

CASH AMERICA INTERNATIONAL INC

Form 8-K/A

February 25, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K/A

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

December 10, 2004

CASH AMERICA INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

**Texas
(State of incorporation)**

**1-9733
(Commission File No.)**

**75-2018239
(IRS Employer Identification
No.)**

1600 West 7th Street

**Fort Worth, Texas 76102
(Address of principal executive offices) (Zip Code)**

Registrant's telephone number, including area code: (817) 335-1100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

TABLE OF CONTENTS

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01(a) Financial Statements of Business Acquired

INDEPENDENT AUDITORS REPORT

Item 9.01(b) Pro Forma Financial Information

SIGNATURES

EXHIBIT INDEX

Consent of Independent Auditors

Table of Contents

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On December 16, 2004, Cash America International, Inc. (the Company) filed a Current Report on Form 8-K (the Original 8-K) to report the completion of the acquisition of substantially all of the pawn operating assets of Camco, Inc. a Nevada corporation d/b/a SuperPawn. The Original 8-K is incorporated herein by reference. This amendment is being filed to include the financial statements and pro forma financial information required by Item 9.01 of Form 8-K.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) **Financial Statements of Business Acquired**

The financial statements of Camco, Inc. and the report of Deloitte & Touche LLP, independent auditors as of and for the year ended December 31, 2003, relating to such financial statements, are included below.

(b) **Pro Forma Financial Information**

The unaudited pro forma financial information included below has been prepared to illustrate the pro forma effects of the acquisition of the operating assets of Camco, Inc. The pro forma statements of operations information for the years ended December 31, 2004 and 2003 give effect to the acquisition of the assets of Camco, Inc. as if it had occurred at the beginning of the respective fiscal years. This pro forma information has been prepared for informational purposes only and does not purport to be indicative of what would have resulted had the acquisition occurred on the dates indicated or what may result in the future.

(c) **Exhibits**

10.1 Asset Purchase Agreement dated September 7, 2004, incorporated by reference to the Company's Current Report on Form 8-K filed September 13, 2004.

23 Consent of Independent Auditors.

99.1 Cash America International, Inc. Press Release dated December 13, 2004, incorporated by reference to the Company's Current Report on Form 8-K filed December 16, 2004.

Table of Contents

TABLE OF CONTENTS

	Page
Item 9.01(a) Financial Statements of Camco, Inc.	
Independent Auditors Report	3
Balance Sheets as of December 31, 2003 and September 30, 2004 (unaudited)	4
Statements of Income for the Year Ended December 31, 2003 and for the Nine-Month Periods (unaudited) Ended September 30, 2004 and September 30, 2003	5
Statements of Stockholder s Equity for the Year Ended December 31, 2003 and the Nine-Month Period (unaudited) Ended September 30, 2004	6
Statements of Cash Flows for the Year Ended December 31, 2003 and for the Nine-Month Periods (unaudited) Ended September 30, 2004 and September 30, 2003	7
Notes to Financial Statements Year Ended December 31, 2003	9
Item 9.01(b) Pro Forma Financial Information of Cash America International, Inc.	
Pro Forma Statement of Operations for the Year Ended December 31, 2004 (Unaudited)	17
Pro Forma Statement of Operations for the Year Ended December 31, 2003 (Unaudited)	18

Table of Contents

Item 9.01(a) Financial Statements of Business Acquired

INDEPENDENT AUDITORS REPORT

Board of Directors
Camco, Inc. dba SuperPawn
Las Vegas, Nevada

We have audited the accompanying balance sheet of Camco, Inc. dba SuperPawn (the Company) as of December 31, 2003, and the related statements of income, stockholder s equity and cash flows for the year ended December 31, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003, and the results of its operations and its cash flows for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Las Vegas, Nevada

February 27, 2004

Table of Contents**CAMCO, INC. dba SUPERPAWN****BALANCE SHEETS****(dollars in thousands, except per share amounts)**

	SEPTEMBER 30, 2004 (unaudited)	DECEMBER 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,105	\$ 597
Service charges receivable	3,240	2,978
Pawn loans	26,601	24,704
Payday lending	190	41
Merchandise inventories net	13,428	12,470
Prepaid and other	2,582	2,392
Total current assets	47,146	43,182
PROPERTY AND EQUIPMENT Net	9,514	9,370
OTHER ASSETS:		
Goodwill	1,720	1,533
Intangible assets net	2,835	2,835
Other assets net	310	271
Total other assets	4,865	4,639
TOTAL	\$ 61,525	\$ 57,191
LIABILITIES AND STOCKHOLDER S EQUITY		
CURRENT LIABILITIES:		
Bank overdraft	\$ 423	\$ 41
Accounts payable	1,184	1,400
Accrued and other liabilities	4,867	3,047
Merchandise credits	1,655	1,382
Current portion of long-term debt	2,674	3,069

Total current liabilities	10,803	8,939
LONG-TERM DEBT Less current portion	3,686	4,157
NONCURRENT CREDIT FACILITIES	25,330	26,115
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDER S EQUITY:		
Common stock, \$1 per share par value 25,000 shares authorized 23,438 shares issued in 2004 and 2003	23	23
Additional paid-in capital	1,971	1,971
Retained earnings	32,217	28,491
Treasury stock, 12,438 shares in 2004 and 2003	(12,505)	(12,505)
Total stockholder s equity	21,706	17,980
TOTAL	\$ 61,525	\$ 57,191

The accompanying notes are an integral part of these financial statements.

Table of Contents**CAMCO, INC. dba SUPERPAWN****STATEMENTS OF INCOME****(in thousands)**

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004 2003 (unaudited)		YEAR ENDED DECEMBER 31, 2003
REVENUES:			
Sales	\$ 32,001	\$ 26,437	\$ 38,017
Pawn and payday service charges	19,848	17,197	23,298
 Total revenues	 51,849	 43,634	 61,315
 COST OF SALES	 19,074	 15,793	 21,987
 GROSS PROFIT	 32,775	 27,841	 39,328
 OPERATING EXPENSES:			
Store operating expenses	17,278	15,972	21,808
General and administrative	7,860	6,210	8,753
Depreciation and amortization	1,724	1,777	2,342
 Total operating expenses	 26,862	 23,959	 32,903
 INCOME FROM OPERATIONS	 5,913	 3,882	 6,425
 OTHER (EXPENSE) INCOME:			
Interest expense	(844)	(1,261)	(1,539)
Other net	(505)	(148)	(657)
 Total other expense net	 (1,349)	 (1,409)	 (2,196)
 NET INCOME	 \$ 4,564	 \$ 2,473	 \$ 4,229

The accompanying notes are an integral part of these financial statements.

Table of Contents**CAMCO, INC. dba SUPERPAWN****STATEMENTS OF STOCKHOLDER S EQUITY****YEAR ENDED DECEMBER 31, 2003 AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004****(in thousands)**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
BALANCE January 1, 2003	\$ 23	\$ 1,971	\$ 26,058	\$ (12,505)	\$ 15,547
Net income			4,229		4,229
Distributions			(1,796)		(1,796)
BALANCE December 31, 2003	23	1,971	28,491	(12,505)	17,980
Net income (unaudited)			4,564		4,564
Distributions (unaudited)			(838)		(838)
BALANCE September 30, 2004 (unaudited)	\$ 23	\$ 1,971	\$ 32,217	\$ (12,505)	\$ 21,706

The accompanying notes are an integral part of these financial statements.

Table of Contents**CAMCO, INC. dba SUPERPAWN****STATEMENTS OF CASH FLOWS****(in thousands)**

	NINE-MONTH PERIOD ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31, 2003
	2004	2003	
	(unaudited)	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,564	\$ 2,473	\$ 4,229
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,724	1,777	2,342
Provision for bad debt	252		539
Loss on sale of property and equipment	15	234	234
Change in assets and liabilities:			
Increase in service charges receivable	(261)	(252)	(429)
Decrease in merchandise inventories	17,989	12,176	17,082
Increase in prepaid and other	(189)	179	(929)
Increase in accounts payable, accrued and other liabilities, and bank overdraft	1,985	1,055	862
Increase (decrease) in merchandise credits	273	197	279
 Net cash provided by operating activities	 26,352	 17,839	 24,209
 CASH FLOWS FROM INVESTING ACTIVITIES:			
Pawn loans made	(71,046)	(59,997)	(82,889)
Collection of pawn loans	50,201	44,416	60,560
Payday loans made	(1,041)	(9)	(94)
Collection of payday loans	892	2	53
Purchases of property and equipment	(1,882)	(2,405)	(3,457)
Increase in other assets	(479)	(1,201)	(1,147)
 Net cash used in investing activities	 (23,355)	 (19,194)	 (26,974)
 CASH FLOWS FROM FINANCING ACTIVITIES:			
Distributions to stockholder	(838)	(1,562)	(1,796)
Increase (decrease) in revolving line of credit and long-term debt net	(1,651)	2,861	4,498

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Net cash provided by (used in) financing activities	(2,489)	1,299	2,702
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	508	(56)	(63)
CASH AND CASH EQUIVALENTS:			
Beginning of period	597	660	660
End of period	\$ 1,105	\$ 604	\$ 597

Table of Contents**CAMCO, INC. dba SUPERPAWN****STATEMENTS OF CASH FLOWS****(in thousands)**

	NINE-MONTH PERIOD ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31, 2003
	2004	2003	
	(unaudited)	(unaudited)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the period for interest	\$ 1,086	\$ 1,243	\$ 1,509
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer of pawn loan collateral to merchandise inventories	\$ 18,947	\$ 13,469	\$ 18,734

The accompanying notes are an integral part of these financial statements.

Table of Contents

CAMCO, INC. dba SUPERPAWN

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003**

1. NATURE OF THE COMPANY

Camco, Inc. (the Company) was incorporated in the state of Nevada in July 1968. The Company provides two services to individuals in the western United States. The primary activity is the disposition of merchandise, mainly collateral from unredeemed pawn loans. The Company also offers secured non-recourse loans, commonly referred to as pawn loans, to individuals through its lending operations. In August 2003, the Company began offering unsecured payday loans. As of December 31, 2003, the Company's operations consisted of 39 locations located in Nevada, Arizona, California and Washington.

See note 10 for discussion on sale of the operating assets of the Company to Cash America International, Inc. (Cash America).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which management believes are necessary to present fairly the financial position, results of operations and cash flows of the Company as of September 30, 2004 and for the nine-month period ended September 30, 2004 and 2003. The results of operations for an interim period are not necessarily indicative of the results that may be expected for any other interim period or the year as a whole.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates made by the Company include the useful lives of the depreciable or amortizable assets and the allowance for the inventory reserve.

Cash and Cash Equivalents Cash and cash equivalents consist of all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid investments with a maturity, when purchased, of three months or less.

Pawn Loans and Income Recognition Pawn loans are made on the pledge of tangible personal property. Pawn service charges are accrued only for those loans for which collection is deemed to be probable based upon historical loan redemption statistics. When a loan is not paid by its maturity, the collateral is transferred to inventory at its cost basis (the principal amount loaned) and offered for sale.

Merchandise Sales Revenue is recognized at the time of disposition of merchandise. Interim customer payments for layaway sales are recorded as a liability and subsequently recognized as revenue during the period in which final payment is received.

Payday Loans and Income Recognition Payday loans are short-term, unsecured loans where customers pledge their next paycheck for repayment. Payday loans are made based on verification of employment, current

Table of Contents

bank account and check-writing history. The length of the loan is 14 days with a service charge of \$15 per \$100 loaned.

Payday loans and related service charges are recognized on loans for which collection is deemed to be probable based upon historical loan redemption statistics. The Company considers a loan in default if it has not been repaid or refinanced by the maturity date. Although defaulted loans may be later collected, the Company fully reserves loans over 60 days old.

Merchandise Inventories Merchandise inventories are stated at the lower of cost (specific identification) or market value. Inventory consists of merchandise acquired from forfeited loans and merchandise purchased from customers and vendors. The Company provides an allowance for shrinkage and valuation based on management's evaluation of the merchandise. The allowance deducted from the carrying value of inventory amounted to \$539,251 at December 31, 2003.

Property and Equipment Property and equipment are stated at cost. The cost of normal maintenance and repairs is charged to expense as incurred. Gains or losses on disposals are recognized as incurred. Leasehold improvements are amortized over the economic life of the improvement to the asset or the life of the lease (lease term), whichever is shorter.

Estimated useful lives of property and equipment are as follows:

Buildings	31.5
Furniture and fixtures	7 10
Leasehold improvements	5 30
Automobiles	5
Computer equipment and software	3 5

Long-Lived Assets The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

The Company believes that no adjustment for impairment is necessary at December 31, 2003.

Software Development Costs In 1999, the Company adopted the Accounting Standards Executive Committee Statement of Position (SOP) 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 requires the Company to capitalize certain internal use software costs once certain criteria are met. The Company capitalized \$694,653 of internal use software costs into computer equipment and software costs within property and equipment at December 31, 2003. These costs are amortized using the straight-line method over an estimated useful life of three years.

Goodwill and Intangible Assets Intangible assets consist primarily of restricted pawnshop licenses, non-compete agreements and the goodwill represents excess purchase price over net assets acquired. As of January 1, 2002, the Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. As a result of adopting SFAS No. 142, the above assets are no longer amortized, and intangible assets are to be tested annually for impairment.

Merchandise Credits Merchandise credits represent sales deposits and customer credits and are recorded as a liability until the entire related sales price has been collected.

Table of Contents

Income Tax Status The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the sole stockholder includes the Company's taxable income in his individual income tax return.

New Store Acquisitions Acquisitions are accounted for using the purchase method of accounting. Accordingly, the purchase price is allocated to assets acquired based upon their estimated fair market values at the date of acquisition. The excess purchase price over the fair market value of the net tangible assets acquired is recorded as intangible assets in the accompanying balance sheets. The results of operations of the acquired pawnshops are then included in the Company's operations from their respective dates of acquisition. In connection with certain acquisitions, the Company may enter into a non-compete agreement with the former owners.

Derivative Instruments The Financial Accounting Standards Board (FASB) issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires all derivative instruments to be recognized on the balance sheet at fair value. Derivatives that are not designated as cash flow hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company's only derivative instruments are interest rate swap agreements used for the purpose of managing the risks associated with market fluctuations in interest rates on a portion of its variable rate borrowings. These derivative financial instruments have an initial aggregate notional amount of approximately \$21 million and mature in 2006. These derivative financial instruments were not designated as hedges during 2003. During the year ended December 31, 2003, the Company recorded a \$118,925 gain from derivative valuation fluctuations in interest expense and other liabilities on the balance sheet.

Phantom Stock Plan In 2001, the Company issued 12,532 shares of phantom stock to key employees and directors (Participants) at the estimated fair market value of employer stock, defined as the weighted average of the current and prior two years' adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), weighting at 50%, 35% and 15% for each respective year, multiplied by a factor of six. These phantom stock shares vest in 33.3% increments over three years. Upon exercise, Participants would be entitled to receive in cash the estimated fair market value of employer stock for the number of phantom shares held. The Company recorded an expense of approximately \$352,433 related to the phantom stock plan in 2003.

Recently Issued Accounting Standards In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*, which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2003. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which is effective for exit or disposal activities initiated after December 31, 2002. This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, an interpretation of SFAS Nos. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This interpretation elaborates on the

Table of Contents

disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. This interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, *Disclosure of Indirect Guarantees of Indebtedness of Others*, which is being superseded. The provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, and the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this statement did not have a material effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, *Amendment to Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have an impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. An issuer is required to classify a financial instrument that is within the scope of this statement as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, and subsequently revised the interpretation in December 2003 (FIN 46R). This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, addresses consolidation by business enterprises of variable interest entities which have certain characteristics. As revised, the interpretation is now generally effective for financial statements for interim or annual periods ending after March 31, 2004. The adoption of this standard did not have a material impact on the Company's financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2003 (in thousands):

Land	\$	693
Buildings		984
Furniture and fixtures		9,093
Leasehold improvements		4,257
Computer equipment and software		6,709
Automobiles		57
Construction in progress		195
		21,988
Less accumulated depreciation		12,618

Total		\$	9,370	
		106,750	-	-
	88,614			
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 3 rd 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

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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

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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 138 Second Avenue, Suite 200 Nashville, TN 37201	23,218,990 ⁽²⁾	7.0%
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 49 th Floor New York, New York 10105	28,390,422 ⁽⁴⁾	8.5%
Maverick Capital, Ltd. 300 Crescent Court, 18 th 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⁾	*

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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., <i>Chairman</i>	969,872
Donald S. Shaffer, <i>President and Chief Operating Officer</i>	469,641
James J. Hagan, <i>Executive Vice President and Chief Financial Officer</i>	195,364
Tom J. Hartshorn, <i>Executive Vice President, Merchandising</i>	317,074
Stonie R. O Briant, <i>Executive Vice President, Operations</i>	299,331
Melissa J. Buffington, <i>Senior Vice President, Human Development and Planning</i>	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		\$ 1,380,000
	\$ 1,712,500	(1)
Audit-Related Fees ⁽²⁾	510,000	55,000
Tax Fees ⁽³⁾	170,000	52,000
All Other Fees	--	--

(1)

Includes \$1.2 million of audit fees disclosed in the proxy statement for the 2001 annual meeting of shareholders, which was the amount of fees estimated at the time that proxy statement was prepared, plus an additional billing of approximately \$180,000 subsequent to the preparation of that proxy statement.

(2)

2002 fees include fees related to assistance with our completion of a formally documented accounting policies and procedures manual, as well as fees for other miscellaneous services provided. 2001 fees include fees related to assistance provided to our internal audit group regarding risk assessment.

(3)

2002 and 2001 fees include fees relating to a LIFO tax engagement and various other tax engagements.

The Charter of the Audit Committee requires that the Committee pre-approve all audit and permissible non-audit services provided by our independent accountant. Where feasible, the Audit Committee considers and, when appropriate, pre-approves such services at regularly scheduled meetings after disclosure by management and the independent accountant of the nature of the services to be performed and estimated fees. The Audit Committee also has authorized its Chairman to consider and, when appropriate, pre-approve audit and permissible non-audit services in situations where pre-approval is necessary prior to the next regularly scheduled meeting of the Audit Committee. The Chairman must report to the Audit Committee at its next meeting with respect to all services so pre-approved by him since the last Audit Committee meeting.

RELATIONSHIP WITH INDEPENDENT

PUBLIC ACCOUNTANTS

Change in Independent Accountant

On September 14, 2001, we dismissed Deloitte & Touche LLP (Deloitte & Touche) as our independent accountant. Our decision was approved by both our Audit Committee and by our Board of Directors. Deloitte & Touche's reports on our financial statements for fiscal years 1998 and 1999 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Deloitte & Touche has not issued an audit report on any of our financial statements since January 28, 2000, our 1999 fiscal year end.

Also on September 14, 2001, we retained the services of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as our new independent accountant to audit our financial statements. The retention of PricewaterhouseCoopers was

recommended by our Audit Committee and approved, by resolution, by our Board. PricewaterhouseCoopers orally consented to serve as our independent accountant.

On September 20, 2001, prior to announcing that we had retained PricewaterhouseCoopers, PricewaterhouseCoopers resigned as our independent accountant because of an irreconcilable conflict of interest that was previously unknown to the PricewaterhouseCoopers representatives associated with the Dollar General engagement.

PricewaterhouseCoopers has advised us that its resignation was not related in any respect to the matters on which we consulted with PricewaterhouseCoopers prior to its engagement to serve as our independent accountant, or any matter respecting Dollar General that came to its attention subsequent to its retention.

Neither our Audit Committee nor our Board of Directors have been provided information relating to the nature of PricewaterhouseCoopers conflict. As a result, the Audit Committee and the Board were not in a position to recommend or to approve or disapprove of PricewaterhouseCoopers resignation.

PricewaterhouseCoopers has never issued any opinion on our financial statements.

On September 21, 2001, Ernst & Young LLP (Ernst & Young) advised us that it was prepared to serve as our independent accountant, subject to the completion of certain acceptance procedures that it expected to successfully conclude. On October 5, 2001, we retained Ernst & Young as our independent accountant. The retention of Ernst & Young was recommended by our Audit Committee and approved by our Board of Directors.

Disagreement with Prior Independent Accountant Deloitte & Touche

During our two most recent fiscal years and through the date of this document, there were no disagreements with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte & Touche, would have caused it to make reference to the subject matter of the disagreement in its report on our financial statements, provided however:

In the course of preparing to restate our financial statements for fiscal years 1998 and 1999, as well as revising the previously released unaudited financial information for fiscal year 2000 (collectively, the Restatements), we more closely examined our previous accounting practices with regard to certain synthetic lease facilities entered into in 1997 and 1999 with respect to our use and occupancy of certain real property, including approximately 400 stores, two of our distribution centers and our corporate headquarters in Goodlettsville, Tennessee (the Synthetic Leases). After review and consultations with outside accountants from KPMG LLP, we determined that the previous treatment of the Synthetic Leases as operating leases for accounting purposes was in error. We therefore restated our financial statements to treat these leases as capital leases. We and representatives from KPMG LLP, as well as our Audit Committee, through its representatives, have discussed the subject of the accounting treatment for the Synthetic Leases with Deloitte & Touche. At the time of its termination, Deloitte & Touche had expressed the view that it had not been provided sufficient information by us to conclude that our previous treatment of the Synthetic Leases as operating leases was in error.

Disagreement with Prior Independent Accountant PricewaterhouseCoopers

During our two most recent fiscal years and through the date of this document, there were no disagreements with PricewaterhouseCoopers on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers, would have caused it to make reference to the subject matter of the disagreement in its report on our financial statements.

Other Reportable Events Deloitte & Touche

During our two most recent fiscal years and through the date of this document, there were no reportable events by Deloitte & Touche, as that term is defined in Item 304(a)(1)(v) of Regulation S-K, provided however:

As discussed in further detail in our periodic filings with the Securities and Exchange Commission, including without limitation our Annual Report on Form 10-K for the fiscal year ended January 31, 2003, we became aware of certain accounting issues that have caused us to restate our financial statements. Following a report from us to Deloitte & Touche in April 2001 on our discovery of these issues, Deloitte & Touche gave us notice as provided under Section 10A of the Securities Exchange Act of 1934 (the Exchange Act) that such issues may have included illegal acts as that term is defined in the Exchange Act. Our Audit Committee conducted an investigation of these matters, assisted by its outside counsel, Dechert Price & Rhoads, and the independent accounting firm, Arthur Andersen LLP, in order to ensure that the Audit Committee was adequately informed with respect to the issues raised by the Restatements. On the Audit Committee's recommendation and with the Board of Directors' approval, we have implemented certain appropriate interim remedial actions in response to the matters included in the Audit Committee's review.

In connection with these events, Deloitte & Touche informed us that information had come to its attention that, if further investigated, (i) might materially impact the fairness or reliability of its previously issued audit reports and the underlying financial statements, as well as the financial statements to be issued for the Company's 2000 fiscal year; (ii) might have caused it to be unwilling to rely on the representations of certain members of our management; and (iii) due to Deloitte & Touche's dismissal, it would be unable to conduct such further investigation or resolve these issues to its satisfaction.

Other Reportable Events PricewaterhouseCoopers

During our two most recent fiscal years and through the date of this report, there were no reportable events, by PricewaterhouseCoopers, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Authorization to Respond to Successor Independent Accountant

We have authorized Deloitte & Touche and PricewaterhouseCoopers to respond fully to the inquiries of Ernst & Young concerning these issues.

Consultations with Independent Accountant PricewaterhouseCoopers

Prior to its retention as our independent accountant, PricewaterhouseCoopers was engaged as accounting consultants by our counsel who was advising a special committee of the Board of Directors with respect to certain shareholder derivative lawsuits that were then pending against us and several current and former members of our Board of Directors and management. In connection with this engagement, counsel directed PricewaterhouseCoopers to consult with our personnel regarding the appropriate accounting treatment for the Synthetic Leases. In oral communications, PricewaterhouseCoopers provided the special committee a preliminary view, based on information made available to it by us, that the Synthetic Leases should be treated as capital leases for accounting purposes. Dollar General's consultation with Deloitte & Touche on the subject of the accounting treatment for the Synthetic Leases and Deloitte & Touche's views thereon are discussed above under the caption Disagreement with Prior Independent Accountant.

In addition, in connection with its work relating to the shareholder derivative litigation, counsel directed PricewaterhouseCoopers to consult with our personnel on the application of the accounting standards to the valuation of certain deferred state income tax liabilities. PricewaterhouseCoopers, in oral communications, gave the special committee its preliminary views that the applicable accounting standards require us to determine deferred income tax liabilities using differentiated rates as opposed to a consolidated tax rate. After review and consultations with KPMG LLP and taking into account the oral observations received from PricewaterhouseCoopers, we have restated our financial statements accordingly. We did not consult with Deloitte & Touche on this subject.

Other than with respect to the two preceding matters, we have not consulted with PricewaterhouseCoopers regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and either a written report was provided to us or oral advice was provided that PricewaterhouseCoopers concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

PricewaterhouseCoopers was not requested to and did not perform an engagement under Statement on Auditing Standards No. 50 with respect to either consultation.

Consultations with Independent Accountant Ernst & Young

During our two most recent fiscal years and prior to their engagement as our independent accountant, we consulted with Ernst & Young on various tax related matters which, we have been advised by Ernst & Young, did not involve matters that are the subject of Item 304(a)(2)(i) or (ii) of Regulation S-K.

SHAREHOLDER PROPOSALS

FOR 2004 ANNUAL MEETING

To be considered for inclusion in our proxy materials relating to the 2004 annual meeting of shareholders, proposals must be submitted by eligible shareholders who have complied with the relevant regulations of the SEC and our Bylaws and must be received no later than January 1, 2004. In addition, if we are not notified of a shareholder proposal by January 1, 2004, then the proxies held by our management may provide the discretion to vote against such shareholder proposal, even though the proposal is not discussed in our proxy materials sent in connection with the 2004 annual meeting of shareholders. Shareholder proposals should be mailed to Corporate Secretary, Dollar General Corporation, 100 Mission Ridge, Goodlettsville, Tennessee 37072. As provided under our Bylaws, shareholder proposals submitted outside of the process described in Rule 14a-8 of the Securities Exchange Act of 1934, as amended, will not be considered at any annual meeting of shareholders.

ANNUAL REPORT AND FINANCIAL INFORMATION

In accordance with notices previously sent to many shareholders who hold their shares through a bank, broker or other holder of record (a Street-Name Shareholder) and share a single address, only one Annual Report and proxy statement is being delivered to the address unless contrary instructions from any shareholder at the address were received. This practice, known as householding, is intended to reduce our printing and postage costs. However, any such

Street-Name Shareholder residing at the same address who wishes to receive a separate copy of this proxy statement or the accompanying Annual Report may request a copy by contacting the bank, broker or other holder of record, or us by telephone at: (615) 855-4000, or by mail to: Dollar General Corporation, 100 Mission Ridge, Goodlettsville, Tennessee 37072, Attention: Investor Relations. The voting instruction sent to a Street-Name Shareholder should provide information on how to request (1) householding of future Dollar General materials or (2) separate materials if only one set of documents is being sent to a household. If it does not, a shareholder who would like to make one of these requests should contact us as indicated above.

A copy of our Annual Report to Shareholders for 2002 is being mailed to each shareholder with this proxy statement.

A copy of our Annual Report on Form 10-K for the fiscal year ended January 31, 2003 and a list of all its exhibits will be supplied without charge to any shareholder upon written request sent to our principal executive offices: Dollar General Corporation, Attention: Investor Relations, 100 Mission Ridge, Goodlettsville, Tennessee 37072. Exhibits to the Form 10-K are available for a reasonable fee. You may also view our Form 10-K and its exhibits on-line at the SEC website at www.sec.gov or via our website at www.dollargeneral.com.

Appendix A

DOLLAR GENERAL CORPORATION

BOARD OF DIRECTORS

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the work of the Corporation's independent accountants who shall report directly to the Committee. The Committee, as an objective body independent of management, shall monitor: (1) the integrity of the Corporation's financial statements, including the Corporation's systems of internal controls regarding finance, accounting, and ethics established by management and the Board; (2) the performance of the Corporation's internal audit function and independent accountants, including the Corporation's auditing, accounting and financial reporting processes generally; (3) the Corporation's compliance with legal and regulatory requirements; and (4) the independent accountants' qualifications and independence. The Committee also shall prepare the report required by the rules of The Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

Consistent with these functions, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee should provide an

open avenue of communication among the independent accountants, financial and senior management, the internal auditing department, and the Board of Directors. The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter and through regular reporting to the Board of Directors.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence, experience and financial expertise requirements of The New York Stock Exchange and the Securities Exchange Act of 1934. The following directors do not satisfy the definition of independent:

•

A director who has been an employee of the Corporation within the previous five (5) years (or a director with an immediate family member who has been an officer of the Corporation within the previous five (5) years); however, a director who has served as an interim Chairperson or CEO will not be deemed to have been a former employee of the Corporation solely by reason of that service; also, if an executive officer dies or becomes incapacitated, his or her immediate family members may be deemed independent immediately thereafter if that family member is otherwise independent;

•

A director that accepts any consulting, advisory, compensatory fee or any other compensatory fee from the Corporation other than directors' fees; any pension or other form of deferred compensation from the Corporation for prior service that is not contingent in any way on continued service shall be deemed a directors' fee;

•

A director that is an affiliated person of the Corporation or any of its subsidiaries (other than in his or her capacity as a Committee member, Board member, or member of any other Board Committee);

•

A director who is, or in the past five (5) years has been, affiliated with or employed by a present or former auditor of the Corporation (or of an affiliate) until five (5) years after the end of either the affiliation or the auditing relationship (or a director with an immediate family member in such category);

•

A director who is, or in the past five (5) years has been, part of an interlocking directorate in which an executive officer of the Corporation serves on the compensation committee of another company that concurrently employs the director (or a director with an immediate family member in such category).

For purposes of this Section II, immediate family member shall have the definition contained in the NYSE Listed Company Manual from time to time.

In addition, each member of the Committee shall be free from any material relationship with the Corporation, as determined by the Board, either directly or as a partner, shareholder or officer of any organization that has a relationship with the Corporation.

Each member of the Committee shall be financially literate and must be able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement, and cash flow statement, or must become able to do so within a reasonable period of time after appointment to the Committee.

At least one member of the Committee shall have accounting or related financial management expertise, as such qualification is interpreted by the Corporation's Board in its business judgment, and must be a financial expert (as such term is defined by the rules and regulations of the Securities Exchange Act of 1934). Accounting or related financial management experience may include being or having been a chief executive officer, chief financial officer or other senior officer with financial reporting oversight responsibilities.

Without express approval from the Board, no member of the Audit Committee may serve on more than three audit committees of public companies, including the Committee.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. The Board shall affirmatively conclude that the members of the Committee are independent. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the fully Committee membership.

III. MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee shall meet each quarter with management (i.e., the CEO, CFO,

President or other senior officers), the director of the internal auditing department and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and recommend to the Board revisions to this Charter periodically, but at least annually, as conditions dictate.
2. Review and discuss with management and the independent accountants the Corporation's annual audited financial statements and quarterly unaudited financial statements submitted to The Securities and Exchange Commission, or disclosed to the public, including any certification, report, opinion or review rendered by the independent accountants, and disclosures made under MD&A provisions.
3. Discuss generally, in terms of types of information to be disclosed and the type of presentation to be made, the Corporation's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.
4. Discuss the Corporation's risk assessment and risk management.
5. Review reports to management and /or the Committee prepared by the internal auditing department and management's response.
6. Report regularly to the Board of Directors, which report may include issues that arise with respect to (1) the quality or integrity of the Corporation's financial statements, (2) the Corporation's compliance with legal or regulatory requirements, (3) the performance and independence of the Corporation's independent accountants, or (4) the performance of the internal audit function.

7. As necessary to perform its duties, obtain advice and assistance from outside legal, accounting or other advisors without the necessity of Board approval at the Corporation's expense.

Independent Accountants

8. Retain and/or terminate the Corporation's independent accountants (subject to shareholder ratification) and approve all audit engagement fees and terms.
9. Review the qualifications, performance and independence of the independent accountants, including an annual review and evaluation of the lead partner on the audit, and approve any proposed discharge of the independent accounts when circumstances warrant. Periodically consider whether it would be in the best interests of the Corporation to rotate independent accounting firms.
10. At least annually, obtain and review a report by the independent accountants describing (1) the audit firm's internal quality-control procedures, (2) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the last five (5) years, respecting one or more independent audits carried out by the audit firm, and any steps taken to address any such issues, and (3) all relationships between the audit firm and the Corporation.
11. Pre-approve all audit services and all non-auditing services. The Committee may delegate to one or more of its members the authority to pre-approve audit services and non-audit services; provided, however, that all pre-approved services must be disclosed by such delegate to the full Committee at each of its scheduled meetings.
12. Periodically consult with the independent accountants out of the presence of management about internal controls and the reasonableness and accuracy of the Corporation's financial statements, and review with the independent accountants any audit problems or difficulties and management's response.
13. Review any reports of the independent accountants mandated by Section 10A of the Securities Exchange Act of 1934 and obtain from the independent accountants any information relating to illegal acts, related party transactions and other information in accordance with Section 10A.
14. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of the audit.

15. Set clear hiring policies for employees or former employees of the independent accountants.

Internal Audit

16. Review activities, organizational structure, and qualifications of the internal audit department.

17. Approve the internal audit department projects and annual budget.

18. Review with the internal audit department the status and results (including remedial actions) of audit projects.

19. Meet separately with the internal audit department at least once a quarter.

Financial Report Processes

20. In consultation with the independent accountants and the internal auditors, review the integrity of the Corporation's financial reporting processes and controls, both internal and external.

21. Consider the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

22. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditing department.

23. Prepare the report required by the rules of the Securities and Exchange Commission to be included with the Corporation's annual proxy statement, including, but not limited to, whether the Audit Committee recommended to the Board that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

Process Improvement

24. Establish regular and separate reporting to the Audit Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
25. Following completion of the annual audit, review separately with management, the independent accountants and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
26. Review any significant disagreements among management and the independent accountants and/or the internal auditing department in connection with the preparation of the financial statements.
27. Review with the independent accountants, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
28. Conduct an annual performance self-evaluation of the Audit Committee.

Ethical and Legal Compliance

29. Establish a system for receiving, retaining and handling accounting, accounting controls or auditing complaints and concerns, including providing for the confidential, anonymous reporting of problems by employees of the Corporation.
30. Review and approve periodically the Company's Code of Ethical Conduct and ensure that management has established a system to promote compliance with this Code. Periodically discuss with management the Company's compliance with the Code.
31. Review, with the Corporation's General Counsel, legal matters that could have a significant impact on the Corporation's quarterly or annual financial statements.

32. Perform any other activities consistent with this Charter, the Corporation's By-Laws and governing law, as the Committee or the Board deems necessary or appropriate.

While the Audit Committee has the responsibilities and duties set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and reasonably stated in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountants. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's Code of Ethical Conduct.

Appendix B

DOLLAR GENERAL CORPORATION

1998 STOCK INCENTIVE PLAN

(As Amended and Restated Effective as of June 2, 2003)

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

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

A.

Affiliate means any entity other than the Corporation and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Corporation directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

B.

Board means the Board of Directors of the Corporation.

C.

Cause has the meaning provided in Section 5(j) of the Plan.

D.

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

E.

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

F.

Common Stock means the Corporation's Common Stock, \$.50 par value per share.

G.

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

H.

Committee means the Committee referred to in Section 2 of the Plan.

I.

Corporation means Dollar General Corporation, a corporation organized under the laws of the State of Tennessee, or any successor corporation.

J.

Disability means disability as determined under the Corporation's Group Long Term Disability Insurance Plan.

K.

Dividend Equivalents means an amount equal to the cash dividends paid by the Corporation upon one share of Common Stock for each Restricted Unit or property distributions awarded to a Participant in accordance with Section 7 or 8 of the Plan.

L.

Early Retirement means retirement, for purposes of this Plan with the express consent of the Corporation at or before the time of such retirement, from active employment with the Corporation and any Subsidiary or Affiliate prior to age 65, in accordance with any applicable early retirement policy of the Corporation then in effect or as may be approved by the Committee.

M.

Effective Date has the meaning provided in Section 13 of the Plan.

N.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

O.

Fair Market Value means with respect to the Common Stock, as of any given date or dates, unless otherwise determined by the Committee in good faith, the reported closing price of a share of Common Stock on the NYSE or such other market or exchange as is the principal trading market for the Common Stock, or, if no such sale of a share of Common Stock is reported on NYSE or other exchange or principal trading market on such date, the fair market value of a share of Common Stock as determined by the Committee in good faith.

P.

Incentive Stock Option means any Stock Option intended to be and designated as an Incentive Stock Option within the meaning of Section 422 of the Code.

Q.

Immediate Family means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

R.

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

S.

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

T.

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

U.

NYSE means the New York Stock Exchange.

V.

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

W.

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

X.

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

Y.

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

Z.

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

AA.

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

BB.

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

CC.

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

DD.

Retirement means Normal or Early Retirement.

EE.

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

FF.

Stock Appreciation Right means the right pursuant to an award granted under Section 6 below to surrender to the Corporation all (or a portion) of a Stock Option in exchange for an amount equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Common Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

GG.

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

HH.

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

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

The Committee shall have the power to delegate authority to the Corporation's Chief Executive Officer, or to a committee composed of executive officers of the Corporation, to grant, on behalf of the Committee, Non-Qualified

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

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

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

(a)

to select the officers, key employees of and consultants to the Corporation and its Subsidiaries and Affiliates to whom Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Units may from time to time be granted hereunder;

(b)

to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Restricted Units or any combination thereof, are to be granted hereunder to one or more eligible persons;

(c)

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

(d)

to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Common Stock relating thereto,

based in each case on such factors as the Committee shall determine, in its sole discretion); and to amend or waive any such terms and conditions to the extent permitted by Section 10 hereof;

(e)

to determine whether and under what circumstances a Stock Option may be settled in cash or Restricted Stock under Section 5(l) or (m), as applicable, instead of Common Stock;

(f)

to determine whether, to what extent, and under what circumstances Option grants and/or other awards under the Plan are to be made, and operate, on a tandem basis vis-à-vis other awards under the Plan and/or cash awards made outside of the Plan;

(g)

to determine whether, to what extent, and under what circumstances shares of Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);

(h)

to determine the terms, conditions, and restrictions of any Performance Goals and the number of Options, Stock Appreciation Rights, shares of Restricted Stock, or Restricted Units subject thereto;

(i)

to determine whether to require payment of tax withholding requirements in shares of Common Stock subject to the award; and

(j)

to impose any holding period required to satisfy Section 16 under the Exchange Act.

The Committee shall have the authority to adopt, alter, and repeal such rules, guidelines, and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award

issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan; and, except as expressly set forth herein or otherwise required by law, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Corporation and Plan participants.

SECTION 3.

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

(b)

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

(c)

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

SECTION 4.

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

SECTION 5.

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

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

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

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

(a)

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

(b)

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

(c)

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

(d)

Method of Exercise. Subject to whatever installment exercise restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Corporation specifying the number of shares to be purchased. As determined by the Committee, in its sole discretion, at or (except in the case of an Incentive Stock Option) after grant, payment in full or in part may also be made in the form of shares of Common Stock already owned by the optionee or, in the case of a Non-Qualified Stock Option, shares of Restricted Stock or (to the extent approved by the Committee prior to April 9, 2003) shares subject to such Option or another award hereunder (in each case valued at the Fair Market Value of the Common Stock on the date the Option is exercised). If payment of the exercise price is made in part or in full with Common Stock, the Committee may award to the employee a new Stock Option to replace the Common Stock which was surrendered. If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock, such Restricted Stock (and any replacement shares relating thereto) shall remain (or be) restricted in accordance with the original terms of the Restricted Stock award in question, and any additional Common Stock received upon the exercise shall be subject to the same forfeiture restrictions, unless otherwise determined by the Committee, in its sole discretion, at or after grant. No shares of Common Stock shall be issued until full payment therefor (either by check, note, or such other instrument as the Committee may accept) has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 12(a).

(e)

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

(f)

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

(g)

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

(h)

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

(i)

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

exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise period applicable to Incentive Stock Options, but before the expiration of the period that would apply if such Stock Option were a Non-Qualified Stock Option, the option will thereafter be treated as a Non-Qualified Stock Option.

(j)

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

(k)

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

(i)

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

(ii)

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

(l)

Buyout Provisions. The Committee may at any time offer to buy out for a payment in cash, Common Stock, or Restricted Stock an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(m)

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

(n)

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

SECTION 6. Stock Appreciation Rights.

(a)

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

established by the Committee for such purpose. Upon such exercise, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b)

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

(i)

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

(ii)

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

(iii)

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

(iv)

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

(v)

The Committee, in its sole discretion, may also provide that, in the event of a Change in Control and/or a Potential Change in Control, the amount to be paid upon the exercise of a Stock Appreciation Right shall be based on the

Change in Control Price, subject to such terms and conditions as the Committee may specify at grant.

(vi)

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

SECTION 7.

Restricted Stock and Restricted Units.

(a)

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

(b)

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

(i)

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

(ii)

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

7(b)(i).

(iii)

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

(iv)

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

(v)

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

(vi)

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

(c)

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

(i)

In accordance with the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell,

transfer, pledge, assign, or otherwise encumber shares of Restricted Stock or Restricted Units awarded under the Plan; provided however, that such Restriction Period shall lapse no less than six months from the date of such award. Within these limits, the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or in part, based on service, the attainment of Performance Goals, or such other factors or criteria as the Committee may determine in its sole discretion.

(ii)

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

(iii)

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

(iv)

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

(d)

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

SECTION 8.

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

(b)

Outside Director Stock Options

(i)

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

(ii)

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

(iii)

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

(iv)

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

(v)

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

(vi)

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

(vii)

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

(c)

Outside Director Restricted Unit Awards

(i)

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

shall be 6,000 Restricted Units.

(ii)

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

(iii)

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

(iv)

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

(A)

the product of:

(1)

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

(2)

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

(B)

the Fair Market Value on the related dividend payment date.

(v)

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

(vi)

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

(A)

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

(B)

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

(1)

as soon as practicable after the Service Termination Date;

(2)

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

(3)

on the first anniversary of the Service Termination Date.

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

Service Termination Date shall be deemed to be effective.

(vii)

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

(viii)

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

(ix)

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

(A)

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

(B)

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

(C)

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

(x)

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

(xi)

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

(xii)

Termination of Service

(A)

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

(B)

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

(C)

In the event of the death of an Outside Director, any payment due in respect of the Outside Director's Restricted Units shall be made to the beneficiary designated in writing by such Outside Director and filed with the Secretary of the Corporation, or, in the absence of such designation, to the Outside Director's estate. Any such payment shall be made at the same time and subject to the same conditions as would have applied had the Outside Director survived and the date of his or her death been treated as the termination date of the Outside Director's service, unless the Outside Director shall have specified that an alternative form of payment permitted under the Plan should apply in the event of

his or her death.

(xiii)

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

(d)

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

(e)

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

SECTION 9.

Change in Control Provisions.

(a)

Impact of Event. In the event of:

(1)

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

(2)

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

(i)

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

(A)

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

(B)

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

(ii)

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

(iii)

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

(b)

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

(i)

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

than as a result of an issuance of securities initiated by the Corporation in the ordinary course of business); or

(ii)

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

(iii)

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

(c)

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

(i)

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

(ii)

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

(d)

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

SECTION 10.

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

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

SECTION 11.

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

SECTION 12.

General Provisions. (a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Corporation in writing that the optionee or participant is

acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b)

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

(c)

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

(d)

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

(e)

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

(f)

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

(g)

The members of the Committee and the Board shall not be liable to any employee or other person with respect to any determination made hereunder in a manner that is not inconsistent with their legal obligations as members of the Board. In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his duties; provided that within 60 days after institution of any such action, suit or proceeding, the Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

(h)

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

(i)

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

SECTION 13.

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

Appendix C

Form of Proxy Card and Admission Ticket

DOLLAR GENERAL CORPORATION

ADMISSION TICKET

You are cordially invited to attend the Annual Meeting of Shareholders (the Annual Meeting) of Dollar General Corporation (the Company), to be held in the Goodlettsville City Hall Auditorium, 105 South Main Street, Goodlettsville, Tennessee on June 2, 2003 at 10:00 a.m., local time, for the purposes stated on the reverse side.

Please present this admission ticket in order to gain admittance to the Annual Meeting. This ticket admits only the Shareholder(s) listed on the reverse side and is not transferable. If your shares of common stock 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 the April 10, 2003 record date and check in at the registration desk at the meeting. Photo identification will also be required for admission.

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

DOLLAR GENERAL CORPORATION

Proxy Solicited by and on behalf of the Board of Directors for the

Annual Meeting of Shareholders to be held on June 2, 2003

The undersigned shareholder of Dollar General Corporation, a Tennessee corporation (the Company), hereby acknowledges receipt of the notice of annual meeting of shareholders and proxy statement dated April 30, 2003, and hereby appoints James J. Hagan and Susan S. Lanigan, or either of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the annual meeting of shareholders of Dollar General Corporation to be held on June 2, 2003, at 10:00 a.m., local time, in the Goodlettsville City Hall Auditorium, located at 105 South Main Street, Goodlettsville, Tennessee, and at any adjournment(s) thereof, and to vote all shares of common stock which the undersigned would be entitled to vote, if then and there personally present, on the matters set forth on the reverse side of this proxy card. Your shares will be voted in accordance with your instructions. **If no choice is specified, shares will be voted FOR election of all director nominees, FOR approval of the amendments to the 1998 Stock Incentive Plan, and FOR ratification of the appointment of the independent auditors.**

IMPORTANT This Proxy is continued and must be signed and dated on the reverse side

DOLLAR GENERAL CORPORATION
100 MISSION RIDGE

GOODLETTSVILLE, TN 37072

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site. You will be prompted to enter your 12-digit Control Number which is located below to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call. You will be prompted to enter your 12-digit Control Number which is located below and then follow the simple instructions the Vote Voice provides you.

VOTE BY MAIL

Mark, sign, and date your proxy card and return it in the postage-paid envelope we have provided or return it to Dollar General Corporation, c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

CONTROL NUMBER _____

ACCOUNT NUMBER _____

TO VOTE, MARK BLOCKS BELOW IN
BLUE OR BLACK INK AS FOLLOWS:
X

KEEP THIS PORTION FOR YOUR
RECORDS

DLLR01

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DOLLAR GENERAL CORPORATION

THE DIRECTORS RECOMMEND A VOTE

FOR ITEMS 1, 2 AND 3.

Proposal 1 - Election of Directors

To elect twelve directors to serve until the next Annual Meeting and until their successors are elected and qualified:	For All	Withhold All	For All Except	To withhold authority to vote, mark For All Except and write the nominee's number on the line below.
01) David L. Beré	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
02) Dennis C. Bottorff				
03) Barbara L. Bowles				
04) James L. Clayton				
05) Reginald D. Dickson				
06) E. Gordon Gee				
07) John B. Holland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
08) Barbara M. Knuckles				
09) David A. Perdue, Jr.				
10) James D. Robbins				
11) David M. Wilds				
12) William S. Wire, II				

Proposal 2 - Amendment to the Dollar General Corporation 1998 Stock Incentive Plan	For	Against	Abstain
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proposal 3 - Ratification of the appointment of Ernst & Young LLP as independent auditors	For	Against	Abstain
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No
Please indicate if you plan to attend this meeting	[]	[]

Signature (PLEASE SIGN WITHIN BOX)

Date

Signature (Joint Owners)

Date