

DOLLAR GENERAL CORP
Form DEF 14A
April 19, 2006

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

SCHEDULE 14A

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

Filed by the Registrant x
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

DOLLAR GENERAL CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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- 4) Date Filed: _____

Dollar General Corporation
100 Mission Ridge
Goodlettsville, Tennessee 37072

Dear Shareholder:

The 2005 Annual Report and the Notice of Annual Meeting and Proxy Statement for our 2006 Annual Meeting of Shareholders are enclosed with this letter, which is first being mailed to shareholders on or about April 19, 2006. The annual meeting will be held on Wednesday, May 31, 2006, at 10:00 a.m., Central Daylight Time, at Goodlettsville City Hall Auditorium, 105 South Main Street, Goodlettsville, Tennessee. All shareholders of record at the close of business on March 27, 2006 are invited to attend the annual meeting. For security reasons, however, to gain admission to the meeting you may be required to present photo identification and comply with other security measures.

At this year's meeting, you will have an opportunity to vote on the matters described in the enclosed Notice of Annual Meeting of Shareholders. In addition to the formal voting, we will discuss Dollar General's performance during the 2005 fiscal year and take some time to answer your questions.

Your interest in Dollar General and your vote are very important to us. Please review the Annual Report and the Proxy Statement in detail and return your proxy card as soon as possible so your vote can be represented at the annual meeting. On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in Dollar General.

Sincerely,

Christine L. Connolly
Corporate Secretary & Chief Compliance Officer

April 19, 2006

Dollar General Corporation
100 Mission Ridge
Goodlettsville, Tennessee 37072

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

DATE: Wednesday, May 31, 2006
TIME: 10:00 a.m., Central Daylight Time
PLACE*: Goodlettsville City Hall Auditorium
105 South Main Street
Goodlettsville, Tennessee

ITEMS OF BUSINESS:

- 1) To elect 10 directors;
- 2) To consider and vote on amendments to the Dollar General Corporation 1998 Stock Incentive Plan; and
- 3) To ratify the appointment of the independent auditors for 2006.

WHO MAY VOTE: You may vote if you were a shareholder of record at the close of business on March 27, 2006.

By Order of the Board of Directors,

Goodlettsville, Tennessee
April 19, 2006

Christine L. Connolly
Corporate Secretary & Chief Compliance Officer

* **SPECIAL NOTICE REGARDING MEETING LOCATION:** There has recently been significant tornado damage in the vicinity of the Goodlettsville City Hall. At the date of this mailing we believe that this location will remain available for our annual meeting. However, there is a possibility that an alternate location may be necessary, in which case we would hold the annual meeting at our executive offices in the Turner One Building located at 100 Mission Ridge, Goodlettsville, TN 37072. If it becomes necessary to use the alternate meeting location, we will issue a press release and a Current Report on Form 8-K announcing this change and will post the change to our web site located at www.dollargeneral.com.

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

DOLLAR GENERAL CORPORATION

***Proxy Statement for
2006 Annual Meeting of Shareholders***

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GENERAL INFORMATION

What is this document?

This document is the Proxy Statement of Dollar General Corporation for the Annual Meeting of Shareholders to be held on Wednesday, May 31, 2006. A form of proxy card is included. This document is first being mailed to shareholders on or about April 19, 2006.

We refer to our company throughout this document as we or us or Dollar General. In addition, throughout this document, 2006 refers to our fiscal year ending February 2, 2007, 2005 refers to our fiscal year ended February 3, 2006, 2004 refers to our fiscal year ended January 28, 2005, and 2003 refers to our fiscal year ended January 30, 2004.

Why am I receiving this document?

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

What is a proxy?

It is your legal designation of another person, called a proxy, to vote the stock you own. The document that designates someone as your proxy is also called a proxy or a proxy card.

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

Dollar General will pay all expenses of this solicitation, including the cost of preparing and mailing this document.

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

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

Who may attend the annual meeting?

Only shareholders, their proxy holders and our invited guests may attend the meeting. If you plan to attend the meeting, please check the box on the enclosed proxy card. If a broker, bank or other nominee holds your shares in street name, please bring a copy of the account statement reflecting your ownership as of March 27, 2006 so that we may verify your shareholder status, and check in at the registration desk at the meeting. For security reasons, we also may require photo identification for admission.

Will Board members attend the annual meeting?

Yes. Our Board has adopted a policy that all directors will attend the annual shareholders meetings, unless attendance is not feasible due to unavoidable circumstances. All of last year's Board members attended the 2005 annual shareholders meeting, except for E. Gordon Gee who represented to us that his absence was unavoidable.

What if I have a disability?

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

What is Dollar General Corporation and where is it located?

We are a leading discount retailer of quality general merchandise at everyday low prices. As of March 31, 2006, we operated approximately 8,038 Dollar General stores in 33 states. Through conveniently located stores, we offer a focused assortment of basic consumable merchandise including health and beauty aids, packaged food and refrigerated products, home cleaning supplies, housewares, stationery, seasonal goods, basic clothing and domestics. Our stores serve primarily low-, middle- and fixed-income families. Our corporate offices are located at 100 Mission Ridge, Goodlettsville, TN 37072. Our telephone number is 615-855-4000.

Where is Dollar General common stock traded?

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

Where can I find information regarding Dollar General's corporate governance practices?

We have posted Dollar General governance-related information on the Investing Corporate Governance portion of our web site located at www.dollargeneral.com, including without limitation our Corporate Governance Principles, Code of Business Conduct and Ethics and the charter of each standing committee of our Board of Directors. This information is available in print to any shareholder who sends a request in writing to: Investor Relations, Dollar General Corporation, 100 Mission Ridge, Goodlettsville, TN 37072.

Does Dollar General have an audit committee financial expert serving on its Audit Committee?

Yes. Our Board has designated 2 of the 3 members of our Audit Committee (James D. Robbins and J. Neal Purcell) as audit committee financial experts and has determined that each is independent as defined in the NYSE listing standards and in our Corporate Governance Principles. Audit committee financial experts have the same responsibilities as the other Audit Committee members. They are not our auditors or accountants, do not perform field work and are not employees. The SEC has determined that designation as an audit committee financial expert will not cause a person to be deemed to be an expert for any purpose.

VOTING MATTERS

What am I voting on?

You will be voting on the following:

the election of 10 directors;

certain amendments to our 1998 Stock Incentive Plan; and

the ratification of the appointment of our auditors for 2006.

Who is entitled to vote?

You may vote if you were the record owner of shares of Dollar General common stock at the close of business on March 27, 2006. Each share of stock is entitled to one vote. As of March 27, 2006, there were 315,671,527 shares of Dollar General common stock outstanding.

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

We currently are not aware of any business to be acted upon at the annual meeting other than the 3 matters described above. Under Tennessee law and our governing documents, no other business aside from procedural matters may be raised at the annual meeting unless proper notice has been given to the shareholders. If other business is properly raised, your proxies have authority to vote as they think best, including to adjourn the meeting.

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

How do I vote?

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

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

How will my proxy be voted?

The individuals named on the proxy card will vote your proxy in the manner you indicate on the proxy card. If your proxy card is signed but does not contain specific instructions, your proxy will be voted: FOR all of the directors nominated, FOR approval of the amendments to our 1998 Stock Incentive Plan and FOR ratification of Ernst & Young LLP as our independent auditors for 2006.

Can I change my mind and revoke my proxy?

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

sign another proxy with a later date and return it to our Corporate Secretary at or before the annual meeting;

provide our Corporate Secretary with a written notice of revocation dated later than the date of the proxy at or before the annual meeting; or

attend the annual meeting and vote in person. Note that attendance at the annual meeting will not revoke a proxy if you do not actually vote at the annual meeting.

What if I receive more than one proxy card?

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

How will abstentions and broker non-votes be treated?

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

What are broker non-votes?

If you are the beneficial owner of shares held in street name by a broker, your broker is the record holder of the shares, however the broker is required to vote those shares in accordance with your instructions. If you do not give instructions to your broker, your broker may exercise discretionary voting power to vote your shares with respect to routine matters, but the broker may not exercise discretionary voting power to vote your shares with respect to non-routine items. All of the matters identified in this document to be voted upon at the meeting are considered to be routine items. In the case of non-routine items, the shares that cannot be voted by your broker would be treated as broker non-votes. To avoid giving them the effect of negative votes, broker non-votes are disregarded for the purpose of determining the total number of votes cast or entitled to vote with respect to a proposal.

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

A quorum must be present at the annual meeting for any business to be conducted. A quorum exists when the holders of a majority of the 315,671,527 shares of Dollar General common stock outstanding on March 27, 2006 are present at the meeting, in person or by proxy.

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

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

The 1998 Stock Incentive Plan amendments and the ratification of the appointment of Ernst & Young LLP as our independent auditors for 2006 each will be approved if the votes cast for the proposal exceed the votes cast against it.

Will my vote be confidential?

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

as necessary to meet applicable legal requirements;

in a dispute regarding authenticity of proxies and ballots;

in the case of a contested proxy solicitation, if the other party soliciting proxies does not agree to comply with the confidential voting policy; or

when a shareholder makes a written comment on the proxy card or otherwise communicates the vote to management.

**PROPOSAL 1:
ELECTION OF DIRECTORS**

What is the structure of the Board of Directors?

Our Board of Directors must consist of at least 3 but not more than 15 directors. The exact number is set by the Board and is currently fixed at 10, effective at the time of the annual meeting. All directors are elected annually by our shareholders.

Who are the nominees this year?

The nominees for the Board of Directors consist of 10 current directors who were elected at our 2005 annual meeting. James L. Clayton is not standing for re-election in accordance with the mandatory retirement policy set forth in our Corporate Governance Principles. If elected, each nominee would hold office until the 2007 annual meeting of shareholders or until his or her successor is elected and qualified. These nominees, their ages at the date of this document and the year in which they first became a director are set forth in the table below. The Board has affirmatively determined that each of these nominees, other than David A. Perdue, is independent as defined in the NYSE listing standards and in our Corporate Governance Principles:

Name	Age	Director Since
David L. Beré	52	2002
Dennis C. Bottorff	61	1998
Barbara L. Bowles	58	2000
Reginald D. Dickson	59	1993
E. Gordon Gee	62	2000
Barbara M. Knuckles	58	1995
David A. Perdue	56	2003
J. Neal Purcell	64	2004
James D. Robbins	59	2002
David M. Wilds	65	1991

What are the backgrounds of this year's nominees?

David L. Beré served from December 2003 until June 2005 as Corporate Vice President of Ralcorp Holdings, Inc. and as the President and Chief Executive Officer of Bakery Chef, Inc., a leading manufacturer of frozen bakery products that was acquired by Ralcorp Holdings in December 2003. From 1998 until the acquisition, Mr. Beré was the President and Chief Executive Officer of Bakery Chef, Inc., and also served on its Board of Directors. Mr. Beré currently serves on the Board of Trustees of Fuller Theological Seminary, the Board of Directors of the Fuller Foundation, the Board of Directors of Greater Chicago Food Depository, and the Dean's Advisory Council Indiana University Kelly School of Business, all of which are non-profit entities.

Dennis C. Bottorff has served as Chairman of Council Ventures, LLC, an investment firm, since January 2001. He previously served as Chairman of AmSouth Bancorporation, a bank holding company, and, prior to that, as Chief Executive Officer (1991-1999) and Chairman (1995-1999) of First American Corporation. Mr. Bottorff is a director of Ingram Industries, a privately held provider of wholesale distribution, inland marine transportation and insurance services, Appforge, a privately held developer of multi-platform mobile and wireless application solutions, and Lancope, Inc., a privately held developer of behavioral-based intrusion detection systems for network security, and serves on the Board of Trustees of Vanderbilt University. Mr. Bottorff serves as the Chairman of the Tennessee Education Lottery Corp. and as a director of the Tennessee Valley Authority.

Barbara L. Bowles has served as Vice Chairman of Profit Investment Management, a registered investment advisor, since January 2006. Prior to that, she served as Chairman and Chief Executive Officer of The Kenwood Group, Inc., a registered investment advisor that she founded in 1989, until its acquisition by Profit Investment Management in January 2006. She previously served as Vice President, Investor Relations of Kraft, Inc. from 1984 to 1989. Ms. Bowles is a director of Black & Decker Corporation and Wisconsin Energy Corporation and is a trustee of Fisk University.

Reginald D. Dickson serves as Chairman (since 1996) and Chief Executive Officer (since 2001) of Buford, Dickson, Harper & Sparrow, Inc., registered investment advisors. Mr. Dickson served as President and Chief Executive Officer of Inroads, Inc., a non-profit organization supporting minority education, from 1983 to 1993, and was subsequently designated President Emeritus. Mr. Dickson serves on the Board of Regents for Southeast Missouri State University.

E. Gordon Gee has served as Chancellor of Vanderbilt University since 2000. Dr. Gee previously served as President of Brown University from 1998 until 2000, and as President of The Ohio State University from 1990 until 1998. Dr. Gee is a director of The Limited, Inc., Hasbro, Inc., Massey Energy, Inc. and Gaylord Entertainment Company.

Barbara M. Knuckles has served as Managing Director of Development and Corporate Relations (since January 2006) and as Director of Development and Corporate Relations (1992-2006) for North Central College in Naperville, Illinois. From 1988 to 1992, Ms. Knuckles was a private investor managing several family businesses. Ms. Knuckles also served as a Corporate Vice President both for Beatrice Foods, Inc. (1978-1986) and for The Wirthlin Group (1986-1988). She currently serves as a director of Harris Bank of Naperville, Illinois.

David A. Perdue joined Dollar General on April 2, 2003 as Chief Executive Officer and as a member of the Board of Directors. He was elected Chairman on June 2, 2003. Prior to joining Dollar General, Mr. Perdue served as Chairman and Chief Executive Officer of Pillowtex Corporation, a producer and marketer of home textiles, from July 2002 through March 27, 2003. Pillowtex filed for bankruptcy in July 2003 after emerging from a previous bankruptcy in May 2002. Mr. Perdue was also with Reebok International Ltd. from September 1998 to July 2002 where he served as President and Chief Executive Officer (January 2001 to July 2002) of the Reebok Brand, Executive Vice President, Global Operating Units (October 1999 to January 2001) and Senior Vice President, Global Supply Chain (September 1998 to October 1999). Prior to Reebok, Mr. Perdue was Senior Vice President of Haggard, Inc. (1994 to September 1998). He gained additional international expertise while based in Hong Kong with Sara Lee Corporation where he served as Senior Vice President of Operations from 1992 to 1994. Earlier in his career, he spent 12 years in management consulting with Kurt Salmon Associates, an international management consulting firm. Mr. Perdue serves as a director of Alliant Energy Corporation.

J. Neal Purcell served as the Southeast Area Managing Partner of KPMG from July 1993 to October 1998 and as the Vice Chairman in charge of National Audit Practice Operations from October 1998 until his retirement on January 31, 2002. Mr. Purcell is a director (and chairman of the audit committee) of Southern Company and Synovus Financial Corporation, as well as Kaiser Permanente Health Care and Hospitals, a non-public entity. Mr. Purcell, who the Dollar General Board of Directors has determined to be independent as defined in NYSE listing requirements and the Dollar General Corporate Governance Principles, has been designated as one of Dollar General's audit committee financial experts.

James D. Robbins served as Managing Partner of the Columbus, Ohio office of PricewaterhouseCoopers L.L.P. from 1993 until his retirement in 2001. Mr. Robbins is a director (and chairman of the audit committee) of Huntington Preferred Capital, Inc. and DSW Inc. Mr. Robbins, who the Dollar General Board of Directors has determined to be independent as defined in NYSE listing requirements and the Dollar General Corporate Governance Principles, has been designated as one of Dollar General's audit committee financial experts.

David M. Wilds has served as Managing Partner of 1st Avenue Partners, L.P., a private equity partnership, and as a senior advisor for The Family Office, a limited liability company, since 1998. From 1995 to 1998, Mr. Wilds was President of Nelson Capital Partners III, L.P., a merchant banking company. From 1990 to 1995, Mr. Wilds served as Chairman of Cumberland Health Systems, Inc., an owner and operator of psychiatric hospitals. Mr. Wilds currently serves as a director of Internet Pictures Corporation, iPayment, Inc. and Symbion Inc. Mr. Wilds, who the Dollar General Board of Directors has determined to be independent as defined in NYSE listing requirements and in the Dollar General Corporate Governance Principles, has been elected to serve as the Presiding Director of Dollar General's Board of Directors. As Presiding Director, Mr. Wilds presides over the executive sessions of the Board's non-management and independent directors and performs the other duties set forth in our Corporate Governance Principles.

What is the background of the retiring director?

James L. Clayton (72), who has served as a director of Dollar General since 1988, is Chairman and Chief Executive Officer of Clayton Bancorp, Inc., a bank holding company. He was a director of Branch Banking and Trust Co. of North Carolina and Regional Chairman of Branch Banking and Trust Co. of Tennessee from December 2000 until December 2004. Mr. Clayton served as Chairman (1956-2003) and Chief Executive Officer (1956-1999) of Clayton Homes, Inc., which manufactures, sells, finances and insures manufactured homes. Mr. Clayton serves as a director of MidCountry Financial Corp., a privately held company.

How are directors nominated?

The Nominating and Corporate Governance Committee of our Board of Directors is responsible for identifying, evaluating and recommending to the Board all persons to be nominated to serve as a director of Dollar General. The committee will consider director candidates timely submitted by our shareholders in accordance with the notice provisions and procedures set forth in our Bylaws (as described below under "Can shareholders nominate directors?") and applies the same criteria to the evaluation of those candidates as the committee applies to other director candidates. Our Board is responsible for nominating the slate of directors for the annual meeting, upon the committee's recommendation.

How are nominees identified?

All director nominees are current directors who are standing for re-election, other than one current director who is retiring in accordance with our mandatory retirement policy. In 2003, the Nominating and Corporate Governance Committee retained a third-party search firm to assist in identifying potential future Board candidates. That search firm reported directly to the committee. The main functions served by the search firm, primarily during 2003 and 2004 but also during the earlier part of 2005, included identifying potential candidates who meet the qualification and experience requirements described below, as well as compiling information regarding the candidates' qualifications, experience and independence and conveying that information to the committee. The Nominating and Corporate Governance Committee also considers potential director candidates submitted by other means, including without limitation any potential candidates submitted by other directors, by shareholders or by other third party search firms.

How are nominees evaluated; what are the minimum qualifications?

The committee identifies, recruits and recommends only those candidates that the committee believes are qualified to become Board members consistent with the criteria for selection of new directors adopted from time to time by the Board. Dollar General endeavors to have a Board representing diverse experience at policy-making levels in business, education and areas that are relevant to its business. The committee recommends candidates, including those submitted by shareholders, only if the committee believes the candidate's knowledge, experience and expertise would strengthen the Board and that the candidate is committed to representing the long-term interests of all Dollar General shareholders. At least two-thirds of the Board must consist of independent directors. No person who has reached the age of 72 is eligible for appointment, election or re-election as a director.

The committee assesses a candidate's independence, background and experience, as well as the current Board's skill needs and diversity. The committee currently believes that an ideal future nominee will have retail experience and/or experience as a current or former CEO (or other position with policy-making responsibility) of a public company with an understanding of our customer base, although these are not mandatory requirements for consideration. With respect to incumbent directors selected for re-election, the committee also assesses each director's contributions, attendance record at Board and applicable committee meetings and the suitability of continued service. In addition, individual directors and any person nominated to serve as a director should be in a position to devote an adequate amount of time to the effective performance of director duties and possess the following characteristics: integrity and accountability, informed judgment, financial literacy, cooperative approach, record of achievement, loyalty, and ability to consult and advise.

Can shareholders nominate directors?

Shareholders can nominate persons to be directors by following the procedures set forth in our Bylaws. In short, these procedures require the shareholder to timely deliver a written notice to our Corporate Secretary at 100 Mission Ridge, Goodlettsville, TN 37072. To be timely, the notice must be received no later than 120 days in advance of the anniversary date of the proxy statement for the previous year's annual meeting. For example, to be considered for the 2007 annual shareholder meeting, the notice must be received no later than December 20, 2006. The notice must contain the information required by our Bylaws about the shareholder proposing the nominee and about the nominee. In general, this information includes:

the nominee's name, age, business address and residence address;
the nominee's principal occupation or employment;
the class and number of shares of Dollar General stock that are beneficially owned by the nominee;
any other information relating to the nominee that is required to be disclosed in solicitations of proxies with respect to nominees for election as directors pursuant to Regulation 14A of the Securities Exchange Act of 1934 (including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected);
the name and address of the shareholder proposing the nominee, as they appear on the record books of Dollar General;
the class and number of shares of Dollar General that are beneficially owned by the shareholder proposing the nominee; and
a description of all arrangements or understandings between the shareholder and each nominee and any other person pursuant to which the nomination is to be made by the shareholder.

You should consult our Bylaws for more detailed information regarding the process by which shareholders may nominate directors. Our Bylaws are posted on the Investing Corporate Governance portion of our web site located at www.dollargeneral.com. No shareholder nominees have been proposed for this year's meeting.

What if a nominee is unwilling or unable to serve?

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

Are there any familial relationships between any of the nominees?

There are no familial relationships between any of the nominees or between any of the nominees and any of our executive officers.

How often did the Board meet in 2005?

Our Board of Directors met 8 times during 2005. Each director attended at least 75% of the total of all meetings of the Board and all committees on which he or she served.

What are the standing committees of the Board?

Our Board of Directors has the following standing committees: Audit, Compensation, Nominating and Corporate Governance, and Finance. Our Board has determined that all members of these committees are independent as defined in the NYSE listing standards and in our Corporate Governance Principles and has adopted a written charter for each of these committees. A copy of the Audit Committee's charter is attached to this proxy statement as **Appendix A**. All committee charters are available on the Investing Corporate Governance portion of our web site located at www.dollargeneral.com. Current information regarding these committees is set forth below.

Name of Committee & Members	Committee Functions	Number of Meetings in 2005
AUDIT: Mr. Robbins, Chairman Ms. Knuckles Mr. Purcell	Reviews our annual audited and quarterly unaudited financial statements Reviews internal controls Oversees compliance with certain legal and regulatory requirements Retains, oversees and reviews the qualifications, independence and performance of the independent auditors Pre-approves all services performed by the independent auditors and the related fees Reviews the performance of our internal audit function and approves the internal audit plan Reviews matters such as our critical accounting policies, material written communications between the independent auditors and management, the independent auditor's internal quality control procedures, significant changes in our selection or application of accounting principles, and the effect of regulatory and accounting initiatives on our financial statements Meets in separate private sessions at least quarterly with each of management, the General Counsel, the internal audit staff and the independent auditors Develops procedures to receive and address complaints regarding accounting, auditing and internal controls Discusses in general terms earnings press releases Undertakes other duties set forth in its Charter	10
FINANCE: Ms. Bowles, Chairman Mr. Bottorff Mr. Wilds	Reviews and recommends financial policies, goals and plans, including major investments, transactions and programs Reviews annual and long-term financial plans Reviews our need for and type of financing Reviews our financial strategies, including dividend policies, investment policies and stock and debt repurchase programs Evaluates our proposed capital strategies Establishes and reviews guidelines for capital market sourcing Undertakes other duties set forth in its Charter	6

Name of Committee & Members	Committee Functions	Number of Meetings in 2005
COMPENSATION: Dr. Gee, Chairman Mr. Beré Mr. Clayton Mr. Dickson	Reviews and approves goals and objectives relating to CEO compensation Annually evaluates CEO performance Recommends CEO and director compensation Oversees officer evaluations and approves executive officer annual compensation Oversees our equity, incentive and other compensation and benefit plans Reviews and evaluates our overall compensation philosophy Has the opportunity to meet in separate private sessions at least quarterly with the outside compensation consultant and with the General Counsel Undertakes other duties set forth in its Charter	9
NOMINATING AND CORPORATE GOVERNANCE: Mr. Bortorff, Chairman Ms. Bowles Mr. Wilds	Identifies and assesses persons qualified to become Board members Recommends new director selection criteria Recommends director candidates Recommends the structure and membership of the Board committees Recommends responsibilities of the presiding director Evaluates the Board, committees and directors Recommends Corporate Governance Principles Recommends and oversees portions of the Code of Ethics Oversees director orientation and continuing education Oversees management succession and development Undertakes other duties set forth in its Charter	4

How are directors compensated?

Effective May 25, 2005, directors receive a \$35,000 annual cash retainer (payable in quarterly installments) plus \$1,250 for attending each Board meeting. Committee members also receive \$1,250 for attending each committee meeting, other than Audit Committee members who receive \$1,500 for attending each committee meeting. Directors are paid \$625 for telephonic attendance at a Board or committee meeting rather than the higher in-person rate. The Audit Committee chairperson receives an additional \$20,000 annual cash retainer, the other committee chairpersons receive a \$10,000 additional cash retainer, and the presiding director receives an additional \$15,000 cash retainer, all payable in quarterly installments. A director who also is a Dollar General employee does not receive any separate compensation for Board service. Directors also receive reimbursement for certain fees and expenses incurred in connection with continuing education seminars and travel expenses related to meeting attendance or company-requested appearances (directors also may travel on the Company plane for those purposes). In addition, each director was given a holiday gift in 2005 that cost approximately \$220.

Prior to May 25, 2005, directors (other than a director who was also a Dollar General employee) received a \$25,000 annual cash retainer (payable in quarterly installments) plus \$1,250 for attending each Board or committee meeting and \$625 for attending each telephonic Board or committee meeting. Committee chairpersons and the presiding director also received an additional annual cash retainer of \$5,000 (payable in quarterly installments).

Any director who is not a Dollar General employee is entitled to receive an annual grant of 4,600 restricted stock units (RSUs) pursuant to our 1998 Stock Incentive Plan. The RSUs generally vest on the first anniversary of the grant date, if the director is still serving as a director on that date, subject to accelerated vesting provisions as provided in the plan (generally upon a change in control or upon termination due to death, disability or normal retirement); however, no common stock may be distributed, nor any amount paid, to any director in respect of RSUs until the director has ceased to be a member of the Board. Dividend equivalents on the RSUs are credited to the director's restricted stock unit account in accordance with the terms of the plan.

Non-employee directors may defer all or a part of any fees normally paid by us to them pursuant to a voluntary nonqualified compensation deferral plan. The compensation eligible for deferral includes the annual retainer(s), meeting and other fees, as well as any per diem compensation for special assignments, earned by a director for service to the Board or one of its committees. The compensation deferred is credited to a liability account, which is then invested at the option of the director in either an account that mirrors the performance of a fund selected by the Compensation Committee or its delegate (the Mutual Fund Options) or in a phantom stock account which mirrors the performance of our common stock (the Common Stock Option). In accordance with a director's election, the deferred compensation will be paid in a lump sum or in monthly installments over a 5, 10 or 15-year period, or a combination of both, at the time designated by the plan upon a director's resignation or termination from the Board. However, a director may request to receive an unforeseeable emergency hardship in-service lump sum distribution of amounts credited to his account in accordance with the terms of the deferral plan. All deferred compensation will be immediately due and payable upon a change in control (as defined in the compensation deferral plan) of Dollar General. Effective January 1, 2005, account balances deemed to be invested in the Mutual Fund Options are payable in cash and account balances deemed to be invested in the Common Stock Option are payable in shares of Dollar General common stock and cash in lieu of fractional shares. Prior to January 1, 2005, all account balances were payable in cash.

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The following table sets forth the actual fees paid to, earned by or granted to our non-employee directors in 2005:

Name	Annual Board Retainer	Other Annual Retainer	Board Meeting Attendance Fee	Committee Meeting Attendance Fee	Restricted Stock Units⁽¹⁾	Total 2005 Fees⁽²⁾
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