiums paid under the Executive Life Plan, $29,250 for Dollar General s contributions to the Supplemental Executive Retirement Plan and $3,750 for Dollar General s contributions to the Compensation Deferral Plan.

(10)

Includes $9,545 for Dollar General s contributions to the 401(k) Plan, $5,447 for premiums paid under the Executive Life Plan, $5,689 for premiums paid under the Disability Insurance Plan and $32,719 for Dollar General s contributions to the Supplemental Executive Retirement Plan and $1,275 for Dollar General s contributions to the

Compensation Deferral Plan.

(11)

Includes $6,530 for Dollar General s contributions to the 401(k) Plan, $5,252 for premiums paid under the Executive Life Plan, $4,728 for premiums paid under the Disability Insurance Plan, $24,169 for Dollar General s contributions to the Supplemental Executive Retirement Plans and $10,482 for Dollar General s contributions to the Compensation Deferral Plan.

(12)

Includes $9,941 for Dollar General s contributions to the 401(k) Plan, $5,429 for premiums paid under the Executive Life Plan, $17,437 for Dollar General s contributions to the Supplemental Executive Retirement Plan and $750 for Dollar General s contributions to the Compensation Deferral Plan.

Options Granted in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	**Number of Securities Underlying Options Granted**	**% of Total Options Granted to Employees in 2002 (%)**	**Exercise Price (per share) ($)**	**Expiration Date**	**5% ($)**	**10% ($)**
Cal Turner, Jr.	178,725(1)	4.31	15.42	4/19/2012	1,733,195	4,392,257
	268,200(2)	6.47	16.14	8/12/2012	2,722,326	6,898,909
Donald S. Shaffer	137,600(2)	3.32	16.14	8/12/2012	1,396,689	3,539,485
James J. Hagan	62,800(2)	1.51	16.14	8/12/2012	637,442	1,615,404
Tom J. Hartshorn	62,800(2)	1.51	16.14	8/12/2012	637,442	1,615,404
Stonie R. O Briant	15,684(3)	0.38	15.37	3/18/2012	51,603	384,192
	44,664(4)	1.08	15.37	3/18/2012	31,727	1,094,081
	62,800(2)	1.51	16.14	8/12/2012	37,442	1,615,404
Melissa J. Buffington	25,200(2)	0.61	16.14	8/12/2012	55,789	648,219

(1)

These options became exercisable on October 20, 2002.

(2)

These options will become exercisable in increments of 25% on August 12, 2003, August 12, 2004, August 12, 2005 and August 12, 2006, provided that the applicable officer continues to be employed by Dollar General through such dates.

(3)

These options were granted in accordance with Dollar General s Stock Plus program by virtue of the fact that Mr. O Briant maintained the necessary level of common stock ownership under the program. These options became exercisable on September 19, 2002.

(4)

These options became exercisable on September 19, 2002.

Aggregated Option Exercises in the Last Fiscal Year and Year-End Values

	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year-End*	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Cal Turner, Jr.	579,457	884,995	-	$ 2,212,775
Donald S. Shaffer	255,091	214,550	-	-
James J. Hagan	88,614	106,750	-	-
Tom J. Hartshorn	569,122	238,555	$ 1,598,188	$ 503,052
Stonie R. O Briant	357,714	229,565	$ 38,521	$ 437,124
Melissa J. Buffington	105,654	89,980	-	-

*

Based on the closing price of Dollar General s common stock on January 31, 2003 ($11.26).

Employee Retirement Plan

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

Prior to January 1, 2003, we made discretionary annual contributions, which were equal to 2% of each eligible employee s compensation. For the 2002 plan year, this contribution was allocated only to eligible employees who were actively employed as of December 31, 2002. This contribution was made in cash and eligible employees were not required to make any additional contributions in order to receive this contribution. Additionally, participants could elect to contribute between 1% and 15% of their annual salary, up to a maximum annual contribution of $11,000 in calendar year 2002 and $12,000 in calendar year 2003. In addition to the discretionary annual contribution, we made a matching contribution equal to 50% of employee contributions, up to 6% of annual salary.

Effective January 1, 2003, the plan was amended to eliminate the discretionary 2% contribution. Additionally, participants now are permitted to contribute between 1% and 25% of their annual salary, up to a maximum of $12,000 in calendar year 2003. We match these contributions at a rate of 100% of employee contributions, up to 5% of annual salary, after an employee has been employed for one year.

The plan covers all employees, including the named executive officers, subject to certain eligibility requirements. The 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 and Internal Revenue Service regulations. Further, prior to January 1, 2003, the vesting schedule below applied:

Employee Contributions	Immediately Vested
Dollar General Discretionary Contribution (2%)	Immediately Vested
Employer Matching Contribution Effective through 12-31-01	40% Vested at the end of the 4th Year 100% Vested at the end of the 5th Year
Employer Matching Contribution Effective 01-01-02	100% Vested at the end of the 3rd Year

Effective January 1, 2003, all active employees are fully vested in all contributions to the plan.

As of January 31, 2003, Messrs. Turner, Shaffer, Hagan, Hartshorn and O Briant and Ms. Buffington had 37, 1, 1, 11, 11 and 3 years of credited service, respectively. Their account balances under the plan as of January 31, 2003, were

$500,398 (Turner); $17,070 (Shaffer); $0 (Hagan); $118,418 (Hartshorn); $97,398 (O Briant); and $138,721 (Buffington). Upon retirement, each participant has the option of taking a lump sum, an annuity or installment payments.

Other Executive Benefits

We offer 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 Compensation Committee. Pursuant to the CDP, participants make annual elections to defer up to 65% 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, we make an annual contribution to all participants who are actively employed on December 31. The contribution percentage is based on the following schedule of age plus service:

Age Plus Service	**Percent of Base Plus Bonus**	
	Non-Officers	**Officers**
<40	2.0%	3.0%
40-59	3.0%	4.5%
60-79	5.0%	7.5%
80 or more	8.0%	12.0%

As of January 31, 2003, Messrs. Turner, Shaffer, Hagan, Hartshorn and O Briant and Ms. Buffington had age plus service levels equal to 100, 60, 44, 63, 59 and 48, respectively. Their account balances under the SERP and CDP, after taking into account contributions made in respect of 2002, were $4,949,987 (Turner); $650,134 (Shaffer); $33,001 (Hagan); $144,257 (Hartshorn); $477,830 (O Briant); and $64,021 (Buffington). Participants have actual investment funds to choose from which mirror the investment options available in the 401(k) Plan. The SERP is non-qualified and, therefore, is not subject to certain requirements under ERISA. The CDP was amended in 2003 to mirror provisions in the 401(k) Plan.

We have entered into an employment agreement with David A. Perdue, dated April 2, 2003, pursuant to which Mr. Perdue serves as our Chief Executive Officer. The agreement extends to March 31, 2007. Mr. Perdue's agreement provides for:

- minimum base salary of $900,000;
- signing bonus of $270,000 plus 78,865 shares of restricted stock that vest in 5 equal annual increments;
- annual bonus opportunity of up to 160% of his base salary, with a guaranteed payment equal to 50% of his base salary for 2003;
-

options to acquire 1,000,000 shares of our common stock, which vest in 3 equal annual increments (500,000 of which were granted under our 1998 Stock Incentive Plan and 500,000 of which were granted outside of that plan);

- reimbursement for certain expenses associated with his becoming our Chief Executive Officer, including moving expenses and up to $20,000 for accounting and legal fees;

- participation in our health, welfare and compensation benefit plans (excluding our Supplemental Executive Retirement Plan for key employees), life insurance with an aggregate death benefit of at least 2.5 times his base salary and 4 weeks paid annual vacation;

- participation in an individualized Supplemental Executive Retirement Plan that provides for payment of a benefit equal to 25% of Mr. Perdue's highest 3-year average compensation at the later of age 60 or 15 credited years of service, and 100% vesting after 10 credited years of service (with 5 additional years being credited for both benefit accrual and vesting in the event that Mr. Perdue's employment is terminated by us without cause or by him for good reason). An employment year generates two years of credited service for each of his first 5 employment years, and 1 year of credited service thereafter to a maximum of 15 credited years of service;

- in the event Mr. Perdue s employment is terminated due to death or disability (as defined in the agreement), all options, restricted shares and other incentive awards shall vest and become fully exercisable;

- in the event Mr. Perdue s employment is terminated by us for any reason other than death, disability, cause or by him for good reason (each as defined in the agreement), a severance payment to be paid over a 24 month period equal to 2.5 times (3 times if within two years after a change in control) the sum of his base salary and his actual annual incentive bonus earned in the year immediately prior to the year in which his employment terminated (or 80% of base salary, if greater); all stock options and restricted shares granted under the agreement fully vest and become exercisable and we pay a retiree medical benefit for 30 (36 if the termination occurs within 2 years after a change in control) months;

- a tax gross up for amounts due for excise taxes imposed upon severance payments; and

- non-competition, non-disclosure and non-solicitation provisions designed to protect us in the event Mr. Perdue were to leave our employment.

We have entered into an employment agreement with Donald S. Shaffer, dated November 12, 2003, pursuant to which Mr. Shaffer, in addition to serving as President and Chief Operating Officer, served as our Acting Chief Executive Officer until we hired a permanent Chief Executive Officer. The agreement to serve as Acting Chief Executive Officer extended through April 2, 2003 when we retained Mr. Perdue as our Chief Executive Officer. The agreement provides that Mr. Shaffer is to continue to serve as our President and Chief Operating Officer for a term of up to 270 days following Mr. Perdue s retention as Chief Executive Officer. After that time, the agreement contemplates Mr. Shaffer s continued services as President and Chief Operating Officer upon the mutual agreement of Mr. Shaffer and us. Mr. Shaffer s agreement further provides for:

- minimum base salary of $625,000, with an additional $8,334 a month during the time he serves as Acting Chief Executive Officer;
- participation in our management bonus program;
- stock options provided for and available to other senior executives;
- participation in our health, welfare and compensation benefit plans; and
- in the event Mr. Shaffer s employment is terminated prior to the expiration of the employment term by us for any reason other than death, disability, or cause (each as defined in the agreement) or by him, a severance payment equal to two years base salary, to be paid over a 24-month period, and the bonus payment that he otherwise would have received in the two years following his termination date, with a guaranteed level 1 minimum bonus payment, and certain other perquisites.

We also have entered into a letter agreement with James J. Hagan, dated February 8, 2001, as amended December 20, 2001, pursuant to which Mr. Hagan serves as our Executive Vice President and Chief Financial Officer. Mr. Hagan receives the following benefits under that agreement:

- minimum base salary of $350,000;
- annual bonus opportunity up to 75% of his base salary;
- 10,000 shares of restricted stock, which vested on the first anniversary of Mr. Hagan s employment with us;
- an option to acquire 87,900 shares of our common stock, which will vest 9.5 years from the date of grant or, if earlier, upon the attainment by Dollar General of certain performance goals;

- reimbursement for relocation expenses, including an income tax gross-up;
- participation in our health, welfare and compensation benefit plans;
- in the event of a termination of Mr. Hagan s employment for any reason other than for cause (as defined in his agreement), a severance payment payable over a 24 month period equal to two years base salary; and
- reimbursement, including an income tax gross up, for the depreciated book value of Mr. Hagan s automobile.

Compensation Committee Interlocks and Insider Participation

Each of Messrs. Gee, Beré, Bottorff, Clayton, Dickson, Wilds and Wire was a member of our Compensation Committee at various times during 2002. None of these persons was at any time during 2002 an officer or employee of Dollar General or any of our subsidiaries. Except as set forth below, none of our executive officers served as a member of a compensation committee or as a director of any entity of which any of our directors served as an executive officer during 2002. During 2002, Mr. Wilds served as an employee of The Family Office, a limited liability company formed by the family of Mr. Turner, our Chairman. Mr. Turner served as our Chief Executive Officer until November 11, 2002. Mr. Wilds resigned from our Compensation Committee in June 2002.

SECTION 16(a) BENEFICIAL OWNERSHIP

REPORTING COMPLIANCE

The United States securities laws require our executive officers, directors, and 10% shareholders to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC, the New York Stock Exchange and with us. Based solely upon a review of Forms 3, 4 and 5 and amendments thereto furnished to us during and with respect to fiscal 2002 and written representations by our directors, officers and 10% shareholders, each of such persons filed, on a timely basis, the reports required by Section 16(a) of the Securities Exchange Act of 1934 with respect to 2002.

However, we have become aware that some reports required by Section 16(a) to be filed with respect to periods prior to fiscal 2002 were filed untimely. A Form 3 to report election as a director was filed late for each of Dennis C. Bottorff and E. Gordon Gee. Two Forms 4 to report two stock options grants to Mr. Bottorff were filed late. A Form 4 to report a stock option grant to each of James L. Clayton, Reginald D. Dickson, E. Gordon Gee, John B. Holland, Barbara M. Knuckles, David M. Wilds and William S. Wire, II, all directors, and for Melissa J. Buffington, an executive officer, was filed late. Two Forms 4 to report three stock option grants to each of Stonie R. O Briant, an executive officer, and Robert I. Warner, a former executive officer, were filed late.

REPORT OF THE COMPENSATION COMMITTEE

What is our compensation philosophy?

We emphasize a pay-for-performance philosophy, linking management compensation, Dollar General performance and shareholder return. This strategy reflects our desire to reward results that are consistent with the key goals of Dollar General and our shareholders. We believe that this philosophy, implemented through the compensation program, enables us to attract, retain and motivate results-oriented employees to achieve higher levels of shareholder return.

What is our direct compensation philosophy?

Executives receive their direct compensation in the form of base pay, short-term or annual incentive compensation and long-term incentive compensation.

We believe base pay should relate to the skills required to perform a job and to the value of each job performed relative to the industry, the market and the job s strategic importance to us. This method of valuation allows us to respond to changes in our employment needs and changes in the labor market. Increases in base pay require a satisfactory or better level of performance.

Short-term or annual incentive compensation awards are contingent upon Dollar General performance and individual performance. The threshold, target and maximum annual incentive compensation opportunity for each employee is set based upon his or her job classification and competitive market data.

The long-term incentive compensation program currently consists of awards of time-vested stock options. The size of these awards is directly linked to employee job classification. These awards serve to improve alignment of employee and shareholder interests and to reward superior performance. All stock option grants in fiscal 2002 were issued under guidelines of the 1998 Stock Incentive Plan and granted under the authority of this committee.

What is our indirect compensation philosophy?

Our indirect compensation programs are intended to protect employees from extreme financial hardship in the event of a catastrophic illness or injury and to provide limited income security for retirement years. We believe that our health, life and disability benefit programs provide competitive levels of protection without jeopardizing our position as a low-cost retailer. We manage healthcare costs aggressively and enlist employee assistance in cost management. Employees have various opportunities to share in healthcare cost reductions and are encouraged to adopt healthy lifestyles.

We believe our retirement plans provide limited income security at retirement for the typical employee. Employees also are invited to share in ownership of Dollar General through participation in the Dollar General Direct Stock Purchase Plan and the Dollar General Corporation 401(k) Savings and Retirement Plan.

How are our executive officers compensated?

Under the supervision of this committee, Dollar General has developed compensation policies and programs designed to provide competitive levels of compensation that integrate pay with Dollar General s annual and long-term performance goals. We are committed to creating rewards for our officers that encourage a team approach to achieving corporate objectives and to creating shareholder value.

The executive officers incentive compensation for fiscal 2002 reflects our emphasis on achieving both short and long-term objectives. Short-term incentive compensation includes an annual cash bonus that is based on Dollar General performance and is linked to a percentage of the executive officer s salary. Long-term incentive compensation includes time-vested stock options. Prior to fiscal 2002, long-term incentive compensation included performance-accelerated stock options in addition to time-vested stock options. A portion of these performance-accelerated stock options vested in fiscal 2003 based on Dollar General earnings performance in fiscal 2002. Decisions to pay long-term and short-term incentive awards to executive officers are based on the achievement by Dollar General of performance goals that are established annually by this committee.

This committee s approach to base compensation is to offer competitive salaries to all executive officers in comparison with market practices.

How do we determine the salary increases for the CEO and the other named executive officers?

The increase in base salaries in fiscal 2002 was determined based upon:

- a competitive market study conducted by Watson Wyatt International, an executive compensation consulting firm, including a proxy peer study and a review of data published in top retail and general industry surveys; and

- the subjective analysis by this committee, after evaluating the recommendations, peer group data, Dollar General s overall performance, and the respective individual performance criteria of all executive officers (including the CEO).

How does our annual cash bonus program work?

Our annual cash bonus program for the executive officers is the short-term incentive component of the officers cash compensation. The payment of annual cash bonuses is based on both objective and subjective criteria. In addition to our executive officers, most full-time employees are eligible to receive a cash bonus.

Objective criteria used to determine bonus levels for executive officers include actual earnings improvement goals established by this committee at the beginning of each fiscal year. We believe that our goals are defined measures of Dollar General performance, which are easily identified and reviewed by shareholders.

For executive officers, if Dollar General reached the threshold goal, which was considered by this committee to be challenging, then 25% of salary was to be awarded to each executive officer as a cash bonus. If Dollar General reached the target goal, then 50-65% of salary was to be awarded. If Dollar General reached the maximum goal, which was considered by this committee to be extremely challenging, then 75-100% of salary, depending upon the officer, was to be awarded to each executive officer as a cash bonus (for a discussion of the annual bonus plan as it relates to our executives who served as CEO during 2002, see the discussion below under the heading How is the CEO Compensated?). The percentage of salary awarded for earnings performance falling between the threshold and maximum goals is based on a graduated scale commensurate with earnings. Two factors determine whether an employee receives an annual cash bonus: (a) Dollar General must achieve an established earnings goal; and (b) the individual must achieve a satisfactory performance rating when evaluated against annually established objectives.

For fiscal 2002 performance, executive officers will receive a cash bonus in 2003 ranging from 38-47% of salary, depending on the officer.

How does our employee stock incentive program work?

We grant non-qualified stock options under the 1998 Stock Incentive Plan. Stock options are awarded to the executive officers and other key employees, as approved by this committee. We use stock options as an incentive for outstanding performance and to encourage stock ownership.

Executive officers and other eligible employees receive time-vested stock options. Prior to fiscal 2002, these persons also were granted performance-based options. The performance-based options had an accelerated vesting schedule tied to the achievement of various levels of corporate performance goals. In fiscal 2002, we met the first level of our stock program performance goals and, accordingly, the relevant performance-accelerated stock options were vested. For more information regarding our 1998 Stock Incentive Plan, see Proposal 2: Amendment to the Dollar General Corporation 1998 Stock Incentive Plan.

In addition, we previously had a stock option program (the Stock Plus program) that awarded stock options to executive officers and other key employees as an incentive for holding certain target amounts of Dollar General stock. This program was suspended on April 30, 2001, pending review of its effectiveness by this committee. However, during the 2000-2001 cycle, 34 participants maintained the target level of ownership and earned an aggregate of 175,005 options under this program. Of these options, 65,919 options held by five participants were granted in fiscal 2002. The remainder were granted during fiscal 2001. This committee has determined not to continue the Stock Plus program.

What is a performance-accelerated stock option?

Prior to fiscal 2002, this committee tied the acceleration of certain stock option vesting to certain earnings goals. Each eligible employee received stock option grants with a nine and one-half year vesting schedule. However, if the eligible employee met his or her individual goals and Dollar General met one of its established earnings goal levels, then the stock option grant tied to that particular goal level would vest on an accelerated basis.

How do we determine how many stock options to grant?

In determining the number of shares subject to stock options granted to the employees eligible to participate in the 1998 Stock Incentive Plan, this committee takes into account the employees scope of accountability, their strategic and operational responsibilities and competitive compensation data.

How is the CEO compensated?

In determining the CEO s salary, this committee considers the CEO s prior-year performance, when applicable, and expected future contributions to Dollar General, as well as peer industry survey results published annually. As with the other executive officers, the CEO s compensation reflects our emphasis on achieving both short and long-term performance. In order to better incentivize the CEO, this committee believes that a substantial portion of the CEO s compensation should be tied directly to overall Dollar General performance.

Consistent with this philosophy, this committee established a 2002 annual salary for Cal Turner, Jr., our CEO through November 11, 2002 and our Chairman, that was approximately equal to the median for CEOs of the industry comparison group, and emphasized the pay-for-performance components of his total compensation package. Mr. Turner did not receive a salary increase in 2002. Donald S. Shaffer was appointed our Acting CEO on November 12, 2002. Because Mr. Shaffer served as our President and Chief Operating Officer until that time, his salary and other compensation were previously determined at the beginning of fiscal 2002. However, we modified Mr. Shaffer s compensation effective November 12, 2002 to take into account his added responsibilities. Mr. Shaffer received a 3% increase in his 2002 annual salary prior to his appointment as Acting CEO, and a 16% increase in his 2002 annual salary upon his appointment as Acting CEO. References to the CEO throughout this report refer to both Mr. Turner and Mr. Shaffer unless otherwise noted.

Also consistent with this philosophy, we have created an opportunity for additional reward through performance-based compensation in the form of short and long-term incentive compensation. Like other executive officers, the CEO is eligible for an annual bonus based on the attainment of Dollar General earnings improvement goals. The CEO also is eligible for grants of non-qualified time-vested options. As with other executive officers, any prior grants of performance-based stock options, which have a nine and one-half year vesting schedule, can be accelerated to an earlier vesting date if certain committee-established Dollar General earnings improvement goals and individual performance goals are achieved. The time-vested stock options vest ratably according to the approved vesting schedule.

When determining the pay-for-performance component of the CEO s compensation package, this committee takes into consideration market competitive practice and performance against goals. This committee believes that it is important to continue its incentive compensation program in a manner that is competitive in the industry and continues to motivate and reward outstanding performance.

Under our short-term incentive program, the CEO s total possible cash-bonus incentive is 100% of his salary. To be eligible for a cash bonus, the CEO must achieve performance goals established by this committee, and Dollar General must meet its earnings improvement goal. If the CEO meets all relevant performance goals at a threshold level, the CEO will receive a cash bonus equal to 25% of his annual salary. If the CEO meets all relevant goals at a target level, the CEO will receive a cash bonus equal to 65% of his annual salary. If the CEO meets all relevant goals at a maximum level, the CEO will receive a cash bonus equal to 100% of his annual salary. The percentage of salary awarded for earnings performance falling between the threshold and maximum goals is based on a graduated scale commensurate with performance.

For fiscal 2002 performance, Mr. Turner and Mr. Shaffer each earned a bonus equal to 47% of his respective annual salary. Our Board, upon the recommendation of this committee, determined that because Mr. Turner, who remains as our Chairman, served as our CEO for a substantial portion of fiscal 2002, his bonus payout should be calculated as though his position as CEO were continued through the entire 2002 fiscal year.

Our long-term incentive compensation program for fiscal 2002 rewarded Mr. Turner with time-vested options to acquire stock with a fair market value on the date of grant approximately equal to 3 times his annual salary. Mr. Shaffer was awarded a grant of time-vested options approximately equal to 2.5 times his annual salary. In addition, because the first level of the stock option program goals established by this committee were achieved in fiscal 2002, Mr. Turner s and Mr. Shaffer s relevant stock options tied to that goal level will become exercisable on an accelerated basis in fiscal 2003.

How are the limitations on deductibility of compensation handled?

Section 162(m) of the Internal Revenue Code limits the deductibility of executive compensation paid by publicly held corporations to $1 million per employee, unless certain requirements are met. Our policy is generally to design our compensation plans and programs to ensure full deductibility. This committee attempts to balance this policy with compensation programs designed to motivate management to maximize shareholder value. If this committee determines that the shareholders interests are best served by the implementation of compensation policies that are affected by Section 162(m), our policies do not restrict this committee from exercising discretion in approving compensation packages even though that flexibility may result in certain non-deductible compensation expenses.

Who has furnished this report?

This report on executive compensation has been furnished by the members of the Compensation Committee:

- E. Gordon Gee, Chairman
- David L. Beré
- James L. Clayton
- Reginald D. Dickson

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight and review of Dollar General s accounting functions and internal controls. This committee is comprised of three directors who are independent as determined in accordance with Section 303.01(B)(2)(a) and (3) of the New York Stock Exchange listing standards. On November 11, 2002, the Board of Directors adopted an Audit Committee Charter to govern this committee, a copy of which is attached as Appendix A to this proxy statement. This committee is responsible for recommending to the Board that our audited financial statements be included in our annual report. In connection with this recommendation, this committee took the following steps:

- In overseeing the preparation of Dollar General s financial statements, the committee met with both management and Dollar General s outside auditors to review and discuss financial statements, including associated footnotes and Management s Discussion and Analysis of Financial Condition and Results of Operations, to be included in SEC filings prior to their issuance and to discuss significant accounting issues. Management advised the committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the committee discussed the statements with both management and the outside auditors. The committee s review included discussion with the independent auditors of matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees).

- The committee discussed with our independent auditors matters relating to the auditors independence, including the written disclosures made, and the letter from the independent auditors delivered to the committee as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). In addition, this committee considered the compatibility of certain non-audit services with the auditors independence. This discussion and disclosure informed this committee of the auditors independence, and assisted this committee in evaluating that independence.

- Reviewed and discussed CEO and CFO Certifications concerning the Company's Form 10-K.

This report has been furnished by the members of the Audit Committee:

- William S. Wire, II, Chairman
- Barbara M. Knuckles
- James D. Robbins

SHAREHOLDER RETURN

PERFORMANCE GRAPH

As a part of the executive compensation information presented in this proxy statement, the SEC requires us to prepare a performance graph that compares our cumulative total shareholders return during the previous five years with a performance indicator of the overall stock market and our peer group. For the overall stock market performance indicator, we use the S&P 500 Index. For the peer group stock market performance indicator, we use the S&P General Merchandise Stores Index, which is a subgroup of the S&P 500 and includes Dollar General. In prior years, we compared ourselves with a peer group consisting of stock market results of the publicly held participants of the peer group compensation survey published by Hewitt (formerly known as the MCS survey), which, in 2002, consisted of Big Lots, Inc., Kmart Corporation, Ross Stores, Inc., The TJX Companies, Inc., Value City Department Stores, Inc. and Wal-Mart Stores, Inc. Upon review, we believe that because we are included in the S&P 500, a more appropriate peer group for performance graph purposes would be our S&P 500 subgroup, the S&P General Merchandise Stores. This year, we have shown our performance versus both peer groups in accordance with SEC regulations.

[GRAPH ATTACHED AS SEPARATE FILE]

SECURITY OWNERSHIP

Security Ownership of Certain Beneficial Owners

The following table shows information concerning persons who, as of April 10, 2003, were known by us to be beneficial owners of more than five percent of our common stock. Unless otherwise noted, these persons have sole voting and investment power over the shares of common stock listed opposite his, her or its name. Percentage computations are based on 333,513,979 shares of our common stock outstanding as of April 10, 2003.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Cal Turner, Jr. 100 Mission Ridge Goodlettsville, TN 37072	45,038,372(1)	13.5%
James Stephen Turner	23,218,990(2)	7.0%

138 Second Avenue, Suite 200 Nashville, TN 37201		
Capital Research and Management Co. 333 South Hope Street Los Angeles, CA 90071	25,171,350(3)	7.5%
Oppenheimer Capital LLC 1345 Avenue of the Americas 49th Floor New York, New York 10105	28,390,422(4)	8.5%
Maverick Capital, Ltd. 300 Crescent Court, 18th Floor Dallas, Texas 75201	18,077,600(5)	5.4%

(1)

Includes 14,564,755 shares held by various trusts and foundations for which Mr. Turner is a trustee; 16,711,503 shares pursuant to which he has voting authority pursuant to a voting agreement; 758,836 shares held by his wife; 21,914 shares held in retirement plans; 12,102,412 shares held directly; 82 shares held by the Estate of Cal Turner, Sr. for which Mr. Turner serves as co-executor with James S. Turner; and 878,870 shares issuable upon the exercise of outstanding options currently exercisable or exercisable within 60 days of April 10, 2003. Mr. Turner has sole voting power with respect to 29,830,732 shares, shared voting power with respect to 15,207,640 shares, sole investment power with respect to 13,119,229 shares and shared investment power with respect to 15,207,640 shares of common stock. The shares issuable upon the exercise of outstanding options described in this note are considered outstanding for the purpose of computing the percentage of outstanding common stock owned by Mr. Turner, but not for the purpose of computing the percentage ownership of any other person.

(2)

Includes 15,293,789 shares held by various trusts and foundations for which Mr. Turner is a trustee; 56,445 shares held by his wife; 82 shares held by the estate of Cal Turner, Sr. for which Mr. Turner is a co-executor with Cal Turner, Jr.; 9,863 shares held by his retirement accounts; and 7,858,811 shares held directly. Mr. Turner has sole voting and investment power with respect to 8,648,824 shares and shared voting and investment power with respect to 14,570,166 shares of common stock.

(3)

Based solely on the Schedule 13G filed by Capital Research and Management Company on February 13, 2003. The entity has sole dispositive power with respect to 25,175,350 shares, but does not have sole or shared voting power over any of the shares, and Capital Research and Management Company disclaims beneficial ownership of all the shares of common stock pursuant to Rule 13d-4.

(4)

Based solely on the Schedule 13G filed by Oppenheimer Capital LLC on February 14, 2003.

(5)

Based solely on the Schedule 13G filed by Maverick Capital, Ltd. On February 14, 2003. Maverick Capital Management, LLC is the General Partner of Maverick Capital, Ltd. and can be reached at the same address as that noted for Maverick Capital, Ltd. Mr. Lee S Ainslie, III is a manager of Maverick Capital Management, LLC and is granted sole investment discretion pursuant to Maverick Capital Management, LLC's Regulations. Mr. Ainslie s address is 767 Fifth Avenue, 11th Floor, New York, New York 10153.

Security Ownership by Officers and Directors

The following table shows the amount of our common stock beneficially owned, as of April 10, 2003, by all directors and named executive officers, and by all current directors and executive officers as a group. Unless otherwise noted, these persons may be contacted at our executive offices, and they have sole voting and investment power with respect to the shares indicated. Percentage computations are based on 333,513,979 shares of our common stock outstanding as of April 10, 2003.

Name of Beneficial Owner	**Shares Beneficially Owned**	**Percent of Class**
David L. Beré	5,000 (1)	*
Dennis C. Bottorff	19,525 (1)	*
Barbara L. Bowles	8,054 (1)	*
James L. Clayton	482,527 (1)(2)	*
Reginald D. Dickson	63,635 (1)	*
E. Gordon Gee	10,212 (1)	*
John B. Holland	510,386 (1)	*
Barbara M. Knuckles	18,602 (1)	*
David A. Perdue, Jr.	78,865 (1)	*
James D. Robbins	6,919 (1)	*
Cal Turner, Jr.	45,038,372 (1) (3)	13.5%
David M. Wilds	278,334 (1)	*
William S. Wire, II	53,361 (1)	*
Donald S. Shaffer	326,391 (1)	*
James J. Hagan	127,914 (1)	*
Tom J. Hartshorn	864,912 (1)(4)	*
Stonie R. O Briant	582,203 (1)(5)	*
Melissa J. Buffington	132,906 (1)	*
All directors and executive officers as a group (20 persons)	48,608,118 (1)	14.4%

*

Denotes less than 1% of class.

(1)

Includes the following number of restricted shares and shares subject to options either currently exercisable or exercisable by the named holders within 60 days of April 10, 2003: Mr. Bottorff (17,573); Ms. Bowles (7,054); Mr. Clayton (71,642); Mr. Dickson (43,630); Dr. Gee (10,212); Mr. Holland (37,380); Ms. Knuckles (17,842); Mr. Perdue (78,865); Mr. Robbins (3,619); Mr. Turner (878,870); Mr. Wilds (71,642); Mr. Wire (37,380); Mr. Shaffer (306,391); Mr. Hagan (117,914); Mr. Hartshorn (671,193); Mr. O Briant (426,322); Ms. Buffington (132,129); and all directors and executive officers as a group (3,004,657). The shares described in this note are considered outstanding for the purpose of computing the percentage of outstanding Dollar General common stock owned by each named individual and by the group. They are not considered outstanding for the purpose of computing the percentage ownership of any other person.

(2)

Includes 7,765 shares over which Mr. Clayton shares voting and investment power.

(3)

Includes shares beneficially owned as set forth under Security Ownership of Certain Beneficial Owners.

(4)

Includes 24,139 shares held by Mr. Hartshorn s spouse over which Mr. Hartshorn does not exercise voting or investment power, and 157,066 shares over which Mr. Hartshorn shares voting and investment power.

(5)

Includes 5,087 shares held by Mr. O Briant s spouse over which Mr. O Briant does not exercise voting or investment power.

PROPOSAL 2:

AMENDMENT TO THE DOLLAR GENERAL

CORPORATION 1998 STOCK INCENTIVE PLAN

What is the Dollar General Corporation 1998 Stock Incentive plan?

The Dollar General 1998 Stock Incentive Plan was originally approved for adoption by our shareholders in June 1998. The stated purpose of the plan is to enable us to attract, retain and reward key employees of and consultants to Dollar General and its subsidiaries and affiliates, and our non-employee directors, and to strengthen the mutuality of interests between those persons by awarding performance-based cash and stock incentives and/or other equity interests or equity-based incentives in Dollar General. The plan permits the award of stock options, stock appreciation rights, restricted stock and restricted stock units to plan participants. The plan currently provides that up to 21,375,000 shares of our common stock may be issued under the plan. The plan is not intended to be a qualified plan under Section 401(a) of the Internal Revenue Code.

How do the amendments change the plan?

The proposed amendments will provide greater flexibility in crafting awards that will provide competitive incentives to our key employees by:

- permitting the grant of restricted stock units;
- increasing the number of awards that may be granted in the form of restricted stock or restricted stock units from 100,000 shares to 4,000,000 shares;
- increasing the number of shares available for grant under the plan by 8,000,000 shares; and
- changing the form of equity compensation granted annually to our outside directors from stock options to restricted stock units.

The amendment also will add provisions that we know are favored by shareholders generally. These provisions provide that:

- we will not amend outstanding stock options to lower the exercise price of the stock option without prior shareholder approval;
- options will not be granted with an exercise price that is below the fair market value of our stock on the date the stock option is granted;
- options will not vest prior to the sixth month anniversary of the date of grant; and
- the restriction period for restricted stock and restricted stock units granted to key employees and consultants will be at least six months from the date of grant.

Why is the Board recommending amendment of the plan?

The Board believes that the proposed amendments will help us to increase shareholders value and further the goals of the plan by providing us with the greater flexibility to implement annual and long-term incentives that are intended to increase shareholder value. We believe that, in many instances, providing a key employee with a more direct interest in Dollar General through a restricted stock or restricted stock unit grant can provide a greater incentive to employees, and better align the interests of our employees with our shareholders, than a stock option. The increase in the number of shares is the number that our advisors and we think is necessary to provide competitive incentives and rewards over the next few years.

Changing equity compensation to outside directors from stock options to restricted stock units will remove the speculative nature of equity-based compensation for our outside directors. Our advisors and we think that the current level of compensation for our outside directors is substantially below that of similarly situated companies, and that this change is necessary to provide competitive incentives and rewards for our outside directors and to bring their compensation closer in line with those of other similarly situated companies.

Has the Board adopted the amendment to the plan?

Yes, but the Board s adoption of the plan is subject to shareholder approval at the annual meeting.

When will the amendment become effective?

The amended and restated plan will become effective on the date it is approved by our shareholders. If the plan is approved at the annual meeting, it will become effective on June 2, 2003.

Who can participate in the plan?

The following persons are eligible to participate in the plan:

- all Dollar General employees;
- all employees of our 50% or more owned subsidiaries;
- all employees of our 20% or more owned affiliates that our Board designates as a participating employer; and
- our outside directors, to a limited extent.

The selection of the participants who will receive awards, other than our outside directors, is entirely within the discretion of the Compensation Committee of our Board of Directors, except that only employees of Dollar General or our 50% or more owned subsidiaries may receive incentive stock options. The Compensation Committee has no discretion over the terms and conditions of grants or awards to our outside directors. Instead, the plan specifies those terms and conditions. We will refer to the Compensation Committee throughout this section as the committee.

What types of awards does the plan allow for participants?

Under the plan, as proposed to be amended, the committee has the authority to grant to our employees and consultants, and the Board of Directors has the authority to grant to directors who are not employed by us, the following types of awards:

- stock options (incentive stock options and nonqualified stock options);
- stock appreciation rights;
- restricted stock; and/or
- restricted stock units.

What is a restricted stock unit?

A restricted stock unit represents a right to receive one share of Dollar General common stock for each restricted stock unit. A restricted stock unit is similar to restricted stock, except that the shares of common stock are not issued to the restricted stock unit recipient until the end of a specified period of time. This right is subject to forfeiture under certain circumstances. When the specified period of time ends, without a prior forfeiture, the holder of the restricted stock unit receives one share of common stock for each restricted stock unit.

What are the rules and restrictions applicable to the different types of awards?

Incentive stock options (ISOs) and non-qualified stock options may be granted for such number of shares as the committee may determine and may be granted alone, in conjunction with, or in tandem with other awards under the plan or cash awards outside the plan. A stock option will be exercisable at the times and subject to the terms and conditions as the committee will determine. In the case of an ISO, however, the term will be no more than ten years after the date of grant (five years in the case of ISOs for certain 10% shareholders). The option price for an ISO will not be less than 100% (110% in the case of certain 10% shareholders) of the fair market value of our common stock as of the date of grant and for any non-qualified stock option will not be less than the fair market value as of the date of grant. ISOs granted under the plan may not be transferred or assigned other than by will or by the laws of descent and distribution. No ISOs may be granted on or after the tenth anniversary of the earlier of the effectiveness of the plan or shareholder approval of the plan. Non-qualified stock options and stock appreciation rights may not be transferred or assigned without the prior written consent of the committee other than (i) transfers by the optionee to a member of his or her immediate family or a trust for the benefit of the optionee or a member of his or her immediate family, or (ii) transfers by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order.

Stock appreciation rights (SARs) may be granted under the plan in conjunction with all or part of a stock option and will be exercisable only when the underlying stock option is exercisable. Once a stock appreciation right has been exercised, the related portion of the stock option underlying the stock option appreciation right will terminate. Upon the exercise of a stock appreciation right, we will pay to the employee or consultant in cash, Dollar General common stock, or a combination thereof (the method of payment to be at the discretion of the committee), an amount equal to the excess of the fair market value of the common stock on the exercise date over the option price, multiplied by the number of stock appreciation rights being exercised. No SARs have been granted under the plan.

Restricted stock and restricted stock unit awards may be granted alone, in addition to, or in tandem with, other awards under the plan or cash awards made outside the plan. The provisions attendant to a grant of restricted stock or restricted stock units may vary from participant to participant. In making an award of restricted stock or restricted stock units, the committee will determine the periods during which the restricted stock and restricted stock units are subject to forfeiture and may provide such other awards designed to guarantee a minimum value for such stock and units. The committee also may impose such other conditions and restrictions on the shares of restricted stock and restricted stock units as it deems appropriate, including the satisfaction of one or more of the following performance criteria: (i) pre-tax income or after-tax income; (ii) operating cash flow; (iii) operating profit; (iv) return on equity, assets, capital, or investment; (v) earnings or book value per share; (vi) sales or revenues; (vii) operating expenses; (viii) common stock price appreciation; and (ix) implementation, management, or completion of critical projects or processes (the Performance Goals). The Performance Goals may include a threshold level of performance below which no payment will be made (or will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Each of the Performance Goals will be determined, to the extent applicable, in accordance with generally accepted accounting principles and will be subject to certification by the committee. The committee may provide that such restrictions will lapse with respect to specified percentages of the awarded shares of restricted stock or restricted stock units on successive future dates.

During the restriction period, the participant may not sell, transfer, pledge, assign or otherwise encumber the restricted stock or restricted stock units, subject to certain limited exceptions. Participants will be entitled to vote the restricted stock and to receive, at the election of the committee, cash or deferred dividends. Unless and until common stock has been issued, restricted stock units do not convey any voting rights; however, there may be credited to an account for the holder of a restricted stock unit an amount equal to any cash dividends we pay or the value of any property distributions we make on our common stock during the restriction period. In lieu of delivering only common stock for restricted stock units, the committee may elect to pay cash or part cash and part common stock.

What types of awards does the plan currently allow for the outside directors?

Our outside directors are currently entitled to receive an annual formula grant of nonqualified stock options under the plan. These options vest one year from the grant date and must be exercised within ten years from the grant date. We have described those grants under the caption Proposal 1 Election of Directors How are directors compensated? The Board also has the authority to grant stock options, SARs, restricted stock and/or restricted stock units to our outside directors.

If the plan is amended, what types of awards will the plan allow for the outside directors?

If the amendments to the plan are approved, our outside directors will receive an annual grant of restricted stock units rather than nonqualified options. Each outside director will receive an automatic annual grant of 4,600 restricted stock units. In the event an outside director serves as Chairman of the Board, the annual grant shall be 6,000 restricted stock units. The Board will continue to have the authority to make additional grants to outside directors.

What terms and conditions are applicable to the amended outside director awards?

The committee has no discretion over the terms and conditions of the annual awards to our outside directors. Instead, the plan specifies the terms and conditions of the annual awards. Restricted stock units granted to outside directors vest on the first anniversary of the date of grant, if such outside director is still serving as a director on such date; however, no common stock shall be distributed, nor any amount paid, to any outside director in respect of restricted stock units until such time as the outside director has ceased to be a member of the Board. Dividend equivalents on the restricted stock units will be credited to the outside director s restricted stock unit account. In addition to the foregoing, awards of restricted stock units made to outside directors are subject to specific rules governing termination of service.

How many shares of Dollar General common stock may be issued under the plan?

Up to 29,375,000 shares of our common stock may be granted under the plan. This number may be adjusted for changes in our capital structure, such as a stock split, and may include authorized and unissued shares or treasury shares. The following shares of common stock will be available again for grant under the plan:

- those related to awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares;

- those that are settled in cash in lieu of common stock; and

- those that are used by a participant for payment of the purchase price of common stock upon exercise of an option or for withholding taxes due as a result of that exercise.

Are there any limits on the amount of awards that can be granted?

Yes. The maximum number of shares of common stock for which awards may be made under the plan to any officer of Dollar General or other person whose compensation may be subject to the limitations on deductibility under Section 162(m) of the Internal Revenue Code is 500,000 during any single year.

Who can amend the plan?

The committee may amend the plan at any time for any reason or no reason, except that the committee cannot amend the provisions of the plan dealing with awards to our outside directors. The committee must obtain shareholder approval to adopt any amendment:

- affecting covered employees that otherwise requires the vote of our shareholders under Section 162(m) of the Internal Revenue Code;

- resulting in repricing stock options or otherwise increasing the benefits accruing to participants or to our outside directors;

-

increasing the number of shares of our common stock issuable under the plan; or

•

modifying the requirements for eligibility;

The committee also must obtain shareholder approval if it believes shareholder approval is necessary or advisable to:

•

permit awards to be exempt from liability under Section 16(b) of the Securities Exchange Act of 1934;

•

to comply with the listing or other requirements of an automated quotation system or stock exchange; or

•

to satisfy any other tax, securities or other applicable laws, policies or regulations.

What happens to awards under the plan if there is a change in control of Dollar General?

If there is a change in control or a potential change of control of Dollar General, stock appreciation rights and any stock options which are not then exercisable, will become fully exercisable and vested and the restrictions and deferral limitations applicable to restricted stock, restricted stock units and other stock-based awards will lapse and such shares and awards will be deemed fully vested. These vested and exercisable awards will, unless otherwise determined by the committee, be cashed out on the basis of the change in control price. The change in control price will be the highest price per share paid in any transaction reported on the New York Stock Exchange or paid or offered to be paid in any bona fide transaction relating to a change in control or potential change in control at any time during the immediately preceding 60-day period, as determined by the committee.

How does the plan define a change in control?

For purposes of the plan, a change of control is defined generally to include:

•

any person or entity, other than Dollar General or a wholly-owned subsidiary of Dollar General, becoming the beneficial owner of Dollar General s securities having 35% or more of the combined voting power of the then outstanding securities that may be cast for the election of directors;

•

in connection with a cash tender, exchange offer, merger or other business combination, sale of assets or contested election, less than a majority of the combined voting power of the then outstanding securities of Dollar General entitled to vote generally in the election of directors being held in the aggregate by the holders of Dollar General s securities entitled to vote generally in the election of our directors immediately prior to such transaction; and

•

during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board ceasing to constitute at least a majority thereof, unless the election of each director first elected during such period was approved by a vote of at least two-thirds of our directors then still in office who were directors of Dollar General at the beginning of any such period.

What are the federal tax consequences of the stock options granted under the plan?

The following is a brief summary of the United States federal income tax consequences relating to awards under the plan based upon the federal income tax laws in effect on the date hereof. This summary is not intended to be exhaustive and, among other things, does not describe state or local tax consequences.

A participant who exercises a non-qualified stock option will realize ordinary income in an amount measured by the excess of the fair market value of the shares on the date of exercise over the exercise price. We generally will be entitled to a corresponding deduction for federal income tax purposes.

A participant who exercises an incentive stock option will not be subject to taxation at the time of exercise, nor will we be entitled to a deduction. The difference between the exercise price and the fair market value of shares on the date of exercise is a tax preference item for purposes of determining a participant s alternative minimum tax. A disposition of the purchased shares after the expiration of the required holding periods will subject the participant to taxation at long-term capital gains rates in the year of disposition in an amount determined under the Internal Revenue Code, and we will not be entitled to a deduction for federal income tax purposes. A disposition of the purchased shares prior to the expiration of the applicable holding periods will subject the participant to taxation at ordinary income rates in the year of disposition in an amount determined under the Internal Revenue Code, and we generally will be entitled to a corresponding deduction.

A participant who exercises a stock appreciation right will realize ordinary income in an amount equal to the amount of cash and the fair market value of any shares received. We generally will be entitled to a corresponding deduction for federal income tax purposes. If the participant receives common stock upon exercise of a stock appreciation right, the taxation of the post-exercise appreciation or depreciation is treated as either a short-term or long-term capital gain or loss, depending upon the length of time the participant held the shares of common 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 Internal Revenue 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 we 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. 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 us. 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 us.

A participant will not realize income in connection with the grant of a restricted stock unit or the credit of any dividend equivalents to his or her account. When shares of common stock (and/or cash in lieu of such common stock) are delivered, the participant will generally be required to include as taxable ordinary income in the year of receipt, an amount equal to the amount of cash and the fair market value of any shares received. We will be entitled to a deduction at the time and in the amount included in the participant s income by reason of the receipt. For each share of common stock received in respect of a restricted stock unit, the taxation of the post-exercise appreciation or depreciation is treated as either a short-term or long-term capital gain or loss, depending upon the length of time the participant held the shares of common stock.

Will the deduction limitations under Section 162(m) of the Internal Revenue Code apply to the plan?

Under Section 162(m) of the Internal Revenue Code, our federal income tax deductions may be limited to the extent that total compensation paid to a covered employee exceeds $1 million in any one year. We can, however, preserve the deductibility of certain compensation in excess of $1 million provided it complies with the conditions imposed by Section 162(m), including the payment of performance-based compensation pursuant to a plan approved by shareholders. The plan has been designed to enable any award granted by the committee, to the extent it so elects, to a covered employee to qualify as performance-based compensation under Section 162(m).

What benefits will be granted under the plan?

The following table sets forth the annual awards of restricted stock units to be made under the plan to our current directors who are not executive officers, as a group, assuming the amendments are adopted by our shareholders at the annual meeting. Future awards under the plan, as proposed to be amended, other than those made to our outside directors, will be made at the discretion of the committee. Consequently, the total benefits or amounts that will be received by any particular person or group, other than our outside directors, pursuant to the amended plan is not presently determinable.

New Plan Benefits

Dollar General Corporation 1998 Stock Incentive Plan

Name and Position	**Dollar Value[(1)]**	**Restricted Stock Units[(2)]**
Non-Executive Director Group	$664,378	50,600

(1)

The dollar value of the restricted stock units will fluctuate depending on the value of the underlying common stock. For purposes of this disclosure, we have determined the dollar value of the restricted stock units based on the fair market value of our common stock on April 10, 2003 ($13.13).

(2)

This number assumes that an outside director does not serve as Chairman. In the event an outside director does serve as Chairman, the annual number of restricted stock units granted under the plan as proposed to be amended would equal 52,000.

The following table sets forth the amount of shares underlying options that have been granted under the plan since its inception in 1998 through April 10, 2003 to each of the named executive officers, all current executive officers, as a group, all current directors who are not executive officers, as a group, and all other officers and employees, as a group:

Name and Position	**Shares Underlying Options**
Cal Turner, Jr., *Chairman*	969,872
Donald S. Shaffer, *President and Chief Operating Officer*	469,641
James J. Hagan, *Executive Vice President and Chief Financial Officer*	195,364
Tom J. Hartshorn, *Executive Vice President, Merchandising*	317,074
Stonie R. O Briant, *Executive Vice President, Operations*	299,331
Melissa J. Buffington, *Senior Vice President, Human Development and Planning*	195,634
Executive Officer Group	3,106,815
Non-Executive Director Group	152,859
Non-Executive Officer Employee Group	20,761,391 (1)

(1)

Includes 5,720,415 shares underlying options that have expired or have been forfeited or cancelled and which remain available for grant under the plan.

How many shares have been issued or are reserved under all equity compensation plans?

The following table sets forth information about our equity compensation plans as of January 31, 2003.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights) (1)
Equity compensation plans approved by security holders (2)	26,916,571	$15.73	6,160,342
Equity compensation plans not approved by security holders	-	-	-

(1)

Consists of 3,300,693 shares reserved for issuance pursuant to the 1998 Stock Incentive Plan (up to 68,000 of which may be issued in the form of restricted stock), 631,691 shares reserved for issuance pursuant to the 1995 Employee Stock Incentive Plan (all of which may be issued in the form of restricted stock or other awards valued or otherwise based on our common stock), and 2,227,958 shares reserved for issuance pursuant to the 1993 Employee Stock Incentive Plan (all of which may be issued in the form of restricted stock or other awards valued or otherwise based on our common stock). If the amendments to the 1998 Stock Incentive Plan are approved by our shareholders at the annual meeting, the shares reserved for issuance under the 1993 and 1995 Employee Stock Incentive Plans, other than with respect to outstanding grants under those plans, will no longer be available for issuance.

(2)

Consists of the 1998 Stock Incentive Plan, 1995 Employee Stock Incentive Plan, 1993 Employee Stock Incentive Plan, 1989 Employee Stock Incentive Plan, 1995 Outside Directors Stock Option Plan and 1993 Outside Directors Stock Option Plan.

What was the recent closing price of Dollar General common stock?

The closing price of our common stock reported on the New York Stock Exchange on April 10, 2003, was $13.13 per share.

When will the plan terminate?

The plan does not specify a certain termination date. Rather, it will terminate on the date determined by our Board or by the committee that administers the plan. However, no awards may be granted under the plan on or after the tenth anniversary of the effective date of the plan.

Who administers the plan?

The plan is administered by a committee of not less than two outside directors, who are appointed by the Board. This committee currently is the Compensation Committee. The functions of the committee specified in the plan may be exercised by an existing committee of the Board composed exclusively of outside directors. In the event there are not at least two outside directors on the Board, the plan is administered by the entire Board.

Is the description of the plan in this proxy statement complete?

No. The description of the plan in this document is only a summary. A copy of the plan as proposed to be amended is attached as **Appendix B** to this document.

What does the Board recommend?

Our Board of Directors recommends that you vote **FOR** approval of the amendments to the Dollar General Corporation 1998 Stock Incentive Plan.

PROPOSAL 3:

RATIFICATION OF APPOINTMENT OF AUDITORS

Who has the Audit Committee selected as our independent auditors?

The Audit Committee of our Board of Directors has selected Ernst & Young LLP as our independent auditors for the 2003 fiscal year.

How long has Ernst & Young LLP served as our independent auditors?

Ernst & Young LLP has served as our independent auditors since October 2001.

Will representatives of Ernst & Young LLP attend the annual meeting?

Representatives of Ernst & Young LLP have been requested to attend the annual meeting. These representatives will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

What does the Board of Directors recommend?

Our Board recommends that you vote **FOR** the ratification of Ernst & Young LLP as our independent auditors for the 2003 fiscal year.

FEES PAID TO AUDITORS

The following table sets forth certain fees billed to us by Ernst & Young LLP in connection with various services provided to us throughout fiscal years 2002 and 2001:

Service	2002 Aggregate Fees Billed	2001 Aggregate Fees Billed
Audit Fees	$ 1,712,500	$ 1,380,000 (1)
Audit-Related Fees(2)	510,000	55,000
Tax Fees(3)	170,000	52,000