

GOPY

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OCT 16 2008

IN THE SIXTH CIRCUIT COURT FOR DAVIDSON COUNTY, TENNESSEE

By Richard M. Crocker Deputy

IN RE DOLLAR GENERAL

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)  
)

Master Docket No. 07MD1

(Consolidated Action)

Judge Brothers

DEPOSITION TRANSCRIPT OF DAVID PERDUE TAKEN JUNE 4, 2007 AND THE EXHIBITS THERETO

FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER OF THE COURT ENTERED IN MASTER DOCKET NO. 07MD1

1 CONFIDENTIAL

2  
3 IN THE SIXTH CIRCUIT COURT  
4 FOR DAVIDSON COUNTY, TENNESSEE  
5 TWENTIETH JUDICIAL DISTRICT, AT NASHVILLE

6 In re DOLLAR GENERAL )  
7 CORPORATION SHAREHOLDER )  
8 LITIGATION )  
9 \_\_\_\_\_ )

10 This Document Relates To: )

11 ALL ACTIONS. )

) CASE NO.  
) 07-C-736  
)  
)  
)

12  
13 CONFIDENTIAL

14 VIDEOTAPED DEPOSITION OF

15 DAVID PERDUE

16 Taken on Behalf of the Plaintiffs

17 June 4, 2007  
18  
19  
20  
21  
22  
23  
24  
25

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1 APPEARANCES

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1 APPEARANCES (Continued).

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9 Also Present: Steve Burner, Videographer

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1

2 The videotaped deposition of

3 DAVID PERDUE, taken on behalf of the Plaintiffs,

4 on the 4th day of June, 2007, in the offices of

5 Bass, Berry & Sims, 2300 AmSouth Center, 315

6 Deaderick Street, Nashville, Tennessee, for all

7 purposes under the Tennessee Rules of Civil

8 Procedure.

9 The formalities as to notice,

10 caption, certificate, et cetera, are waived. All

11 objections, except as to the form of the

12 questions, are reserved to the hearing.

13 It is agreed that Elisabeth A.

14 Miller, being a Notary Public and Court Reporter

15 for the State of Tennessee, may swear the witness,

16 and that the reading and signing of the completed

17 deposition by the witness are reserved.

18

19

20

21 \* \* \*

22

23

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1 PROCEEDINGS 09:35:37  
 2 THE VIDEOGRAPHER: We're on the 09:36:37  
 3 record. Today's date is June 4, 2007. The time 09:36:38  
 4 is 9:37 a.m. This is the videotaped deposition of 09:36:41  
 5 David Perdue. 09:36:47  
 6 Would you please swear the witness. 09:36:48  
 7 DAVID PERDUE, 09:36:50  
 8 was called as a witness, and after having been 09:36:50  
 9 first duly sworn, testified as follows: 09:36:50  
 10 EXAMINATION 09:36:50  
 11 BY MR. JOHNSTON: 09:36:58  
 12 Q. Mr. Perdue, my name is Doug Johnston. I 09:36:59  
 13 represent the plaintiffs in this matter that's 09:37:02  
 14 been brought against Dollar General and its board. 09:37:03  
 15 I'm here today to take your deposition. 09:37:07  
 16 I'm assuming on the front end that you've 09:37:09  
 17 probably had an opportunity to have a discussion 09:37:12  
 18 with your lawyers about what to expect in this 09:37:13  
 19 deposition, so I'm not going to spend a lot of 09:37:15  
 20 time on rules. 09:37:18  
 21 I will say that I'm going to make an 09:37:19  
 22 assumption here that today when you attempt to 09:37:23  
 23 answer a question that what you're trying to do is 09:37:26  
 24 answer that question as fully and as truthfully as 09:37:30  
 25 you know how and that you have understood the 09:37:33

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1 question. 09:37:34  
 2 If you don't understand a question, please 09:37:36  
 3 let me know, and I will try to make sure that -- 09:37:39  
 4 that you and I are on the same page before you 09:37:42  
 5 begin to answer; is that fair? 09:37:45  
 6 A. Yes. 09:37:46  
 7 Q. Okay. If at any point you want to take a 09:37:49  
 8 break, that's fine, just let us know. We're 09:37:51  
 9 inured to that after Saturday. 09:37:55  
 10 Let me -- let me just start hopefully 09:38:06  
 11 quickly with asking you what documents you may 09:38:09  
 12 have reviewed in preparation for your deposition 09:38:11  
 13 today? 09:38:13  
 14 MR. DIETZ: Mr. Johnston, at this 09:38:15  
 15 point, I will say for the record that to the 09:38:15  
 16 extent counsel had conversation with Mr. Perdue in 09:38:21  
 17 preparation for this deposition those 09:38:25  
 18 conversations were privileged. 09:38:27  
 19 To the extent counsel showed him 09:38:29  
 20 documents in preparation for his deposition, 09:38:31  
 21 that's not only privileged, it's also attorney 09:38:33  
 22 work product, and we would object to his 09:38:36  
 23 discussing anything that we discussed or what 09:38:38  
 24 documents we have shown him. 09:38:40  
 25 We do not object to the witness 09:38:42

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1 answering the question as to any documents he 09:38:43  
 2 reviewed independently 09:38:45  
 3 BY MR. JOHNSTON. 09:38:47  
 4 Q. Mr. Perdue, is it your understanding and 09:38:48  
 5 belief that to the extent that you reviewed 09:38:50  
 6 documents in the presence of your lawyers that 09:38:52  
 7 those documents and the discussions you may have 09:38:54  
 8 had are privileged? 09:38:56  
 9 A. I do. 09:38:57  
 10 Q. Did you review any documents on your own? 09:39:00  
 11 A. Not outside the meeting with the counsel. 09:39:03  
 12 Q. Have you had any conversations with anyone 09:39:07  
 13 other than counsel regarding your deposition 09:39:09  
 14 today? 09:39:12  
 15 A. No. 09:39:12  
 16 Q. Specifically, did you have any discussions 09:39:17  
 17 with Mr. Bottorff regarding his deposition on 09:39:20  
 18 Saturday? 09:39:23  
 19 A. No. 09:39:24  
 20 Q. Have you had any discussions with 09:39:25  
 21 Mr. Bottorff since Saturday on -- for any reason? 09:39:26  
 22 A. No. 09:39:30  
 23 Q. Have you had an opportunity to review the 09:39:38  
 24 Bottorff deposition? 09:39:42  
 25 A. No. 09:39:42

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1 Q. In write -- the written form of it, the 09:39:43  
 2 rough draft that -- 09:39:45  
 3 A. No. 09:39:46  
 4 Q. Okay. Has anybody other than counsel told 09:39:47  
 5 you anything about the Bottorff deposition? 09:39:55  
 6 A. No. 09:39:58  
 7 Q. I want to start this morning on the 09:40:05  
 8 substantive issues with discussion of 09:40:06  
 9 Project Alpha. 09:40:10  
 10 A. Uh-huh. 09:40:12  
 11 Q. And what I would like for you to do is to 09:40:12  
 12 just start here by telling us about when and how 09:40:14  
 13 the idea of Project Alpha got started 09:40:23  
 14 A. In early '06 after our experience in 2005 09:40:28  
 15 in a similar exercise of selling off excess 09:40:35  
 16 inventory, we -- we began to review how that went 09:40:39  
 17 and what we were going to do with regard to 09:40:44  
 18 getting ready to work -- our work in 09:40:47  
 19 merchandising. 09:40:51  
 20 That process went on during 2006. We 09:40:53  
 21 reviewed the inventory that needed to be reviewed 09:40:56  
 22 and discussed. We talked about the changes in 09:40:59  
 23 merchandising process that needed to take place. 09:41:02  
 24 In the summer, we began to look at the stores that 09:41:06  
 25 we wanted to take a look at now that we had the 09:41:09

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1 ability to look at profitability at the store 09:41:13  
 2 level, which we did not have in prior years. 09:41:15  
 3 And that process took most of the first 09:41:18  
 4 and second and third quarters of 2006. 09:41:20  
 5 Q. And that's what ultimately became 09:41:24  
 6 Project Alpha? 09:41:28  
 7 A. That's correct. It didn't -- it all 09:41:29  
 8 didn't come together in the first or second 09:41:31  
 9 quarter, it was -- the different pieces were being 09:41:32  
 10 analyzed. For example, the share buyback wasn't 09:41:35  
 11 really determined until late in the process as we 09:41:38  
 12 put the package together. 09:41:40  
 13 Q. All right. There was a strategic planning 09:41:42  
 14 meeting in the summer of '06, is that correct? 09:41:46  
 15 A. Correct. 09:41:49  
 16 Q. Roughly in July? 09:41:50  
 17 A. That's correct. 09:41:51  
 18 Q. And was Project Alpha a subject of 09:41:51  
 19 discussion at that -- at that meeting? 09:41:55  
 20 A. Yes, it was. 09:41:57  
 21 Q. And what was the -- what was the outcome 09:41:58  
 22 of that discussion? 09:42:01  
 23 A. Well, the board wanted to see more 09:42:04  
 24 analysis. We were not finished yet with the 09:42:05  
 25 determination of how many stores actually we would 09:42:09

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1 close. We went -- we actually looked at every 09:42:13  
 2 single store, more than 8,000 stores, and that 09:42:15  
 3 process took time. We looked at every SKU, stock 09:42:18  
 4 keeping unit, so every piece of inventory we were 09:42:21  
 5 evaluating, and they wanted more information. 09:42:23  
 6 We also began to talk about the other 09:42:27  
 7 parts of it, and that is the changes in slowdown 09:42:31  
 8 of our new store growth strategy that we had 09:42:34  
 9 employed in the prior years, and they wanted more 09:42:36  
 10 discussion around that 09:42:41  
 11 So it was a process that we were giving 09:42:41  
 12 them an update on as part of the strategic 09:42:41  
 13 planning process. 09:42:44  
 14 Q. Okay. So Project Alpha came to encompass 09:42:45  
 15 slowing down of openings, closing down 09:42:50  
 16 unprofitable stores, changing the way you 09:42:54  
 17 merchandised, and then there was an added aspect 09:42:57  
 18 later on in the process of a stock buyback; is 09:43:02  
 19 that -- 09:43:06  
 20 A. And it was in the -- one piece about 09:43:06  
 21 changing the way we did merchandising, including 09:43:09  
 22 getting rid of the noncurrent season inventory. 09:43:11  
 23 Q. Okay. Now, one of the things that we 09:43:15  
 24 talked about on Saturday with Mr. Bottorff was any 09:43:19  
 25 consultants or others that -- that assisted in the 09:43:23

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1 development of Project Alpha 09:43:27  
 2 Were there consultants or others that -- 09:43:29  
 3 from outside the company that assisted in that 09:43:33  
 4 development process? 09:43:35  
 5 A. We've used consultants, two primarily 09:43:37  
 6 during my tenure here, one is McKinsey and 09:43:40  
 7 Company, the other is LEK. Specifically during 09:43:44  
 8 this period of time before we -- before Lehman was 09:43:47  
 9 retained, I don't recall any consultants being 09:43:53  
 10 involved specifically 09:43:55  
 11 Q. And what was McKinsey's role? 09:43:56  
 12 A. They helped us devise the original 09:43:58  
 13 strategic plan. 09:44:01  
 14 Q. The -- what do you mean by original 09:44:03  
 15 strategic plan? 09:44:06  
 16 A. In 2003 when I was first hired, they 09:44:06  
 17 helped us author a strategic plan, and we -- we 09:44:09  
 18 instituted a strategic planning process at 09:44:13  
 19 Dollar General. And so in that first meeting, we 09:44:16  
 20 employed -- or we hired McKinsey to help us look 09:44:18  
 21 at the opportunities and the challenges at 09:44:21  
 22 Dollar General and the restructuring that we 09:44:24  
 23 thought that it needed. And we mapped out a 09:44:26  
 24 multiyear plan at that point. 09:44:29  
 25 Q. Now, Mr. Bottorff told us on Saturday that 09:44:31

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1 for two prior years before fiscal '06 the board 09:44:34  
 2 had been presented a plan by management, and that 09:44:40  
 3 plan had not been met for those two consecutive 09:44:44  
 4 years. Is that your recollection? 09:44:47  
 5 A. By plan, are -- do you mean a financial 09:44:49  
 6 plan? 09:44:52  
 7 Q. What I thought he was making reference to 09:44:53  
 8 was a financial plan 09:44:55  
 9 A. Yeah. 09:44:59  
 10 Q. But you correct me if -- if -- 09:44:59  
 11 A. Well, in specific terms, in 2005, that's 09:45:02  
 12 correct. And I -- I'd have to go back and look at 09:45:04  
 13 2004. 09:45:08  
 14 Q. What was it about the plan that was not 09:45:09  
 15 met? 09:45:11  
 16 A. Profitability, bottom line profitability 09:45:13  
 17 Q. Can you flesh that out for me a little? 09:45:18  
 18 What was -- what was the plan, and what did -- 09:45:20  
 19 what did the actual numbers show? 09:45:23  
 20 A. I don't remember those specific numbers. 09:45:25  
 21 Q. Can you give me a rough estimate? 09:45:27  
 22 A. No 09:45:29  
 23 Q. Were you off by a lot? 09:45:30  
 24 A. Well, we were off because of the next -- 09:45:31  
 25 not because simply. But part of the issues in 09:45:34



<p style="text-align: right;">Page 14</p> <p>1 2005 were we be -- began dealing with this 09:45:37  2 inventory issue in 2005. It was an exercise 09:45:41  3 called the Green Dot exercise, and that had 09:45:44  4 significant impact on volatility in the stock 09:45:46  5 and -- and volatility in our earnings as well as 09:45:49  6 comp store sales in the back half of 2005. 09:45:53  7 Q. What was the Green Dot initiative? 09:45:56  8 A. Green Dot initiative was born back in -- 09:45:58  9 when I arrived in 2003, we started looking at our 09:46:01  10 balance sheet, and one of the goals we had was to 09:46:04  11 increase our inventory term, so we started 09:46:06  12 evaluating our inventory. 09:46:09  13 It wasn't until January/February of '05 09:46:10  14 that we were able to age our inventory. And when 09:46:14  15 we did, we realized that we had a lot of inventory 09:46:16  16 that was older than we wanted. The valuation on 09:46:19  17 the books was fine, but we just felt like that it 09:46:22  18 was hampering our comp store sales by having so 09:46:25  19 much old inventory that was being packed away at 09:46:27  20 the end of each season. 09:46:30  21 That was consistent with the change in 09:46:31  22 strategy that we wanted to get to a clearance 09:46:33  23 model. So in '05, we started selling off -- we 09:46:36  24 sold over a half a billion dollars of older 09:46:40  25 inventory which meant that we had to buy about a 09:46:42</p>	<p style="text-align: right;">Page 16</p> <p>1 that we can price with much more information about 09:47:41  2 what our competitors are doing in any given region 09:47:46  3 as opposed to just a national price. 09:47:46  4 Q. Okay. Now, similarly, had -- had you used 09:47:49  5 McKinsey prior to their involvement in -- in 09:47:52  6 assisting putting together Project Alpha? 09:47:57  7 A. I'm not sure I have testified that 09:48:02  8 McKinsey helps us put together Project Alpha. 09:48:04  9 Q. I'm sorry. I misunderstood what you said 09:48:07  10 then because I thought -- 09:48:08  11 A. Yeah, McKinsey -- McKinsey was retained in 09:48:10  12 '03 to help us flesh out the strategic plan. Then 09:48:12  13 they were retained to help us implement our 09:48:15  14 EZ Store project, and that was a two-year project 09:48:17  15 to change the way we handle material flow to the 09:48:20  16 stores. 09:48:23  17 Q. Okay. So they -- they were not, then, 09:48:24  18 involved in the what I'm calling the workup of 09:48:27  19 Project Alpha? 09:48:31  20 A. I don't recall that, no. 09:48:32  21 Q. All right. Have they been retained since 09:48:33  22 mid '06 for any reason? 09:48:36  23 A. No. 09:48:39  24 Q. Has their work complete -- been completed? 09:48:42  25 A. Yes. 09:48:46</p>
<p style="text-align: right;">Page 15</p> <p>1 half a billion dollars less of new inventory in 09:46:44  2 the back half of that year. 09:46:46  3 And that, of course, caused a major 09:46:48  4 upheaval in comp sales and also in margin because 09:46:50  5 we had not projected in the plan the markdowns 09:46:53  6 that we had used. And neither in '04 had we 09:46:56  7 given -- put a budget in there for the markdowns 09:46:58  8 that we used to address this inventory issue. 09:47:02  9 Q. Okay. You -- you mentioned earlier a 09:47:03  10 second consultant, and I'm sorry I don't 09:47:05  11 remember -- 09:47:08  12 A. Yeah, LEK, and I can't tell you what the 09:47:08  13 letters stand for. It's a British consulting 09:47:11  14 firm. They helped us on a small pricing piece, 09:47:14  15 and they did some analysis around comp store sales 09:47:16  16 in late '05. 09:47:19  17 Q. Had you used them before? 09:47:21  18 A. No. 09:47:23  19 Q. Had you -- have you used them since then? 09:47:23  20 A. Yes, on a few minor things. 09:47:25  21 Q. Tell me what minor things 09:47:27  22 A. Just follow-up to the pricing model that 09:47:29  23 they did. They helped us with -- now that we've 09:47:32  24 gotten improved systems, they helped us develop a 09:47:35  25 model using AC Nielsen data -- national data so 09:47:38</p>	<p style="text-align: right;">Page 17</p> <p>1 Q. If you can -- and I'd ask you to be brief 09:48:57  2 in this -- just bring us forward a little bit in a 09:49:00  3 narrative form on Project Alpha from the date of 09:49:05  4 the strategic planning meeting in August up until 09:49:09  5 the fall. What -- what -- what was going on in 09:49:13  6 the development of this project? 09:49:17  7 A. As I said, we were evaluating in more 09:49:19  8 detail the stores that we -- that were not 09:49:22  9 profitable or not contributing to profitability. 09:49:27  10 We were looking at our -- our stock level at 09:49:30  11 the -- at the SKU level in much more detailed 09:49:33  12 terms 09:49:38  13 And we were looking at the potential 09:49:38  14 variance around store growth, what -- what that 09:49:40  15 would mean to future profitability and so forth 09:49:43  16 and what it would allow us to do in terms of 09:49:46  17 addressing some of the problems that we had in our 09:49:47  18 stores 09:49:50  19 That led to -- and during this process, we 09:49:51  20 had several board meetings. We kept the board 09:49:54  21 apprised of what was going on in the analysis. 09:49:56  22 And that led to a final approval by the board, 09:49:58  23 which led to at the end of our third quarter when 09:50:00  24 we announced earnings to Wall Street, we explained 09:50:03  25 this project -- proposed project publicly. 09:50:06</p>

5 (Pages 14 to 17)

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1 Q And when was that? 09:50:11  
 2 A In November when we reported our Q3 09:50:13  
 3 earnings 09:50:16  
 4 Q Okay. Okay I'm going -- I'm going to 09:50:16  
 5 continue on this narrative about Project Alpha, 09:50:23  
 6 but I want to -- I want to just stop here and ask 09:50:26  
 7 you, you had mentioned earlier about 09:50:28  
 8 Lehman Brothers. Did Lehman Brothers become 09:50:31  
 9 involved in the development of Project Alpha at 09:50:35  
 10 any point? 09:50:38  
 11 A I -- I would say they were involved in 09:50:40  
 12 challenging some of the assumptions in Alpha and 09:50:42  
 13 being a critical evaluator of Alpha at some point 09:50:45  
 14 in that third quarter. 09:50:49  
 15 Q When were they retained? 09:50:51  
 16 A I don't recall. 09:50:52  
 17 Q Would it have been in the third quarter? 09:50:53  
 18 A My -- yeah, my recollection is -- I just 09:50:55  
 19 don't recall the specific date 09:51:00  
 20 Q And that's a good point. Let me tell you 09:51:04  
 21 the same thing that I told Mr. Bottorff. I'd be 09:51:06  
 22 very surprised if except for a few key things 09:51:09  
 23 you're going to remember specific dates. That's 09:51:13  
 24 not a big deal. To the extent that they're 09:51:15  
 25 important, they're probably somewhere in the 09:51:19

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1 record. Don't worry about that. 09:51:21  
 2 If you can give me your best estimate on a 09:51:25  
 3 time, that's fine. 09:51:28  
 4 A Okay. 09:51:30  
 5 Q I don't think anybody is going to go crazy 09:51:31  
 6 over not remembering a specific date. 09:51:33  
 7 A Okay. 09:51:35  
 8 Q Had -- had the company used 09:51:36  
 9 Lehman Brothers before? 09:51:39  
 10 A The only thing, to my knowledge, that 09:51:44  
 11 Lehman has done for us was an evaluation -- the 09:51:46  
 12 normal annual evaluation of our strategic 09:51:51  
 13 position. And I don't recall if they did that 09:51:56  
 14 prior to being formally retained or not. I 09:51:59  
 15 sus- -- I don't -- I just don't recall that, but I 09:52:02  
 16 know they did that sometime during the year 09:52:05  
 17 in '06. 09:52:07  
 18 Q Now, specifically in regard to Lehman, 09:52:09  
 19 Mr. Bottorff told us that when they were retained 09:52:14  
 20 he believed somewhere in the fall of -- of 2006 09:52:17  
 21 that a part of the contract that was entered into 09:52:22  
 22 with Lehman paid them, in his words, big dollars 09:52:25  
 23 in the event that a deal was done. 09:52:31  
 24 Is that your recollection? 09:52:33  
 25 A That's correct. 09:52:34

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1 MR. DIETZ. Objection to the form 09:52:35  
 2 BY MR. JOHNSTON. 09:52:37  
 3 Q And -- and why was that aspect of their 09:52:38  
 4 contract put in? 09:52:42  
 5 A Well, it was a standard form of any 09:52:44  
 6 investment banking agreement, very standard, that 09:52:47  
 7 they get a percentage of -- of the transaction. 09:52:50  
 8 That was negotiated when we signed the agreement 09:52:54  
 9 with them, and there was nothing untoward in that 09:52:56  
 10 from my recollection 09:53:00  
 11 Q And I'm not suggesting that there is. 09:53:01  
 12 Was there -- at the time that the Lehman 09:53:06  
 13 contract was signed, was there a -- a deal on the 09:53:09  
 14 horizon? 09:53:15  
 15 A No. 09:53:16  
 16 Q There was nothing about Project Alpha or 09:53:20  
 17 its implementation that would have triggered a 09:53:23  
 18 greater fee, a contingency fee of some kind for 09:53:26  
 19 Lehman, would it? 09:53:30  
 20 A Not to my knowledge. 09:53:31  
 21 Q All right. We got off on the Lehman 09:53:51  
 22 issue. Let's go back to -- specifically to 09:53:53  
 23 Project Alpha. 09:53:56  
 24 I think what the record reflects is that 09:54:01  
 25 there was a -- a board meeting on November the 09:54:03

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1 20th in which Project Alpha was discussed 09:54:07  
 2 extensively. What do you remember about that 09:54:10  
 3 board meeting and the discussion? 09:54:16  
 4 A Well, I think the board wanted to know 09:54:21  
 5 what the management's plan was about the 09:54:23  
 6 conversion from the pack-away strategy to the 09:54:24  
 7 clearance strategy. That was major concern 09:54:28  
 8 because the company had never done that. 09:54:31  
 9 And by the way, that was just getting to a 09:54:32  
 10 standard practice of most other retailers that we 09:54:34  
 11 know of. 09:54:37  
 12 They talked a little bit about the store 09:54:38  
 13 closures and what that meant, how we were going to 09:54:41  
 14 transact it, how we were going to execute it. We 09:54:43  
 15 talked a little bit about the sell-off, how long 09:54:46  
 16 it would take, what kind of markdowns would be 09:54:48  
 17 involved, and what that would mean 09:54:51  
 18 We also talked about the risks involved in 09:54:53  
 19 that. And based on the prior 18 months of 09:54:55  
 20 experience, what did we see, how that was -- how 09:54:58  
 21 was that going to potentially affect the next few 09:55:01  
 22 years? 09:55:04  
 23 Q And how did you see that? 09:55:04  
 24 A Well, I -- I basically reminded the board 09:55:05  
 25 of the volatility that we had seen in the past 09:55:09

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1 year in comp store sales and in profitability and, 09:55:11  
 2 therefore, in share pricing and that I could not 09:55:13  
 3 predict anything other than what we had seen in 09:55:17  
 4 the past because what we were talking about was an 09:55:18  
 5 embellishment of what we had been doing with the 09:55:22  
 6 addition of closing stores and -- and slowing down 09:55:25  
 7 store growth, and the conversion to the clearance 09:55:29  
 8 strategy. 09:55:32  
 9 Q. Was there specific discussion regarding 09:55:33  
 10 the potential hit to earnings per share in the 09:55:35  
 11 short-term, that is over the next year? 09:55:43  
 12 A. Yes. 09:55:46  
 13 Q. 2006, 2007? 09:55:46  
 14 A. Yes. 09:55:48  
 15 Q. Or excuse me, 2007, 2008? 09:55:49  
 16 A. Right, yes. 09:55:52  
 17 Q. And what -- what do you recall about that 09:55:52  
 18 discussion? 09:55:55  
 19 A. Well, I think that the board debated the 09:55:57  
 20 fact that it was going to be expensive and -- and 09:56:01  
 21 was full of risk, but it was the right thing to do 09:56:04  
 22 long-term for the company, that the pack-away 09:56:07  
 23 strategy, everybody agreed, was fraught with 09:56:09  
 24 danger, had a lot of risk from an inventory point 09:56:12  
 25 of view and just a basic operation of the 09:56:16

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1 business. 09:56:18  
 2 And it contributed to employee turnover to 09:56:20  
 3 shrink, which is theft in the stores, loss of 09:56:23  
 4 product. It was just generally a very bad thing 09:56:26  
 5 for the company. So they -- they knew that 09:56:28  
 6 long-term that was the right thing to do. 09:56:30  
 7 They were concerned about the volatility 09:56:32  
 8 of -- that would be the result of the 09:56:35  
 9 implementation, and -- and we all agreed that 09:56:37  
 10 while the implementation -- we could get rid of 09:56:40  
 11 the inventory by the end of '07, we could close 09:56:42  
 12 the stores by the end of '07, that the volatility 09:56:45  
 13 would not end at the end of '07. 09:56:48  
 14 Q. And explain why that would be the case. 09:56:52  
 15 A. Well, you have -- as there's a six-month 09:56:56  
 16 lead time. Most of the product that we're talking 09:56:58  
 17 about is seasonal in nature, meaning that it's 09:57:00  
 18 appropriate for this season, but if you didn't 09:57:03  
 19 sell it and you pack it away, next season it may 09:57:05  
 20 or may not be the in color, the in size, the in 09:57:09  
 21 style. And so there's attendant risk with that, 09:57:12  
 22 and we talked to the board about why that would 09:57:16  
 23 continue. 09:57:19  
 24 And the fact that you buy that merchandise 09:57:20  
 25 six months ahead meant -- meant that the first 09:57:22

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1 time we would have a clean pass at this, truly 09:57:25  
 2 clean, would be probably spring '08, because we 09:57:28  
 3 would buy that in the middle part of '07. By the 09:57:31  
 4 end of '07, we would have most of the -- all of 09:57:35  
 5 the inventory out, and so that first quart -- 09:57:38  
 6 first spring offering would be probably the first 09:57:40  
 7 time we would have a chance to do that. 09:57:42  
 8 My projection was that it would not be 09:57:44  
 9 perfect, that we would have a markdown required at 09:57:45  
 10 the end of that season and that we would have a 09:57:48  
 11 continued learning curve on into the second half 09:57:51  
 12 of '07 -- '08 along with holiday. And we thought 09:57:53  
 13 it might be two or three years as this -- as this 09:57:57  
 14 company found its equilibrium again. 09:57:59  
 15 Q. Okay. There was a recommendation, I 09:58:05  
 16 believe, from management at the board meeting on 09:58:06  
 17 the 20th that, in fact, a decision needed to be 09:58:10  
 18 made by the 20th if they were going to begin 09:58:13  
 19 rolling it out timely according to the plan. But 09:58:17  
 20 a decision was not made on the 20th, is that 09:58:20  
 21 correct? 09:58:22  
 22 MR. DIETZ: Objection to the form. 09:58:23  
 23 Witness may answer. 09:58:23  
 24 THE WITNESS: That's correct, to my 09:58:25  
 25 recollection. 09:58:26

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1 BY MR. JOHNSTON: 09:58:27  
 2 Q. Okay. The board then came back eight days 09:58:27  
 3 later on the 28th. And what happened between the 09:58:31  
 4 20th and the 28th regarding Project Alpha? 09:58:35  
 5 A. You know, there were -- there were some 09:58:39  
 6 questions around the number of stores. I think 09:58:41  
 7 there was a little more work done around the 09:58:45  
 8 store -- the efficacy of the analysis of the 09:58:47  
 9 stores. Beyond that, I just don't recall. 09:58:51  
 10 Q. The board met again on the 28th. Was that 09:58:54  
 11 the date that Project Alpha was approved by the 09:58:56  
 12 board? 09:58:59  
 13 A. I could check. I -- I don't recall. 09:59:03  
 14 Q. Okay. As we sit here today, Project Alpha 09:59:05  
 15 has been approved, correct? 09:59:12  
 16 A. Correct. 09:59:14  
 17 Q. And -- and implementation has begun? 09:59:14  
 18 A. That's correct. 09:59:18  
 19 Q. Is it on schedule? 09:59:18  
 20 A. I would say that parts of it are, and 09:59:20  
 21 parts of it are a little bit behind schedule as we 09:59:23  
 22 sit here today. But generally, it -- we're -- 09:59:26  
 23 we're -- we feel like we're okay in terms of the 09:59:29  
 24 timetable that we put forward. 09:59:34  
 25 Q. What parts are and what parts are not on 09:59:34



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1 schedule? 09:59:36

2 A. Well, I think the -- the inventory 09:59:36

3 sell-off is -- is probably a little bit behind; 09:59:39

4 the store closures are probably on schedule; the 09:59:42

5 number of markdowns we've used are probably a 09:59:46

6 little bit more than we had hoped. 09:59:49

7 But this is very fluid, very dynamic. It 09:59:58

8 changes week to week, as you might imagine. 10:00:00

9 Q. What -- what is -- what is the company 10:00:03

10 doing to -- to keep track of those week-to-week 10:00:05

11 changes? How are you doing that? 10:00:11

12 A. We formed a separate implementation team 10:00:13

13 headed up by senior vice president who reports 10:00:15

14 into the chief operating officer weekly, daily, 10:00:19

15 hourly about what's going on. I get weekly 10:00:22

16 briefings on the progress. We get comp sale 10:00:26

17 reports daily. We don't get profitability daily 10:00:30

18 We just don't have the system to do that. 10:00:32

19 The store closures, we get weekly updates 10:00:34

20 on -- on that. So it's a very formal process. 10:00:37

21 There are a number of people under this individual 10:00:40

22 who are assigned totally to this project. And 10:00:42

23 they're multi -- from multifunctional areas. 10:00:46

24 Q. How often would you get information on 10:00:48

25 profitability? 10:00:50

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1 A. At least monthly, and we get some 10:00:53

2 indications weekly based on mix. We can look at 10:00:55

3 the sales mix and get an idea of what generally is 10:00:57

4 happening with profitability, but nothing that 10:01:00

5 precise. 10:01:03

6 Q. Okay. And you say this is headed up by -- 10:01:06

7 there's an implementation team, and that's headed 10:01:08

8 up by a senior vice president? 10:01:10

9 A. That's correct. 10:01:14

10 Q. Who is that? 10:01:14

11 A. Michael Buxton. 10:01:15

12 Q. In addition to being head of this 10:01:19

13 implementation team, what's -- what is he senior 10:01:21

14 vice president of? 10:01:24

15 A. Nothing right now. 10:01:25

16 Q. Oh. 10:01:27

17 A. This is his life. 10:01:29

18 Q. What was he a senior VP of? 10:01:30

19 A. Well, he was a vice president actually in 10:01:32

20 merchandising, and he was the -- his title was 10:01:34

21 somewhat amorphous, but he was a general 10:01:39

22 administrative assistant for the head of 10:01:43

23 merchandising. He was a special projects type 10:01:45

24 person. 10:01:48

25 Q. Is this kind of a promotion for him? 10:01:48

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1 A. No, this -- he had been assigned this -- 10:01:51

2 he had been given this assignment before he was 10:01:54

3 promoted. He was promoted as part of our typical 10:01:57

4 annual review, which just took place. 10:02:00

5 Q. I see. Okay. When did he begin his 10:02:03

6 implementation work? 10:02:05

7 A. In the December time frame. 10:02:09

8 Q. Okay. We've talked about Project Alpha, 10:02:36

9 and we'll talk about that some more as we go 10:02:39

10 through this deposition. We've talked a little 10:02:42

11 bit about some of the advisers that y'all have 10:02:43

12 used. Let me ask you about a few others. 10:02:48

13 You -- I've seen documents that indicated 10:02:57

14 that y'all, at least in the past, have used 10:02:59

15 Goldman Sachs. Over the past, say, 24 months, 10:03:04

16 what is it that Goldman Sachs has done for the 10:03:09

17 company? 10:03:11

18 A. They -- to my knowledge, they've done at 10:03:15

19 least one annual review of the strategic 10:03:16

20 positioning of the company. 10:03:21

21 Q. And when did they do that? 10:03:24

22 A. It was in 2006. I don't recall 10:03:28

23 specifically when it was. 10:03:29

24 Q. Did you say the -- an annual review of 10:03:32

25 strategic positioning or annual review of 10:03:35

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1 strategic plan? 10:03:38

2 A. It's really the strategic positioning of 10:03:40

3 the company because in the past that would be 10:03:42

4 independent necessarily of the strategic plan but 10:03:45

5 it's part of the input to our own internal 10:03:50

6 thinking. Normally we would do that as part of 10:03:52

7 the planning process. 10:03:55

8 Q. What is it that you mean when you -- you 10:03:56

9 talk about strategic positioning of the company? 10:03:57

10 A. Well, that's an incorrect term. Let me -- 10:04:01

11 let me correct that term. It doesn't imply 10:04:03

12 anything except a review of the current situation 10:04:05

13 of the company, how -- what -- how is the company 10:04:07

14 doing against its plan, what's its -- how's its PE 10:04:10

15 against the industry; what's going on in the 10:04:13

16 industry with regard to other competitors; what 10:04:16

17 are the things the board -- the finance committee 10:04:18

18 needs to be aware of relative to what is going on 10:04:20

19 in the industry. 10:04:21

20 So it's really an update about our current 10:04:23

21 situation in our sector, our defense structures 10:04:26

22 against outside approaches, and it's generally an 10:04:29

23 update review of that. So it's not really a 10:04:34

24 positioning. There's no decisions taken in this 10:04:36

25 meeting, no recommendations made. It is just a 10:04:40

<p style="text-align: right;">Page 30</p> <p>1 general view and update that we use with the 10:04:42  2 finance committee as part of this overall 10:04:45  3 strategic planning process that we instituted 10:04:48  4 three or four years ago. 10:04:50  5 Q. Would this have been a presentation that 10:04:52  6 they would have made at your strategic planning 10:04:52  7 meeting in the summer of last year? 10:04:56  8 A. Generally not. 10:04:59  9 Q. Would they have made a formal presentation 10:04:59  10 to the board, or would they have simply provided 10:05:01  11 some sort of written information? 10:05:04  12 A. They provided written information, but it 10:05:06  13 was to my recollection made to the finance 10:05:12  14 committee. 10:05:12  15 Q. Do you remember approximately when that 10:05:13  16 was? 10:05:13  17 A. No. 10:05:14  18 Q. Had they done that sort of presentation 10:05:16  19 before for you? 10:05:18  20 A. I don't recall. 10:05:21  21 Q. Had anyone else ever done that since -- 10:05:24  22 for the period of time that you've been 10:05:27  23 involved -- 10:05:29  24 A. Yes. 10:05:30  25 Q. -- with the company? 10:05:30</p>	<p style="text-align: right;">Page 32</p> <p>1 agreement based on the -- the board's direction to 10:06:50  2 retain Lehman, and that was done in '06. 10:06:53  3 Q. And was that because of the movement of 10:06:56  4 these people? 10:06:58  5 A. That's correct. 10:06:59  6 Q. Obviously Lazard is in the mix 10:07:15  7 currently -- or at least in the recent past. How 10:07:18  8 did Lazard become involved with Dollar General? 10:07:23  9 A. The strategic planning committee retained 10:07:30  10 Lazard. 10:07:34  11 Q. And why did they do that? 10:07:40  12 A. I wasn't privy to -- I could speculate, 10:07:42  13 but I -- I don't have the facts on that. 10:07:44  14 MR. DIETZ. I'll instruct the witness 10:07:46  15 not to speculate. 10:07:46  16 BY MR. JOHNSTON: 10:07:51  17 Q. Occasionally -- yeah, that -- that's a 10:07:51  18 good point too. Occasionally -- I really don't 10:07:54  19 care about your speculation. It really doesn't 10:07:57  20 mean much. Occasionally I may ask you to make the 10:08:00  21 best possible guess you can to something, but that 10:08:03  22 would be rare. 10:08:05  23 All right. Any other -- any other 10:08:13  24 advisers that the company has either retained 10:08:17  25 or -- well, first, any other advisers that the 10:08:21</p>
<p style="text-align: right;">Page 31</p> <p>1 A. Yes. 10:05:31  2 Q. Who else has done that? 10:05:31  3 A. Credit Suisse and Lehman Brothers. 10:05:33  4 Q. Why use different ones like that as 10:05:55  5 opposed to the same one repeatedly if you like 10:05:56  6 what they do? 10:05:59  7 A. Yeah. Well, there was a letter of 10:06:00  8 agreement in existence between Dollar General and 10:06:02  9 Credit Suisse when I arrived. That's why we used 10:06:04  10 them initially. 10:06:07  11 At some point -- and I don't remember 10:06:08  12 when -- the retail team -- most of the retail team 10:06:09  13 from Credit Suisse left to go to Lehman. The 10:06:13  14 people that the company had the relationship with 10:06:16  15 are the ones that went to Lehman. 10:06:18  16 In '06 -- or maybe in '05, I don't recall 10:06:23  17 the specific time frame, but sometime in the last 10:06:27  18 year and a half, the company took the position 10:06:28  19 that we didn't like -- we didn't feel like we were 10:06:31  20 getting the service out of Credit Suisse -- and by 10:06:35  21 the way, this was not a fee based relationship. 10:06:38  22 They just came in and helped us do this annual 10:06:40  23 review, but we did have an agreement. 10:06:42  24 We gave them notice that we were going to 10:06:45  25 discontinue that agreement, and we initiated an 10:06:46</p>	<p style="text-align: right;">Page 33</p> <p>1 company has retained for any reason over the last 10:08:25  2 24 months? 10:08:28  3 A. Not to my knowledge. 10:08:29  4 Q. All right. Let's switch gears, and I'm 10:08:42  5 going to try to go chronologically. I may or may 10:08:45  6 not be successful in that venture, but we'll try. 10:08:52  7 When was the first time that you in 10:08:58  8 particular were contacted by anyone from KKR 10:09:02  9 regarding any potential going private transaction 10:09:05  10 involving Dollar General? 10:09:10  11 A. It was prior to the October 5 meeting. 10:09:15  12 Q. Do you remember roughly when? 10:09:18  13 A. It was within a week or ten days. You 10:09:24  14 know, that -- that's the best of my recollection. 10:09:26  15 Q. How frequently did you have contact with 10:09:30  16 persons associated with private equity firms 10:09:39  17 regarding their interest in Dollar General? 10:09:42  18 A. I would say it was very infrequent. What 10:09:47  19 interaction I had was at the direction of the 10:09:50  20 board and -- and was not -- there weren't very 10:09:52  21 many contacts. 10:09:56  22 Q. Prior to the third quarter of 2006, had 10:09:58  23 any private equity firm contacted you that you can 10:10:02  24 recall regarding their interest in -- or potential 10:10:06  25 interest in Dollar General? 10:10:10</p>

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1 A. I don't recall. 10.10.12  
 2 Q. Let me hand you a document that we will 10:10:44  
 3 mark as Perdue 1. 10.10.46  
 4 (Marked Exhibit No. 1.) 10:11:06  
 5 THE WITNESS Okay. 10.11:07  
 6 BY MR. JOHNSTON. 10.11.08  
 7 Q. What is this document? 10.11.08  
 8 A. I got a phone call from Andy Taussig, who 10:11:08  
 9 was the head investment banker at Lehman in the 10:11:12  
 10 retail sector who was the head of our account, and 10:11:16  
 11 basically said that David Frank, who was at CSFB, 10:11:20  
 12 had communicated to someone else at Lehman that he 10:11:26  
 13 was working with Apollo and that they were -- had 10.11.29  
 14 been working with the Turner family to put an 10.11.34  
 15 offer in for Dollar General. 10.11.37  
 16 Q. Did you know anything about Apollo or 10.11 41  
 17 anyone else working with the Turner family -- 10.11.43  
 18 A. No. 10:11:44  
 19 Q. -- to put in such an offer? 10.11.45  
 20 A. No. 10:11:46  
 21 Q. What, if anything, did you do as a result 10.11.47  
 22 of this telephone call? 10.11 48  
 23 A. I informed the board. 10:11:51  
 24 Q. Do you know whether or not anyone 10:11:54  
 25 attempted to contact Mr. Turner or anyone 10:11:56

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1 associated with the Turner family to determine if 10.11:59  
 2 this was true or not? 10 12.02  
 3 A. Not to my knowledge. 10.12.03  
 4 Q. I don't mean to be questioning that, but 10:12:09  
 5 it seems logical to me that -- that somebody would 10.12:10  
 6 just out of -- if nothing else, out of curiosity. 10:12:13  
 7 Can you tell me why that -- 10.12:17  
 8 A. I just don't have any knowledge of -- I 10:12:18  
 9 didn't contact him. I have no knowledge of -- if 10:12:20  
 10 anybody on the board did. 10:12:23  
 11 Q. Okay And -- and nobody, as we sit here 10:12:26  
 12 today, at any time has come back and said to you 10:12 28  
 13 that, oh, by the way, I -- I did get curious, and 10:12:32  
 14 I went to see Mr. Turner and find out if this was 10:12:34  
 15 true, and either it was or it wasn't? 10:12:37  
 16 A. Not to my knowledge. 10.12.41  
 17 Q. And -- and I -- obviously from your 10:12:43  
 18 answers here, nobody from the Turner family 10:12.46  
 19 contacted you and said, oh, by the way, somebody 10:12.49  
 20 from Apollo is interested in this company? 10:12.53  
 21 A. That's correct. 10:12:55  
 22 Q. Did the -- did the -- did the information 10:13:07  
 23 that you received in this telephone call cause you 10:13:09  
 24 to be concerned for what might be happening with 10.13.14  
 25 Dollar General? 10:13:18

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1 A. Yes. 10.13.24  
 2 Q. What, if anything, did you do about that? 10.13.24  
 3 A. I talked to the board 10:13:28  
 4 Q. And would this have been -- well, when did 10:13:29  
 5 you talk to the board? 10:13:35  
 6 A. I think -- I don't recall the specific 10.13.36  
 7 date. I know that I talked to David Wilds and 10.13.38  
 8 possibly one other person almost immediately after 10:13:41  
 9 this phone call. 10:13:44  
 10 Q. Okay. You mentioned earlier that one of 10:13.49  
 11 the things that you were looking at in -- in your 10 13.52  
 12 overall strategic planning meeting and I think 10:13 54  
 13 also involved in the Goldman Sachs presentation to 10:13.59  
 14 the finance committee was the defensive position 10.14.03  
 15 of -- of the company. 10.14.06  
 16 Did this phone call or anything about it 10.14:08  
 17 cause you to have concerns about the defensive 10.14:11  
 18 position of the company? 10.14.14  
 19 A. Not to my recollection. 10 14 18  
 20 Q. Okay. Was there ever any other 10.14.32  
 21 information that you received from any source 10:14:34  
 22 regarding Apollo attempting to do a deal involving 10.14.36  
 23 Dollar General? 10:14:43  
 24 A. Not directly. 10 14 43  
 25 Q. What -- did you learn something 10.14.44

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1 indirectly? 10:14:46  
 2 A. I had at least one phone call with 10:14.48  
 3 David Frank specifically. He didn't mention the 10:14.52  
 4 name Apollo, but he said that he reported at one 10:14:57  
 5 point -- I reported this to the board. He 10:15:03  
 6 reported that there was a firm that had been doing 10:15:07  
 7 due diligence on public information and was very 10.15.10  
 8 interested in Dollar General. 10.15.13  
 9 Q. Okay. You did not know at that time 10:15.15  
 10 whether it was Apollo or -- 10:15:16  
 11 A. I had no knowledge of who it was. 10:15:18  
 12 Q. All right. As of the date of this 10:15.22  
 13 telephone call, which appears to be August the 10:15.24  
 14 3rd, would this note have been made 10:15.28  
 15 contemporaneous with the phone call? 10:15.31  
 16 A. Yes. 10.15.33  
 17 Q. As of the date of that telephone call, was 10:15:34  
 18 Dollar General for sale? 10.15.37  
 19 A. No, absolutely not. 10:15.39  
 20 Q. You say that emphatically, why do you say 10:15:44  
 21 it so emphatically? 10:15.47  
 22 A. Well, because we had, you know, a record 10:15:48  
 23 of going through an annual review about the 10:15:52  
 24 valuation of the company, the future of the 10.15:54  
 25 company, what the options were for the company. 10 15:55



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1 We always did that as a matter of course each 10:15:58  
 2 year. 10:16:01  
 3 And the company had repeatedly established 10:16:02  
 4 this principle of independence, that -- that we 10:16:05  
 5 were an independent, ongoing, public company, and 10:16:09  
 6 we saw no reason to change that during that period 10:16:12  
 7 of time. There was no evidence on the table for 10:16:15  
 8 us to change and -- and to initiate any changes in 10:16:17  
 9 that. 10:16:19  
 10 Q. Okay. Let me hand you another document 10:16:20  
 11 that . . . 10:16:36  
 12 (Marked Exhibit No. 2.) 10:16:52  
 13 BY MR. JOHNSTON 10:16:54  
 14 Q. What is this document? 10:16:55  
 15 A. This was a note to my file that I made 10:16:56  
 16 contemporaneously with several specific 10:17:00  
 17 conversations that I had had during that August 10:17:03  
 18 time period. 10:17:05  
 19 Q. Let's just go through these one by one. 10:17:08  
 20 Who is David Bonderman and Carrie Wheeler -- who 10:17:10  
 21 are David Bonderman and Carrie Wheeler? 10:17:15  
 22 A. They are -- yeah, David Bonderman and 10:17:18  
 23 Carrie Wheeler are with Texas Pacific, a private 10:17:20  
 24 equity firm. 10:17:23  
 25 Q. Where did you meet with them? 10:17:26

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1 A. At David Bonderman's office in Vail, 10:17:28  
 2 Colorado. 10:17:31  
 3 Q. Why did you meet with them? 10:17:33  
 4 A. Well, as part of the ongoing direction 10:17:34  
 5 that I had been given from the board, we wanted to 10:17:37  
 6 find out what was going on -- how -- how the 10:17:40  
 7 public markets were viewing Dollar General. 10:17:44  
 8 The price -- the stock price had been 10:17:46  
 9 under pressure. They were concerned that we were 10:17:50  
 10 beginning to be vulnerable. And I was given 10:17:53  
 11 direction to investigate with Wall Street how Wall 10:17:57  
 12 Street was thinking about Dollar General. 10:17:59  
 13 I didn't specifically call Apollo and say, 10:18:02  
 14 are you looking at Dollar General? But this was a 10:18:04  
 15 part of an overall investigation where I talked to 10:18:07  
 16 three investment bankers and three private equity 10:18:10  
 17 firms and reported back to the board about how 10:18:12  
 18 they were thinking about Dollar General. 10:18:14  
 19 Q. So are these meetings and/or phone 10:18:17  
 20 conversations or conversations, whatever form they 10:18:20  
 21 are, were these all initiated by you? 10:18:23  
 22 A. That's correct. I had received a phone 10:18:30  
 23 call in -- prior to this from Adnan Jones at 10:18:32  
 24 Goldman Sachs -- or from Jim Katzman, I should 10:18:35  
 25 say. 10:18:37

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1 Q. All right. Let -- let's -- we'll get to 10:18:39  
 2 that in a minute. I want to go right down this 10:18:40  
 3 list. 10:18:42  
 4 So on the first one, you initiated the 10:18:43  
 5 contact with Texas Pacific; they said, sure, come 10:18:46  
 6 meet with us; you met with them in Vail? 10:18:49  
 7 A. That's correct. 10:18:51  
 8 Q. And what did they tell you? 10:18:51  
 9 A. Well, we went to find out fundamentally 10:18:53  
 10 how they were thinking about our sector, how they 10:18:54  
 11 were thinking about our company in specific terms, 10:18:56  
 12 and what the environment looked like 10:19:02  
 13 They responded that the sector had not 10:19:05  
 14 really had a lot of attention paid to it over the 10:19:06  
 15 years, that -- they felt like that not only we but 10:19:09  
 16 other in the sectors were on the white boards, if 10:19:16  
 17 you will. And that was about it. There was no 10:19:19  
 18 specific overture or anything other than -- other 10:19:21  
 19 than that. 10:19:24  
 20 Q. What are white boards? 10:19:26  
 21 A. Just -- you know, their -- their initial 10:19:27  
 22 re -- their thinking about a sector in terms of 10:19:29  
 23 their analysis -- their preliminary analysis of a 10:19:35  
 24 general sector. 10:19:37  
 25 Q. Okay. Was there anything about that 10:19:42

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1 conversation that made you concerned about what 10:19:43  
 2 could happen to Dollar General regarding potential 10:19:51  
 3 acquirers? 10:19:55  
 4 A. Not specifically out of that individual 10:19:57  
 5 conversation, no. 10:20:02  
 6 Q. There was something else that did? 10:20:02  
 7 A. I think the general tone of all of this 10:20:06  
 8 investigation said that we were vulnerable at that 10:20:10  
 9 low share price. 10:20:12  
 10 Q. All right. Who else went to the Vail 10:20:17  
 11 meeting with Mr. Bonderman and Ms. Wheeler? 10:20:19  
 12 A. Nobody. 10:20:23  
 13 Q. Just you? 10:20:23  
 14 A. Yeah, that's correct. 10:20:24  
 15 Q. And was it only those two? 10:20:25  
 16 A. That's correct. 10:20:27  
 17 Q. All right. The next says you met with 10:20:29  
 18 Mr. George Roberts and Mike Calbert at KKR? 10:20:31  
 19 A. That's correct. 10:20:36  
 20 Q. Where did that meeting take place? 10:20:36  
 21 A. In their offices in California. 10:20:37  
 22 Q. In Palo Alto? 10:20:39  
 23 A. In that area, yeah. 10:20:41  
 24 Q. Anybody go with you? 10:20:44  
 25 A. No. 10:20:45



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1 Q. Is this one that you initiated? 10:20:46	1 company. 10:23:06
2 A. Yes. 10:20:48	2 Q. Okay. Then the phone conversation with 10:23:16
3 Q. Well, tell me about that meeting. 10:20:54	3 David Frank at Credit Suisse? 10:23:18
4 A. It was the same sort of conversation. I 10:20:56	4 A. Yeah. And I called David to do the same 10:23:20
5 wanted to know how they were thinking about the 10:20:58	5 thing as I had done with -- and, by the way, I had 10:23:23
6 sector, what was going on with Wall Street, 10:20:59	6 done the same thing with Jim Katzman 10:23:25
7 what -- if -- from their perspective how they 10:21:04	7 independently. I called David Frank to find out 10:23:28
8 viewed our general industry. And I was -- I 10:21:07	8 what he was learning and hearing about what was 10:23:31
9 was -- at this point -- the background of this is 10:21:13	9 going on in the market about the sector and 10:23:33
10 that we were -- the board, we were all a little 10:21:17	10 Dollar General specifically and so forth 10:23:37
11 bit, maybe in retrospect naively, but we were 10:21:18	11 I don't recall asking him specifically 10:23:39
12 concerned about a hostile approach, if you will. 10:21:22	12 about Apollo. He didn't say anything about 10:23:41
13 And fundamentally, we were -- I was 10:21:25	13 Apollo. He said something about Cerberus having 10:23:44
14 looking to find out how they were thinking about 10:21:26	14 voiced some interest in that phone call, and 10:23:50
15 it, and the same -- I got the same sort of 10:21:28	15 that's about what I remember. 10:23:51
16 response. They said that they were aware of us, 10:21:32	16 Q. Cerberus being another private equity 10:23:53
17 that they had done some preliminary thinking about 10:21:34	17 firm? 10:23:57
18 the sector, and that was about it. 10:21:36	18 A. Another private equity firm. 10:23:57
19 Q. Okay. Now, I think you mentioned just a 10:21:48	19 Q. And then finally, phone calls on various 10:24:00
20 moment ago that you received a call from 10:21:50	20 dates from Andy Taussig at Lehman Brothers -- I'm 10:24:04
21 Mr. Katzman? 10:21:52	21 going to try not to say Lehman today. 10:24:08
22 A. (Witness nodded head.) 10:21:54	22 A. Yeah. 10:24:14
23 Q. So this was something -- this was a 10:21:54	23 Q. Tell me about those. 10:24:15
24 meeting that was not initiated by you? 10:21:56	24 A. I don't recall the specifics of each 10:24:16
25 A. Actually, they had earlier -- Jim had 10:21:58	25 individual phone call, but I was concerned about 10:24:18
Page 43	Page 45
1 earlier called me and wanted to have a meeting 10:22:04	1 the phone call that I had with David Frank 10:24:23
2 with Adnan Jones. I had declined. I called -- 10:22:06	2 David Frank was, in my view at that time, 10:24:26
3 once we started this process, I called Jim Katzman 10:22:09	3 attempting to do something untoward that was not 10:24:30
4 back, and Jim Katzman is an investment banker with 10:22:13	4 initiated by the company or welcomed by the 10:24:32
5 Goldman Sachs. And I asked him to set up that 10:22:16	5 company 10:24:35
6 meeting. That's exactly how that happened. 10:22:19	6 And since David Frank used to talk -- used 10:24:36
7 Q. Who is Adnan Jones? 10:22:21	7 to work for Andy, I wanted to know, in addition to 10:24:38
8 A. Adnan Jones is in the -- I don't know how 10:22:22	8 the general questioning that I had -- that I had 10:24:41
9 they call it, but it's their private equity group. 10:22:26	9 had with these other entities, I wanted to know 10:24:45
10 I did not know him. I had never talked to him -- 10:22:30	10 what he was hearing about what David Frank was 10:24:48
11 or had -- I didn't know anything about him. 10:22:33	11 doing over at Credit Suisse 10:24:51
12 Jim Katzman is the one that initiated this 10:22:36	12 He didn't know anything. He reported 10:24:54
13 meeting. But I -- I specifically called Jim to 10:22:38	13 that. Then he basically said that there was a lot 10:24:56
14 coordinate this meeting with Adnan Jones. 10:22:42	14 of rumbling going on in the marketplace because 10:24:59
15 Q. Is Mr. Katzman someone that had been 10:22:46	15 the sector in general had been somewhat 10:25:02
16 involved with the presentation to the finance 10:22:49	16 undervalued. Dollar Tree was down, 99 Cents was 10:25:05
17 committee? 10:22:51	17 down, we were down, Family Dollar was down, and so 10:25:09
18 A. That's correct. 10:22:51	18 forth 10:25:12
19 Q. That's how you knew him? 10:22:52	19 Q. By untoward, you mean some sort of hostile 10:25:12
20 A. Yeah. 10:22:54	20 movement -- 10:25:16
21 Q. Had you known him before? 10:22:54	21 A. Something not initiated by Dollar General. 10:25:18
22 A. He had been calling on Dollar General for 10:22:56	22 Q. Did -- did you think ever that by -- I 10:25:29
23 some time. They had actually done some things 10:22:58	23 mean, all of this occurred, it looks like, within 10:25:31
24 with the company even prior to my arrival, so he 10:23:01	24 the course of a week to eight days, ten at the 10:25:34
25 had some familiarization with the -- with the 10:23:03	25 most 10:25:38

<p style="text-align: right;">Page 46</p> <p>1 Did you think that by meeting with that 10:25:38  2 many individuals involved in various private 10:25:42  3 equity firms that the word might get out that 10:25:46  4 Dollar General was interested in some kind of 10:25:49  5 approach? 10:25:53  6 A. Well, yeah, it was a concern. And in 10:25:53  7 these meetings, I specifically explained to them 10:25:59  8 that we had a strategic plan, we had a long-term 10:25:59  9 commitment to being independent, and that I was 10:26:01  10 here on a fact-finding mission to make sure that 10:26:03  11 we were aware of what people were thinking 10:26:06  12 Fundamentally, if anything, the message 10:26:09  13 was the reverse of that. We were very concerned 10:26:10  14 about something that was beginning to happen out 10:26:13  15 there outside our control. 10:26:16  16 Q. I take it from that answer -- that answer 10:26:22  17 that, similar to the question I asked you a little 10:26:25  18 bit ago, throughout this process, this period when 10:26:29  19 you're going through these meetings and having 10:26:32  20 phone calls with these various people, that 10:26:35  21 Dollar General was not for sale? 10:26:38  22 A. Absolutely. 10:26:39  23 Q. All right. Were there any other meetings 10:26:40  24 with any members of private equity firms or phone 10:26:47  25 conversations that would not have been included in 10:26:51</p>	<p style="text-align: right;">Page 48</p> <p>1 the company. And so I think there was a -- an 10:28:17  2 increasing concern, along with the declining share 10:28:19  3 price at that point in time, about the fact that 10:28:23  4 we were vulnerable 10:28:26  5 Q. What other rumors had been going around 10:28:30  6 inside the company? 10:28:34  7 A. That -- the one phone call about 10:28:35  8 David Frank was one, indirect, that Cerberus was, 10:28:38  9 you know, doing some due diligence on public 10:28:43  10 information. That's all I recall. 10:28:46  11 Q. Okay. On the same theme, let me hand you 10:28:59  12 another document. 10:29:14  13 (Marked Exhibit No. 3.) 10:29:26  14 BY MR. JOHNSTON. 10:29:27  15 Q. What is this? 10:29:28  16 A. The top part are phone calls that I need 10:29:35  17 to return. There's a note here that -- that my 10:29:37  18 secretary is giving me that David Frank called and 10:29:44  19 said he had some material information he needs to 10:29:47  20 pass on, that I should give him a call. And then 10:29:49  21 this is a -- a transcribed voice mail from 10:29:55  22 David Frank. 10:29:58  23 Q. Is this what you were talking about 10:30:06  24 earlier that you had heard that somebody was doing 10:30:07  25 some due diligence on -- using public information? 10:30:09</p>
<p style="text-align: right;">Page 47</p> <p>1 this note? 10:26:53  2 A. Not to my recollection. 10:26:55  3 MR. DIETZ For the record, what 10:26:57  4 period of time are you talking about? 10:26:58  5 MR. JOHNSTON: I'm talking -- right 10:27:00  6 now I'm just talking about in August. 10:27:01  7 THE WITNESS. Yeah, in August, no, 10:27:04  8 this -- this would have been it. 10:27:05  9 BY MR. JOHNSTON: 10:27:05  10 Q. Okay. And, again, I'm trying to go 10:27:06  11 through this chronologically as much as I possibly 10:27:07  12 can. 10:27:10  13 A. Sure. 10:27:10  14 Q. Had -- had you at any point prior to 10:27:28  15 August of 2006 -- yeah, 2006 engaged in any kind 10:27:31  16 of fact-finding mission like you just described 10:27:40  17 here regarding private equity firms' interest or 10:27:43  18 the market's interest in Dollar General? 10:27:48  19 A. No. 10:27:54  20 Q. Was this prompted by the phone call that 10:27:57  21 you got on the 3rd? 10:27:59  22 A. I think it was one of the factors, but we 10:28:04  23 had been getting intimations earlier than that 10:28:05  24 from other sources specifically that -- you know, 10:28:08  25 there was -- there were rumors around -- around 10:28:16</p>	<p style="text-align: right;">Page 49</p> <p>1 A. Yes. I wouldn't say it's the only one, 10:30:24  2 but this is -- this is an example of that, yes. 10:30:27  3 Q. Now, this message is after your 10:30:35  4 conversation with Mr. Frank from the previous 10:30:39  5 exhibit -- 10:30:44  6 A. That's correct. 10:30:44  7 Q. Phone conversation occurred on 8-9, and 10:30:45  8 this is a couple of weeks later? 10:30:48  9 A. Correct. 10:30:50  10 Q. Between those two times, 8-9 and this 10:30:55  11 August 21st, had you heard from David Frank on any 10:30:58  12 other subject? 10:31:01  13 A. I don't recall. 10:31:04  14 Q. Had you -- had you had -- had you gotten 10:31:10  15 the information from any of the other individuals 10:31:13  16 or sources listed in Exhibit No. 2 in this form? 10:31:16  17 Had anybody -- I guess -- that's a terrible 10:31:25  18 question. Excuse me. Let me back up. 10:31:28  19 Did anyone else listed on Exhibit No. 2 10:31:31  20 pass along information to you in roughly this same 10:31:33  21 time period similar to the information passed 10:31:36  22 along by David Frank on August -- August 21st 10:31:39  23 A. No, not about these other -- other people, 10:31:43  24 no. 10:31:47  25 Q. But was there some information that you 10:31:48</p>

13 (Pages 46 to 49)

<p style="text-align: right;">Page 50</p> <p>1 got from some of these other sources? 10:31:49</p> <p>2 A Yes, there was a -- a voiced interest in 10:31:52</p> <p>3 wanting to know more about Dollar General, or to 10:31:57</p> <p>4 have a conversation or to begin a conversation. 10:32:01</p> <p>5 Q. Who voiced that interest? 10:32:04</p> <p>6 A. As I recall, I think Adnan Jones voiced 10:32:05</p> <p>7 it at Goldman Sachs, and Mike Calbert voiced 10:32:11</p> <p>8 it at -- during this period of time, from KKR. 10:32:17</p> <p>9 But, again, this was a very general conversation, 10:32:19</p> <p>10 nothing specific at all. But it was not like 10:32:23</p> <p>11 this -- this intimation here from David Frank. 10:32:26</p> <p>12 Q. All right. I want to make sure that I'm 10:32:33</p> <p>13 getting this right then. So the -- after your 10:32:34</p> <p>14 meeting with the KKR person and after your meeting 10:32:37</p> <p>15 with the Gold -- or phone call, I don't remember 10:32:42</p> <p>16 which, with the Goldman Sachs person, after that 10:32:46</p> <p>17 occurred -- 10:32:48</p> <p>18 A. Right. 10:32:49</p> <p>19 Q. -- there was some other contact that they 10:32:50</p> <p>20 initiated with you -- 10:32:52</p> <p>21 A. That's correct. 10:32:53</p> <p>22 Q. -- to express some general interest in 10:32:54</p> <p>23 Dollar General? 10:32:56</p> <p>24 A. Yes 10:32:57</p> <p>25 Q. And flesh out for me just a little bit 10:32:57</p>	<p style="text-align: right;">Page 52</p> <p>1 A. Right. 10:34:13</p> <p>2 Q. Between this -- these initial 10:34:13</p> <p>3 conversations that you had and meetings that you 10:34:17</p> <p>4 had in August, in that period of time, what other 10:34:19</p> <p>5 contacts did you have with private equity firms 10:34:25</p> <p>6 initiated by any of them? 10:34:29</p> <p>7 A. I got a call from Warburg, who basically 10:34:31</p> <p>8 were introducing themselves. It was a general 10:34:38</p> <p>9 introduction. I took the call. I basically gave 10:34:41</p> <p>10 them what the board and I had agreed to state, and 10:34:44</p> <p>11 that is that we have a strategic plan, we're 10:34:46</p> <p>12 committed to the long-term independence of the 10:34:48</p> <p>13 company. That's the only one specifically that I 10:34:51</p> <p>14 remember. 10:34:53</p> <p>15 Q. Okay. Now, Mr. Frank concludes this phone 10:35:14</p> <p>16 message saying that he understands you're coming 10:35:16</p> <p>17 up to New York in a couple of weeks? 10:35:19</p> <p>18 A. Right. 10:35:21</p> <p>19 Q. I take that to mean -- 10:35:21</p> <p>20 A. Right. 10:35:23</p> <p>21 Q. -- the end of August, first of September? 10:35:24</p> <p>22 A. Right. 10:35:27</p> <p>23 Q. That period of time. And that he hoped to 10:35:27</p> <p>24 see you then? 10:35:29</p> <p>25 A. Right. 10:35:30</p>
<p style="text-align: right;">Page 51</p> <p>1 more what you mean by expressing some general 10:33:03</p> <p>2 interest in Dollar General. What did they tell 10:33:05</p> <p>3 you? 10:33:07</p> <p>4 A. Well, each said something different. I 10:33:09</p> <p>5 don't recall the specifics, but it was tonally 10:33:11</p> <p>6 toward, we would be -- we would have interest if 10:33:12</p> <p>7 the board were to ever consider looking at an 10:33:19</p> <p>8 alternative valuation, in those general terms, 10:33:22</p> <p>9 nothing specific. They didn't say, we want to 10:33:26</p> <p>10 come in and take a look. They just said, look, 10:33:29</p> <p>11 we -- we have an interest in this sector. 10:33:31</p> <p>12 Q. They're putting out feelers? 10:33:34</p> <p>13 A. I don't know what they were doing. 10:33:38</p> <p>14 MR. DIETZ: Objection. 10:33:38</p> <p>15 THE WITNESS: You know. 10:33:41</p> <p>16 BY MR. JOHNSTON: 10:33:51</p> <p>17 Q. Do you remember roughly when those other 10:33:51</p> <p>18 calls came in to you? 10:33:53</p> <p>19 A. Not specifically, no. 10:33:56</p> <p>20 Q. Would they have been in approximately this 10:33:58</p> <p>21 August time frame? And let me -- let me -- let's 10:34:00</p> <p>22 help -- let's help frame this. 10:34:04</p> <p>23 There was a meeting that took place that 10:34:06</p> <p>24 we'll talk about here in just a minute involving 10:34:07</p> <p>25 Mr. Turner and KKR. 10:34:10</p>	<p style="text-align: right;">Page 53</p> <p>1 Q. Did you meet with David Frank? 10:35:31</p> <p>2 A. No. 10:35:32</p> <p>3 Q. Did you go to New York? 10:35:33</p> <p>4 A. Yes. 10:35:34</p> <p>5 Q. Was it -- did you meet with any private 10:35:35</p> <p>6 equity firms? 10:35:37</p> <p>7 A. No. 10:35:42</p> <p>8 Q. What was the purpose of going to New York 10:35:45</p> <p>9 in that -- 10:35:47</p> <p>10 A. I don't recall. 10:35:48</p> <p>11 Q. If you recall? 10:35:48</p> <p>12 A. It could have been an analyst meeting. I 10:35:49</p> <p>13 don't know. 10:35:51</p> <p>14 Q. Since I mentioned it just a moment ago, 10:36:08</p> <p>15 let's -- let's talk about the meeting that took 10:36:10</p> <p>16 place involving KKR and Mr. Turner. How was that 10:36:13</p> <p>17 meeting initiated? 10:36:20</p> <p>18 A. KKR called me and said that they wanted to 10:36:24</p> <p>19 have a meeting, that they had done some work on 10:36:26</p> <p>20 the external or the public information, and they 10:36:30</p> <p>21 felt strongly that -- all right. They wanted to 10:36:33</p> <p>22 make -- have a more direct conversation, as I 10:36:38</p> <p>23 recall, is the way they said it. We want to have 10:36:41</p> <p>24 a more direct conversation around the valuation of 10:36:44</p> <p>25 Dollar General, around what the strategic plan of 10:36:47</p>



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1 Dollar General is 10:36:50	1 Q. Altogether the Turner family controls 10:38:54
2 Q. All right. And did they ask to meet with 10:36:51	2 about 15 percent of the stock; is that 10:38:58
3 Mr. Turner, or did you suggest to them that that 10:36:54	3 approximately correct? 10:39:00
4 would be a place to start, or how did that come 10:36:56	4 A. Actually, I don't know what -- what their 10:39:01
5 about? 10:36:59	5 percentage is. 10:39:04
6 A. I don't recall how it came about. In my 10:36:59	6 Q. All right. Now, you mentioned that you 10:39:06
7 phone call with them, it was not mentioned, in the 10:37:01	7 called Mr. Wilds. Why did you call him? 10:39:15
8 first phone call. 10:37:04	8 A. I felt like that this was -- and I had had 10:39:18
9 Subsequent to that, I became aware that he 10:37:05	9 other phone calls that we just discussed. I felt 10:39:21
10 would be in the meeting 10:37:07	10 like this was at a different level of intensity, 10:39:24
11 Q. How did you become aware of that? 10:37:14	11 and it was one that I was uncomfortable with -- 10:39:27
12 A. I don't -- I don't recall. 10:37:15	12 dealing with directly, that I wanted advice, and I 10:39:29
13 Q. All right. Tell -- how was the meeting 10:37:22	13 wanted the board to be aware of it. 10:39:32
14 arranged? 10:37:24	14 And so I called him about, you know, 10:39:34
15 A. I called David Wilds when I got the phone 10:37:25	15 should we or should we not receive this -- or have 10:39:36
16 call, and we both agreed that as a follow-up to 10:37:27	16 this meeting. 10:39:40
17 the investigation that we had been conducting, 10:37:31	17 Q. And why Mr. Wilds? 10:39:41
18 that this was a reasonable thing to do to -- to 10:37:33	18 A. He's the lead director. 10:39:43
19 listen to what they had to say. There was -- and 10:37:36	19 Q. Do you know if Mr. Wilds had conversations 10:39:49
20 then that was it. 10:37:42	20 with Mr. Turner prior to the meeting in regard to 10:39:51
21 We talked about venue, and we said, well, 10:37:43	21 the upcoming meeting? 10:39:56
22 look, we want to do it somewhere very 10:37:46	22 A. Private -- privately? 10:39:58
23 confidential. We were concerned about 10:37:48	23 Q. Yes. 10:39:59
24 confidentiality throughout this entire brief 10:37:50	24 A. I have no knowledge of that. 10:40:00
25 investigation. And so we decided to do it at 10:37:52	25 Q. Okay. Who from KKR came to the meeting? 10:40:01
Page 55	Page 57
1 an -- at an off site that was not his office or 10:37:54	1 A. Mike Calbert and George Roberts. 10:40:11
2 our office. And we just happened to use an office 10:37:57	2 Q. And who from the company went to the 10:40:13
3 here in downtown Nashville. 10:37:59	3 meeting? 10:40:15
4 Q. Who was it that -- that contacted 10:38:01	4 A. It was myself, David Wilds were the two 10:40:17
5 Mr. Turner first to let him know that there was 10:38:03	5 from the company. 10:40:19
6 this interest in meeting? Do you know? 10:38:06	6 Q. Just two? 10:40:20
7 A. I don't remember. I don't recall. 10:38:09	7 A. Uh-huh. 10:40:21
8 Q. Prior to the meeting actually taking 10:38:13	8 Q. And then Mr. Turner was there? 10:40:21
9 place, did you have conversations with Mr. Turner 10:38:15	9 A. That's correct. 10:40:23
10 regarding the upcoming meeting? 10:38:18	10 Q. Anybody else from the Turner family? 10:40:23
11 A. I did 10:38:20	11 A. No. 10:40:25
12 Q. How often would you, in general, have had 10:38:21	12 Q. So it was just five of you? 10:40:26
13 conversations with Mr. Turner for whatever 10:38:25	13 A. That's correct. 10:40:27
14 reasons? 10:38:27	14 Q. How long did the meeting take place -- how 10:40:28
15 A. Frequently. He was my predecessor. He 10:38:28	15 long did the meeting take? 10:40:29
16 was a founding member -- founding -- a member of 10:38:29	16 A. To my recollection, it was under an hour 10:40:34
17 the founding family. You know, I felt like it was 10:38:32	17 Q. And -- and just generally, tell me what 10:40:37
18 my responsibility as a new CEO, the first 10:38:35	18 you can recall about what went on in the meeting. 10:40:38
19 nonfamily CEO, to continue to engage him, not 10:38:39	19 A. KKR introduced themselves, gave a little 10:40:41
20 necessarily because he was one of our larger 10:38:42	20 bit of background on who they were. They said 10:40:45
21 shareholders but primarily because he was the 10:38:43	21 that they had done some brief but significant 10:40:48
22 founding family. 10:38:46	22 evaluation based on public information, and that 10:40:55
23 I also kept a relationship -- or developed 10:38:47	23 they had a -- an interest in learning more about 10:40:58
24 a relationship with his brother, Steve, and his 10:38:49	24 the -- doing more due diligence around the 10:41:01
25 two sisters, Laura and Betty Jo. 10:38:51	25 company, but that they would need to get into 10:41:04



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1 private information. 10:41:07  
 2 But they were inexplicitly expressing an 10:41:09  
 3 interest to proceed in an investigation about 10:41:14  
 4 Dollar General. 10:41:17  
 5 Q And was it -- it was your understanding at 10:41:17  
 6 the time that what they were interested in was -- 10:41:21  
 7 when you say doing a deal, they were interested 10:41:25  
 8 in -- in doing what they do, taking your company 10:41:27  
 9 private? 10:41:32  
 10 A Well, I don't -- I'm not spitting hairs 10:41:33  
 11 here. I don't think I said that they said they 10:41:37  
 12 wanted to do a deal. I don't remember them saying 10:41:38  
 13 they wanted to do a deal in that meeting. 10:41:40  
 14 What they expressed was an interest in 10:41:43  
 15 doing due diligence. Now, I can give you the 10:41:45  
 16 presupposition, but I -- other than that, I 10:41:47  
 17 don't -- I don't factually know -- 10:41:53  
 18 Q. Okay. 10:41:55  
 19 A. -- the purpose of the meeting, other than 10:41:56  
 20 them expressing what I just mentioned. 10:41:58  
 21 Q. And this meeting took place when? 10:42:00  
 22 A. October the 5th. 10:42:02  
 23 Q. You remember that date specifically. Why? 10:42:09  
 24 A. Well, I was refreshed yesterday when I 10:42:10  
 25 looked through the files. That one -- because 10:42:12

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1 that one is one that I was concerned with 10:42:14  
 2 Q. Right. 10:42:16  
 3 A. I felt like that was not just an 10:42:17  
 4 investigation. There were -- there were other 10:42:18  
 5 things being said. 10:42:20  
 6 Q. Sure. What, if any, follow-up did you 10:42:21  
 7 have -- follow-up to that meeting did you have 10:42:33  
 8 with Mr. Turner? 10:42:35  
 9 A. None. 10:42:39  
 10 Q. Do you know whether or not Mr. Wilds had 10:42:39  
 11 any follow-up with Mr. Turner? 10:42:41  
 12 A. I have no knowledge of that. 10:42:43  
 13 Q. Do you know whether or not Mr. Turner 10:42:44  
 14 contacted any member of management to discuss his 10:42:47  
 15 own reaction to it, anything like that? 10:42:52  
 16 A. No. 10:42:54  
 17 Q. Do you know whether or not any member of 10:42:57  
 18 the Turner family discussed with management the 10:42:59  
 19 reaction of the Turner family to that meeting? 10:43:02  
 20 A. No. 10:43:04  
 21 Q. As of the conclusion of that meeting, was 10:43:14  
 22 Dollar General for sale? 10:43:19  
 23 A. No. 10:43:26  
 24 Q. Did Mr. Turner express in that meeting 10:43:26  
 25 either interest in pursuing it, a lack of interest 10:43:28

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1 in pursuing it? Where did he come down, or did 10:43:33  
 2 he? 10:43:38  
 3 A. He was very quiet in the meeting. He 10:43:39  
 4 asked a few questions, as I recall. He explained 10:43:41  
 5 that the company had been in business over 65 10:43:45  
 6 years, that they went public in '69, and that it 10:43:48  
 7 had -- that from his perspective, as -- as a 10:43:52  
 8 shareholder and as one of the members of the 10:43:58  
 9 founding family -- founding family, he was 10:44:00  
 10 committed to see this company remain independent. 10:44:02  
 11 Q. Okay. Let me show you another document. 10:44:20  
 12 (Marked Exhibit No. 4) 10:44:22  
 13 BY MR. JOHNSTON. 10:44:45  
 14 Q. This appears to be a short e-mail train -- 10:44:45  
 15 A. Uh-huh. 10:44:49  
 16 Q. -- between you and Mike Calbert, which I 10:44:49  
 17 think you said was one of those that -- that came 10:44:53  
 18 to the meeting -- 10:44:55  
 19 A. Uh-huh. 10:44:56  
 20 Q. -- with Mr. Turner. 10:44:56  
 21 Mr. Calbert here says that he thought the 10:45:04  
 22 meeting went well today. It's dated October 5. 10:45:07  
 23 That's the day that you recall the meeting taking 10:45:10  
 24 place. 10:45:12  
 25 Then he says that he had a good visit with 10:45:13

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1 Cal on the plane. What is he making reference to 10:45:15  
 2 there? 10:45:17  
 3 A. Cal, as I recall, flew -- and this was a 10:45:19  
 4 last minute thing. He was going to Colorado, and 10:45:23  
 5 they were flying back to San Francisco and just -- 10:45:25  
 6 after the meeting, it was arranged that he -- they 10:45:30  
 7 would just drop him off in Denver. 10:45:32  
 8 Q. That they, the KKR people, would drop -- 10:45:35  
 9 A. That's right. 10:45:38  
 10 Q. -- Mr. Turner off? 10:45:39  
 11 A. That's correct. 10:45:40  
 12 Q. Okay. And what, if anything, did you hear 10:45:42  
 13 from Mr. Turner about his plane ride with the KKR 10:45:44  
 14 people? 10:45:49  
 15 A. Basically, I -- I -- as I recall this, 10:45:57  
 16 there wasn't anything in specific terms discussed, 10:46:02  
 17 that basically Cal got to know them a little bit 10:46:07  
 18 personally, and that was -- that was about it. 10:46:11  
 19 Q. Would you agree that in the world of 10:46:17  
 20 private equity, that's pretty important? 10:46:19  
 21 MR. McEVROY: Object to form. 10:46:21  
 22 MR. DIETZ: Object to form. 10:46:22  
 23 THE WITNESS. I have no -- no way to 10:46:23  
 24 respond to that. 10:46:25  
 25

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1	BY MR. JOHNSTON: 10:46:30	1	MR. DIETZ. Good time for a break? 10:49:03
2	Q. And then your response back to 10:46:30	2	MR. JOHNSTON. Yeah, I was just going 10:49:04
3	Mr. Calbert, you say, "From the company's 10:46:32	3	to say, we have been going about an hour and 15 10:49:05
4	perspective, the meeting accomplished what we 10:46:37	4	minutes, why don't we take a break. 10:49:08
5	needed." What did you mean by that? 10:46:39	5	THE VIDEOGRAPHER: Going off the 10:49:11
6	A As I recall, I meant that the company 10:46:45	6	record at 10:49. 10:49:12
7	that -- that the meeting accomplished the -- the 10:46:49	7	(Brief recess observed.) 10:49:18
8	communication directly to me and the lead -- I had 10:46:54	8	THE VIDEOGRAPHER. We're back on the 10:59:15
9	the lead director there, and this was no longer me 10:46:58	9	record at 11 o'clock a.m. 11:00:01
10	doing an investigation. So if they were voting 10:47:02	10	BY MR. JOHNSTON: 11:00:03
11	that interest to me, I felt like this meeting had 10:47:03	11	Q Okay. Mr. Perdue, before I move on to the 11:00:10
12	to happen, it happened, and it accomplished what 10:47:06	12	next thing, let me -- let me go back just for a 11:00:14
13	we needed. 10:47:08	13	moment and -- and clean up a couple of things that 11:00:17
14	Q. Okay. And then you go on to say that you 10:47:12	14	I meant to ask you earlier and just forgot. 11:00:24
15	were comforted by your -- KKR's approach to the 10:47:14	15	First of all, when you were talking to us 11:00:30
16	debt and how much you have done in retail. What 10:47:18	16	about the advisers over the years, consultants 11:00:33
17	are you making reference to there? 10:47:24	17	that came in and did the -- sort of the world view 11:00:38
18	A. Well, I just -- I didn't know much about 10:47:24	18	to give you an idea of what was going on and what 11:00:42
19	any of these people, frankly, when this process 10:47:25	19	it looked like and that, to -- to assist you in 11:00:45
20	was out there, and there was no selection process 10:47:27	20	making your determinations as to how to proceed, 11:00:49
21	about who we talk to to get information during 10:47:28	21	you -- you said that -- I think you said that 11:00:57
22	this investigation. So they came in and gave 10:47:30	22	those were all not fee based. You didn't pay a 11:00:58
23	their spiel. And I said I was -- I was actually 10:47:32	23	fee to Goldman Sachs to come in and make this 11:01:06
24	comforted by how much they had actually done in 10:47:36	24	presentation; it was something that they did, 11:01:08
25	retail because there was some question about 10:47:39	25	presumably, to get face time and that sort of 11:01:14
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1	whether they had had any background in retail at 10:47:40	1	thing with potential clients. 11:01:16
2	all 10:47:42	2	You mentioned that -- that others had done 11:01:20
3	And they had mentioned -- they volunteered 10:47:43	3	that type of work in the past. Was it always not 11:01:23
4	their approach to debt because I -- that was -- 10:47:45	4	fee based? 11:01:27
5	that came out of the meeting. 10:47:49	5	A. To my knowledge, none of the work since I 11:01:33
6	And I'm just making a comment in response 10:47:50	6	have been here in this, specifically by 11:01:36
7	to those two comments that they made during the 10:47:52	7	Credit Suisse and Lehman and Goldman Sachs, was 11:01:39
8	meeting 10:47:55	8	fee based. 11:01:42
9	Q What was their approach to the debt that 10:47:55	9	Q. Okay I -- I think that we established 11:01:57
10	they commented on? 10:47:58	10	that at some point probably during the third 11:01:58
11	A They just said in their background speech 10:47:59	11	quarter of '06 was when Lehman was hired, and that 11:02:02
12	that they generally didn't like to overburden 10:48:01	12	is approximately the same period of time that KKR 11:02:09
13	companies with debt, that they generally tried to 10:48:04	13	is -- excuse me -- coming in to express some 11:02:14
14	avoid covenants, were the two comments -- were the 10:48:09	14	interest and begin developing relationships and 11:02:19
15	two comments that I remember 10:48:12	15	that sort of thing. Those are my words, not 11:02:22
16	Q Covenants being what? 10:48:13	16	yours. 11:02:24
17	A Requirements, ratio, measurements that are 10:48:16	17	A. Uh-huh 11:02:27
18	sometimes put on a loan to a company that says 10:48:19	18	Q. Do you know whether or not there is -- 11:02:28
19	that if you -- if these ratios are not at a 10:48:23	19	there are any relationships between Lehman and 11:02:29
20	certain level, then the -- the loan, in a severe 10:48:26	20	KKR? 11:02:33
21	case, you could even be called, you know, those 10:48:32	21	A No, I have no knowledge of any 11:02:38
22	sorts of things. 10:48:34	22	relationships. 11:02:39
23	Q. Okay. Why did that give you comfort? 10:48:46	23	Q. The other thing that you mentioned earlier 11:02:46
24	A I don't recall 10:48:54	24	when we were talking about the contacts in August 11:02:49
25	Q. Okay. 10:49:02	25	between you and various members of private equity 11:02:52

17 (Pages 62 to 65)

<p style="text-align: right;">Page 66</p> <p>1 firms is that you went and reported to the board 11:02:55  2 about those contacts and what you did, and I 11:02:58  3 didn't really follow up on that. 11:03:03  4 Tell me, first of all, in what contact -- 11:03:06  5 text you reported to the board? Was it during 11:03:09  6 regular board meetings? Was it special board 11:03:14  7 meetings? Was it more informal, phone 11:03:17  8 conversations? Exactly what did you do to report 11:03:20  9 to the board? 11:03:23  10 A. I had discussions with David Wilds during 11:03:24  11 that process. I remember one board meeting -- I 11:03:26  12 can't tell you the date sitting here, but I 11:03:29  13 remember one board meeting when I gave them an 11:03:31  14 overview based on this investigation, and that's 11:03:33  15 what I recall. 11:03:36  16 Q. What is it that you said to them, giving 11:03:38  17 them that overview? 11:03:42  18 A. I basically reported that the valuations 11:03:42  19 of the sector were depressed, and that because of 11:03:45  20 that people were doing preliminary reviews of the 11:03:49  21 sector, and that we were no exception, we weren't 11:03:55  22 alone, but that there was an increased and 11:03:59  23 heightened level of activity. 11:04:02  24 And I drew that conclusion from two 11:04:04  25 sources: One, the rumors that were coming to us, 11:04:06</p>	<p style="text-align: right;">Page 68</p> <p>1 Q. And explain to me how that came about. 11:05:48  2 A. After the meeting on the 5th, because of 11:05:51  3 the information we had gathered, David Wilds, the 11:05:53  4 lead director, and myself, discussed it in the 11:05:56  5 room after they had left, they being Cal and the 11:05:58  6 KGR people. So it was just David Wilds and 11:06:02  7 myself. We talked about what we should do. 11:06:06  8 And the first thing we said was we need to 11:06:08  9 engage the governance committee. So we went to 11:06:10  10 Denny Bottorff the next day and gave him a full 11:06:13  11 report of what had transpired in the meeting the 11:06:16  12 day before. 11:06:19  13 We all agreed immediately that we had to 11:06:21  14 get the board on the phone and have a phone call 11:06:23  15 about how to respond to this, if at all, but that 11:06:26  16 we would not be doing our fiduciary responsibility 11:06:30  17 if we didn't inform the board immediately. 11:06:32  18 So we called -- they called a board 11:06:35  19 meeting for that Sunday, Sunday night telephonic 11:06:37  20 board meeting. 11:06:40  21 Q. All right. And then what happened at that 11:06:41  22 board meeting, the telephonic board meeting? 11:06:43  23 A. As I recall, the -- the meeting was 11:06:45  24 reviewed with the board. There was an open and 11:06:47  25 candid conversation about the strategic position 11:06:49</p>
<p style="text-align: right;">Page 67</p> <p>1 and two was -- were these meetings that we 11:04:09  2 discussed earlier with the investment bankers and 11:04:11  3 the private equity people. 11:04:13  4 Q. When you reported to the board, either at 11:04:15  5 the -- at this meeting or separately with 11:04:17  6 Mr. Wilds, did that include discussions about 11:04:20  7 specifically defensive procedures that the company 11:04:24  8 might want to put into place? 11:04:28  9 A. I don't recall. 11:04:31  10 Q. At any point during the fall, the last two 11:04:34  11 quarters of calendar 2006, were there discussions 11:04:38  12 among board members that you are aware of 11:04:41  13 involving defensive measures? 11:04:45  14 A. No. 11:04:51  15 Q. Now, getting back to the meeting that 11:05:13  16 occurred with Mr. Turner, did you -- did you make 11:05:15  17 a report to the board regarding that meeting? 11:05:21  18 A. Yes. 11:05:26  19 Q. And was that at a regular board meeting? 11:05:27  20 A. No. 11:05:30  21 Q. How did you do it? 11:05:30  22 A. It was a called board meeting that the 11:05:35  23 head of governance, Mr. Bottorff, and our lead 11:05:39  24 director called after -- subsequent to meeting on 11:05:43  25 the 5th. 11:05:47</p>	<p style="text-align: right;">Page 69</p> <p>1 that we had to remain independent, the -- the 11:06:55  2 Project Alpha that we were developing, and all of 11:06:59  3 the things that go with that. Those -- there was 11:07:00  4 a very active discussion, as I recall. 11:07:06  5 I think the structure of how the board is 11:07:10  6 organized came into question, and it was deferred 11:07:12  7 to the governance committee to take that under 11:07:15  8 consideration over the next few days or weeks. 11:07:18  9 Q. What do you mean the structure of the 11:07:22  10 board came into question? 11:07:23  11 A. As I recall, it -- the board was 11:07:24  12 questioning whether or not -- because we had in 11:07:28  13 the past always done strategic -- strategic 11:07:30  14 planning as a full board, and any of the 11:07:32  15 subsequent things that came out of that we dealt 11:07:35  16 with the finance committee, that we didn't 11:07:37  17 think -- the board didn't think, as I recall the 11:07:40  18 conversation, did not feel like that the immediate 11:07:43  19 dealing with this approach, that it was efficient 11:07:48  20 to do it with the full board. It was hard to get 11:07:50  21 them together, it was hard to get a phone call set 11:07:53  22 up, et cetera, et cetera, to have the kind of 11:07:55  23 response that we needed to make. 11:07:57  24 So they referred it to the governance 11:07:59  25 committee to review that and come back with a 11:08:01</p>



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1 recommendation about process and about structure 11:08:03  
 2 of the board with regard to how do we -- how do we 11:08:06  
 3 handle something like this. 11:08:10  
 4 Q. And what was the recommendation that they 11:08:12  
 5 came back with? 11:08:13  
 6 A. As I recall, they recommended -- I 11:08:14  
 7 don't -- I don't know the date, but at some 11:08:16  
 8 subsequent meeting, they recommended that the 11:08:18  
 9 board form a strategic planning committee. 11:08:19  
 10 As I recall the conversation, they did not 11:08:22  
 11 want to form a special committee because that 11:08:26  
 12 would send an incorrect message outside. We did 11:08:29  
 13 not want to intimate at all that we were accepting 11:08:33  
 14 approaches or that we were intimating any kind of 11:08:36  
 15 communication of interest with regard to that. 11:08:41  
 16 So they formed a -- what they called a 11:08:43  
 17 strategic planning committee to look at how we 11:08:46  
 18 would appropriate -- how we should respond to 11:08:49  
 19 this. 11:08:51  
 20 Q. Okay. When you say a special committee, 11:08:51  
 21 tell me what you mean by that and why that would 11:08:57  
 22 have sent the wrong signal. 11:08:59  
 23 A. I'm not sure -- I'm not sure I used 11:09:05  
 24 special committee. If I did, I'm not sure it's -- 11:09:08  
 25 it's the committee that a lot of companies form, 11:09:13

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1 and they call it -- there's a certain name -- I'm 11:09:15  
 2 just drawing a blank on what that's called. But 11:09:18  
 3 that would generally intimate that there is a 11:09:21  
 4 strategic discussion underway when that committee 11:09:23  
 5 is formed. 11:09:25  
 6 As I recall, the board and the governance 11:09:26  
 7 committee felt pretty strongly that they did not 11:09:28  
 8 want to send any messages, that there was no 11:09:30  
 9 preconceived notion of what we were going to do, 11:09:33  
 10 and, therefore, a strategic planning was the name 11:09:35  
 11 put to the committee 11:09:38  
 12 Q. Okay. Let's -- let me hand you a copy of 11:10:08  
 13 a document that's been previously marked as 11:10:10  
 14 Exhibit 2 to Mr. Bottoriff's deposition 11:10:12  
 15 A. Okay 11:10:17  
 16 Q. And we'll not remark it -- 11:10:18  
 17 A. Okay 11:10:20  
 18 Q. -- and make it an exhibit to this one 11:10:20  
 19 since it's already there 11:10:27  
 20 This has previously been identified as the 11:10:36  
 21 minutes from the first meeting of the strategic 11:10:38  
 22 planning committee on November the 1st, 2006, and 11:10:40  
 23 I believe that you were present at this meeting. 11:10:47  
 24 A. For parts of it, yes. 11:10:50  
 25 Q. Right. I just have a couple of questions 11:10:52

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1 I want to ask you about the meeting itself and 11:11:00  
 2 what's contained in these minutes. 11:11:03  
 3 Do you see in the third paragraph down -- 11:11:08  
 4 excuse me, after the listing of the individuals, 11:11:10  
 5 the third paragraph after that, in the middle of 11:11:12  
 6 that paragraph, there's a parenthetical phrase? 11:11:17  
 7 A. (Witness nodded head.) 11:11:25  
 8 Q. All right. And I want to ask you about 11:11:25  
 9 that phrase. You are the chair of this board, and 11:11:27  
 10 you are the senior management person of this 11:11:37  
 11 company. I'm going to presume here that you are 11:11:40  
 12 familiar with and know your fiduciary duties to 11:11:44  
 13 shareholders. That's a fair assumption? 11:11:48  
 14 A. Uh-huh. 11:11:54  
 15 Q. Is it your understanding that when a 11:11:54  
 16 company on which -- on whose board you sit, would 11:11:58  
 17 sit, receives an overture from -- from an 11:12:06  
 18 acquirer, whether it's private equity or anyone, 11:12:08  
 19 that there are certain fiduciary duties that you 11:12:13  
 20 have as a board member to shareholders? 11:12:15  
 21 A. Uh-huh. 11:12:18  
 22 Q. Can we agree with that so far? 11:12:18  
 23 A. Yes, I would, yes. 11:12:20  
 24 MR. DIETZ: Objection to form It 11:12:22  
 25 calls for a legal conclusion. He certainly can 11:12:23

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1 answer it. 11:12:25  
 2 MR. JOHNSTON. Right. 11:12:27  
 3 BY MR. JOHNSTON. 11:12:27  
 4 Q. And -- and all I'm doing -- I'm not -- 11:12:27  
 5 realize you're not a lawyer. I'm just asking you 11:12:28  
 6 your understanding. 11:12:32  
 7 A. Okay. 11:12:33  
 8 Q. Okay. Is it your understanding that that 11:12:34  
 9 fiduciary duty changes in some way if that 11:12:37  
 10 expression of interest comes at a time when the 11:12:40  
 11 company is also preparing to consider a 11:12:47  
 12 significant change in strategic course? 11:12:48  
 13 MR. DIETZ: Same objection. 11:12:52  
 14 THE WITNESS. Can I answer that? 11:12:52  
 15 BY MR. JOHNSTON. 11:12:53  
 16 Q. Sure. 11:12:54  
 17 A. I'm not aware that there is a -- that 11:12:54  
 18 there's a difference, that -- that considering 11:12:57  
 19 Project Alpha makes a difference. 11:12:59  
 20 Q. Okay. Now, in the next paragraph, there 11:13:02  
 21 is a -- a discussion of where y'all are in 11:13:08  
 22 Project Alpha as of November the 1st, and that 11:13:13  
 23 paragraph ends, "There followed a lengthy 11:13:18  
 24 discussion?" 11:13:22  
 25 A. Uh-huh. 11:13:22



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1	Q. What is it that you remember, if anything, 11:13:23	1	provide us with data, market research data, 11:15:53
2	about that discussion at that meeting? 11:13:25	2	consumer data, competitor data. And those are 11:15:56
3	A. May I read the back part of the paragraph? 11:13:33	3	primarily the sources. 11:16:01
4	Q. Oh, sure. 11:13:35	4	I read the analyst reports on the public 11:16:02
5	A. I'm sorry. 11:13:37	5	companies religiously. And in those -- in those 11:16:04
6	Q. You can read anything you want. 11:13:37	6	endeavors, I had discovered that there were -- 11:16:09
7	A. The discussion was one -- there were two 11:13:52	7	there was a growing interest on a couple of -- the 11:16:14
8	major parts of the discussion, as I recall it. 11:13:56	8	parts of a couple of European retailers to enter 11:16:18
9	One, they probed behind Alpha and -- and our 11:13:56	9	into the U.S. market with their -- with their 11:16:22
10	confidence to execute Alpha. Again, as in most 11:14:00	10	brand. 11:16:24
11	meetings, they wanted to talk about the risk; they 11:14:04	11	Q. Okay. Did you -- did you also learn about 11:16:24
12	wanted to understand what potentially would happen 11:14:06	12	this aspect in any of the meetings that you had 11:16:32
13	to the business, what are the ranges of outcomes 11:14:08	13	with any of the private equity firms in August? 11:16:38
14	that could happen. 11:14:11	14	A. No. 11:16:40
15	They -- they -- they challenged the 11:14:12	15	Q. The information on the second page is all 11:17:02
16	methodology -- not challenged. That's the wrong 11:14:16	16	material that occurred in your absence, correct? 11:17:05
17	word. 11:14:18	17	I mean, it starts out at the top of the page, 11:17:11
18	But they -- they asked very 11:14:18	18	"Mr. Perdue left the meeting"? 11:17:13
19	pertinent questions. This is a very involved 11:14:21	19	A. Yeah. I'm trying to see if I came back in 11:17:16
20	board. They had been very involved in the 11:14:23	20	at any point down below. 11:17:18
21	strategic planning for the last four years, and 11:14:25	21	Yeah, down to the last two paragraphs -- 11:17:21
22	they were very involved in the continuance of that 11:14:27	22	the top of the page to the last two paragraphs, 11:17:23
23	strategic planning with regard to the 11:14:30	23	I'm out of the room. 11:17:27
24	merchandising change we were talking about here. 11:14:32	24	Q. Okay. Now, one of the things that they 11:17:32
25	So there were some specific conversations 11:14:34	25	mention in here is that the company had already 11:17:34
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1	around the transition to a clearance model and 11:14:36	1	engaged Lehman Brothers as its investment banking 11:17:38
2	what that would mean, and did we have the team to 11:14:39	2	firm. And I think what we've established here is 11:17:41
3	execute that, so I remember that. 11:14:42	3	that that was done just before -- shortly before 11:17:45
4	The other thing is I remember a very 11:14:43	4	this meeting took place; is that -- is that 11:17:51
5	lengthy discussion around store closures, how we 11:14:47	5	accurate? 11:17:55
6	would do it, what would happen to the people. 11:14:50	6	A. I don't recall the specific time when we 11:17:57
7	They were concerned about jobs. Could these 11:14:52	7	retained Lehman. I generally feel like it was in 11:18:00
8	people be transferred to other stores, et cetera, 11:14:55	8	the -- in the fall time frame. 11:18:02
9	et cetera. 11:14:59	9	Q. Okay. That's good enough, in the fall. 11:18:04
10	To my knowledge, that's -- those are the 11:15:05	10	Why were you engaging an investment 11:18:07
11	things that were -- some of the things that were 11:15:06	11	banking firm in the fall of 2006? 11:18:09
12	discussed. 11:15:09	12	A. To replace the relationship we had with 11:18:11
13	Q. Okay. At -- at the -- in the next 11:15:10	13	Credit Suisse, and it took a while to live out the 11:18:14
14	paragraph at the bottom of that page, again, 11:15:15	14	notice that we had in their agreement. 11:18:17
15	just -- it's mentioning what you were discussing 11:15:21	15	Q. Okay. As of November the 1st, 2006, was 11:18:22
16	in that meeting, and -- and it says there in that 11:15:23	16	Dollar General for sale? 11:18:25
17	last sentence on the page, "He," being you, "also 11:15:27	17	A. No. 11:18:26
18	briefly discussed the current state of the 11:15:30	18	Q. Mr. Bottorff indicates he was asked to 11:18:55
19	European deep discount sector and the potential 11:15:33	19	call you and let you know what their committee's 11:18:58
20	interest of one or more of those companies and 11:15:36	20	recommendations was. Did he do that? 11:19:01
21	moving into the U.S. market." 11:15:39	21	A. I -- I don't recall that phone call if -- 11:19:05
22	Where did you get that information? 11:15:41	22	Q. Knowing Mr. Bottorff, do you suspect that 11:19:07
23	A. From various sources. One of my jobs is 11:15:43	23	he probably did? 11:19:09
24	to gather information. We have relationships with 11:15:46	24	MR. DIETZ: Objection. 11:19:10
25	companies like IRJ, AC Nelson and others, that 11:15:49	25	

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1 BY MR. JOHNSTON. 11:10:50  
 2 Q. The decision to hire Lehman was -- based 11:19:20  
 3 on this information on the second page of this 11:19:27  
 4 document, appears to be really twofold: No. 1, 11:19:30  
 5 assisting in analyzing Project Alpha and -- and 11:19:36  
 6 its implementation, but then also helping the 11:19:45  
 7 company, as it says here, understand its 11:19:51  
 8 short-term vulnerabilities and long-term 11:19:56  
 9 prospects. 11:20:00  
 10 Is that one thing or two different things? 11:20:01  
 11 MR. DIETZ: Objection. He may 11:20:03  
 12 answer. 11:20:04  
 13 THE WITNESS Could you repeat that 11:20:07  
 14 last part just so I'm clear? I apologize. 11:20:08  
 15 BY MR. JOHNSTON. 11:20:10  
 16 Q. Yeah. Is -- what I'm looking at here is 11:20:12  
 17 the -- the third paragraph -- 11:20:15  
 18 A. Right. 11:20:17  
 19 Q. -- after it says you left the meeting, and 11:20:17  
 20 it says that the committee discussed the 11:20:19  
 21 advisability of engaging an independent 11:20:26  
 22 investment -- investment banking firm to help the 11:20:28  
 23 board analyze Project Alpha and understand the 11:20:32  
 24 company's short-term vulnerabilities and long-term 11:20:35  
 25 prospects if it proceeds with the project. 11:20:39

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1 My question really is the -- in regard to 11:20:44  
 2 the long-term prospects, is that something that 11:20:47  
 3 involves the potential acquisition by KKR as well 11:20:51  
 4 as Project Alpha or not? 11:20:58  
 5 MR. DIETZ: Objection. 11:21:04  
 6 THE WITNESS: Yeah, I have no 11:21:05  
 7 knowledge of what -- whether it included that or 11:21:06  
 8 not. 11:21:09  
 9 BY MR. JOHNSTON:  
 10 Q. Let me hand you another document that has 11:22:00  
 11 been previously marked as Exhibit 5 to 11:22:02  
 12 Mr. Bottorff's deposition. 11:22:06  
 13 MR. JOHNSTON And, by the way, 11:22:10  
 14 Counsel, we have the original exhibits that 11:22:10  
 15 Ms. Miller has brought back, so if you want those, 11:22:13  
 16 they're here. 11:22:17  
 17 MR. DIETZ: Thank you. 11:22:18  
 18 BY MR. JOHNSTON. 11:22:20  
 19 Q. You've seen this document before? 11:22:28  
 20 A. I have. 11:22:29  
 21 Q. What I'd like you to do is to turn to 11:22:30  
 22 Page 6. If you could, please, will you tell us 11:22:33  
 23 the assumptions that -- that went into these 11:22:46  
 24 various iterations and the -- the projections from 11:22:48  
 25 them, please? 11:22:51

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1 A. Uh-huh. 11:22:52  
 2 MR. DIETZ: Objection. 11:22:53  
 3 THE WITNESS. May I answer? 11:22:55  
 4 BY MR. JOHNSTON. 11:22:56  
 5 Q. Yes. 11:22:56  
 6 A. Okay. The -- the base case, as it says, 11:22:57  
 7 was basically the status quo of what we were 11:23:00  
 8 doing, and that is that we were going to, over a 11:23:03  
 9 longer period of time, transition to this 11:23:06  
 10 clearance model, that we were going to gradually 11:23:09  
 11 sell off this inventory as the seasons rolled. 11:23:14  
 12 And remember, each year you only have one 11:23:17  
 13 time to sell your fall apparel, for example, so 11:23:20  
 14 it's not like you can take your fall apparel and 11:23:22  
 15 sell it in February 11:23:25  
 16 The second Alpha case, the assumptions 11:23:26  
 17 there were -- and I think it's -- this was 11:23:30  
 18 \$619 million of noncurrent inventory by the end 11:23:37  
 19 of '07. So this was the Alpha case -- the second 11:23:41  
 20 case here labeled Alpha case was primarily the 11:23:44  
 21 sale of the inventory and closing 400 stores by 11:23:48  
 22 the end of 2007. 11:23:51  
 23 The Alpha Plus real estate case, the third 11:23:54  
 24 case, also included slowing store growth down and 11:23:56  
 25 then relocating and remodeling, as it says here, 11:24:02

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1 approximately 15 percent of the network over that 11:24:06  
 2 period of time. 11:24:09  
 3 Q. Okay. Then the assumptions that went into 11:24:10  
 4 these projections are basically the three 11:24:13  
 5 footnotes at the bottom? 11:24:16  
 6 A. Yes. 11:24:17  
 7 Q. There's -- there's nothing else involved? 11:24:18  
 8 MR. DIETZ: Objection. 11:24:20  
 9 THE WITNESS: Well -- 11:24:21  
 10 BY MR. JOHNSTON 11:24:21  
 11 Q. Or would there be? 11:24:21  
 12 A. Of course, there would be There would be 11:24:23  
 13 assumptions on inventory term, comp sales, overall 11:24:25  
 14 traffic, you know, a lot of assumptions that go 11:24:28  
 15 into financial modeling 11:24:30  
 16 Q. That's what I'm really getting at What 11:24:31  
 17 specifically were those assumptions that were 11:24:34  
 18 being made? 11:24:36  
 19 A. I recalled that in -- in both -- in all -- 11:24:39  
 20 in the Alpha case, and in the Alpha real estate 11:24:41  
 21 case, I don't remember all the assumptions. I 11:24:44  
 22 remember the ones that stuck out that I worried 11:24:46  
 23 about. 11:24:49  
 24 Q. That's fair. 11:24:49  
 25 A. I worried about comp sales being projected 11:24:50

<p style="text-align: right;">Page 82</p> <p>1 at 4-1/2 percent in the Alpha -- at this point in 11:24:52  2 the Alpha case. Later there was another version 11:24:55  3 that had a more aggressive estimate of 4-1/2 11:24:58  4 percent. I was worried about that. I was 11:25:04  5 worried about -- 11:25:05  6 Q. You were worried that it was too high, too 11:25:06  7 low? 11:25:07  8 A. Yes. 11:25:08  9 Q. Too high? 11:25:08  10 A. I was very worried it was too high. 11:25:09  11 I was also worried that this Alpha case 11:25:09  12 assumed 2.6 percent shrink, that's theft, okay, 11:25:09  13 the loss of product presumably through theft. The 11:25:13  14 company had never in its history achieved 11:25:18  15 2.6 percent shrink. We were projecting that by 11:25:21  16 '09. 11:25:24  17 Q. It had always been over 3? 11:25:25  18 A. Absolutely. 11:25:27  19 The third thing is that we assumed in here 11:25:29  20 that you can make this conversion from a pack-away 11:25:31  21 strategy to a clearance strategy. This company 11:25:34  22 had never done that. Very few of the people in 11:25:36  23 merchandising had -- had ever done that 11:25:39  24 Comp sales, shrink, and there was one 11:25:41  25 other, but those are primarily the ones that I 11:25:45</p>	<p style="text-align: right;">Page 84</p> <p>1 with that level of markdowns had never been 11:26:52  2 achieved. So there were three variables that I 11:26:54  3 remember that were in the assumptions of these 11:26:56  4 Alpha cases. 11:27:00  5 Q. Okay. Was this executive summary, was 11:27:02  6 this a document that was provided to the strategic 11:27:16  7 planning committee at its meeting in -- on the 1st 11:27:20  8 of November? Was this part of what you were using 11:27:25  9 to discuss Project Alpha? 11:27:29  10 A. I have no knowledge of that from this 11:27:32  11 document, and I have no recollection whether this 11:27:34  12 was the document used. 11:27:36  13 Q. Was there a document that was used in that 11:27:38  14 meeting? 11:27:41  15 A. I don't recall. 11:27:42  16 Q. Do you remember? 11:27:43  17 A. No. 11:27:43  18 Q. Following the strategic planning committee 11:28:09  19 meeting that we've just looked at, there was a 11:28:10  20 full board meeting that I think -- let me just 11:28:14  21 assert to you -- I believe took place on the 3rd 11:28:20  22 of November. Do you recall that meeting? 11:28:23  23 A. I don't recall it. I'm -- I know we had 11:28:26  24 board meetings during that period of time in 11:28:29  25 November. 11:28:34</p>
<p style="text-align: right;">Page 83</p> <p>1 remember. 11:25:46  2 Q. When you say that very few people in 11:25:47  3 merchandising had ever done that, are you talking 11:25:49  4 about the -- in essence, the buyers? 11:25:51  5 A. The buyers and -- and the other people 11:25:53  6 around them. Most of the people -- we have a few 11:25:55  7 new people -- at this point in time, a few new 11:25:58  8 people were in the firm. The majority of the 11:25:59  9 people in merchandising had always operated under 11:26:03  10 the pack-away strategy at Dollar General. 11:26:06  11 Q. Okay. 11:26:16  12 A. Oh, can I add to that? 11:26:20  13 Q. Please do. 11:26:22  14 A. The third thing I remember is this, that 11:26:23  15 in '09 the gross margin was projected at 11:26:25  16 29.5 percent. 29.5 percent was the gross margin, 11:26:29  17 I think, back in '04. The difference between '04 11:26:32  18 and projected '09 was that in '04 that was under a 11:26:37  19 pack-away strategy. In '09, the forecast was that 11:26:41  20 would be under a clearance strategy and would 11:26:44  21 include significant amounts of markdowns. I don't 11:26:46  22 remember what they were, but they were in the 11:26:48  23 hundreds of millions of dollars of markdowns would 11:26:49  24 be needed. 11:26:50  25 So that 29-1/2 percent had never been -- 11:26:51</p>	<p style="text-align: right;">Page 85</p> <p>1 Q. I guess I am trying to put you on the spot 11:28:43  2 here, but -- do you -- I really don't want to 11:28:46  3 spend a lot of time on this or this meeting. 11:28:52  4 But is there anything in particular about 11:28:54  5 the first board meeting following the initial 11:28:56  6 special planning committee meeting that you can 11:28:59  7 recall? 11:29:02  8 MR. DIETZ: Objection. You mean 11:29:04  9 strategic planning? 11:29:06  10 MR. JOHNSTON: What did I say? 11:29:07  11 MR. DIETZ: Special. 11:29:09  12 MR. JOHNSTON: I apologize. That's 11:29:10  13 the second or third time I've said that, and I 11:29:11  14 don't mean that. 11:29:13  15 THE WITNESS: I may do it too, and I 11:29:14  16 don't blame you. 11:29:16  17 MR. JOHNSTON: I mean strategic 11:29:16  18 planning. Mr. Boltorff did that too the other 11:29:17  19 day, so . . . 11:29:20  20 THE WITNESS: I don't recall anything 11:29:23  21 unusual about that next meeting. 11:29:24  22 BY MR. JOHNSTON: 22:59:57  23 Q. At -- at -- at that stage, what was 11:29:29  24 happening is that the board was considering 11:29:30  25 Project Alpha. Project Alpha was moving to the 11:29:39</p>

22 (Pages 82 to 85)



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1 point where a final decision had to be made as to 11:29:41  
 2 whether -- to implement it or not. And at the 11:29:43  
 3 same time, they had had this expression of 11:29:48  
 4 interest, the meeting with Mr. Turner on the part 11:29:51  
 5 of KKR, correct? 11:29:55  
 6 A. Correct. 11:29:57  
 7 Q. Those were the two major strategic things 11:29:58  
 8 that the board had under consideration at this 11:30:03  
 9 time? 11:30:05  
 10 A. That's correct. 11:30:05  
 11 Q. In late October, early November? 11:30:05  
 12 A. That's correct. 11:30:09  
 13 MR. DIETZ: Objection to the form. 11:30:09  
 14 BY MR. JOHNSTON: 11:30:10  
 15 Q. Again, you're going to get tired of 11:30:11  
 16 hearing me ask you this question, but I'm going to 11:30:13  
 17 do this throughout, so I'll just warn you. 11:30:16  
 18 As of early November of 2006, was 11:30:18  
 19 Dollar General for sale? 11:30:24  
 20 A. Not in my mind. 11:30:25  
 21 Q. Now, to kind of set the stage here, let me 11:30:46  
 22 assert to you that I have seen documents that 11:30:48  
 23 indicated that management believed that a decision 11:30:49  
 24 by the board on whether or not to implement 11:30:53  
 25 Project Alpha needed to be made by November the 11:30:56

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1 20th, 2006, in order for implementation to begin 11:30:59  
 2 as planned. Is that your recollection? 11:31:03  
 3 A. It is. 11:31:07  
 4 Q. And -- and the board did have a meeting on 11:31:09  
 5 November the 20th. Do you recall that? 11:31:12  
 6 A. Yes. 11:31:17  
 7 Q. Let me just -- to cut through some of 11:31:21  
 8 this, the board did not make a decision on that 11:31:23  
 9 date as to whether or not to continue, correct? 11:31:26  
 10 A. Correct. 11:31:29  
 11 Q. I think we've already talked about that 11:31:29  
 12 briefly? 11:31:30  
 13 A. That's correct. That's correct. 11:31:32  
 14 Q. And I think you explained to us what 11:31:32  
 15 happened in between the 20th -- 11:31:34  
 16 A. Right. 11:31:36  
 17 Q. -- and the 28th when it finally did make a 11:31:36  
 18 decision? 11:31:38  
 19 Let me -- I want to spend just a little 11:31:39  
 20 bit of time on November 20th but hopefully not a 11:31:44  
 21 lot. I have a document that appears to be, I 11:31:49  
 22 think, your notes. 11:31:57  
 23 (Marked Exhibit No. 5) 11:32:08  
 24 MR. McEVROY: This should be a 11:32:21  
 25 two-page document? 11:32:21

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1 MR. JOHNSTON: Yes, should be 11:32:23  
 2 MR. McEVROY: I just want to make sure 11:32:25  
 3 I got -- 11:32:26  
 4 MR. JOHNSTON: Yeah, I was ripping 11:32:27  
 5 off one because it was something that had nothing 11:32:28  
 6 to do with this, and I'm not sure why it was 11:32:31  
 7 attached. It wasn't supposed to be 11:32:34  
 8 BY MR. JOHNSTON: 09:15:28  
 9 Q. Is -- is this, in fact, some handwritten 11:32:37  
 10 notes that you took during the meeting of November 11:32:39  
 11 the 20th? 11:32:41  
 12 A. Yes. 11:32:43  
 13 Q. All right. I just want to go through the 11:32:46  
 14 various handwritten material and ask you -- make 11:32:48  
 15 sure that I'm reading it right and ask you what, 11:32:51  
 16 if anything, this means. And I'm just going to 11:32:53  
 17 start at the top. I don't know how you take 11:32:55  
 18 notes, but -- 11:32:57  
 19 A. They're all over. 11:32:59  
 20 Q. Up at the -- the upper left-hand corner, 11:33:04  
 21 there are two bullet points, Risk and Buyback. 11:33:07  
 22 A. Right. 11:33:11  
 23 Q. What do those mean? 11:33:12  
 24 A. I'm making a note about the risk involved 11:33:15  
 25 in Project Alpha and also a note about the fact 11:33:18

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1 that the buyback at this point was still -- I 11:33:23  
 2 mean, it was part of Alpha but that, you know, it 11:33:28  
 3 was still under discussion. So I made a note that 11:33:33  
 4 the buyback was an important part of Alpha 11:33:35  
 5 Q. What buyback are you talking about there? 11:33:37  
 6 A. It was a -- a share buyback that the 11:33:39  
 7 management team was proposing to the board to be 11:33:41  
 8 included as part of Alpha 11:33:44  
 9 Q. Over what period of time was the share 11:33:51  
 10 buyback supposed to take place? 11:33:52  
 11 A. I don't recall specifically. It wasn't 11:33:58  
 12 over the full three years, though. It was 11:34:01  
 13 something less than that. 11:34:04  
 14 Q. Were there various iterations on the 11:34:06  
 15 dollar amount of shares that were to be 11:34:11  
 16 repurchased? 11:34:13  
 17 A. Privately, yes. Before we got it to a 11:34:18  
 18 point of recommendation, we considered several 11:34:20  
 19 different alternatives and decided on that -- that 11:34:23  
 20 amount. And I -- 11:34:27  
 21 Q. And that amount was what? 11:34:28  
 22 A. \$500 million. 11:34:30  
 23 Q. Okay. All right. I'm sorry. I think I 11:34:37  
 24 interrupted you. You were about to say something 11:34:38  
 25 else. 11:34:40

23 (Pages 86 to 89)



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1	A.	No, that was it. 11:34:41	1	Q.	Did -- did the -- was it the opinion of 11:36:57
2	Q.	Okay 11:34:42	2		the board -- or your opinion, in particular, that 11:36:58
3	A.	Sorry. 11:34:43	3		that had had an adverse impact on the stock price 11:37:04
4	Q.	In the middle of the top of the page, I 11:34:43	4		over that period of time? 11:37:08
5		think -- well, why don't you just tell us what 11:34:46	5	A.	Well, there were opinions to that. I 11:37:15
6		that says. 11:34:49	6		mean, no one could factually prove that one way or 11:37:15
7	A.	One of the big issues in evaluating -- 11:34:49	7		the other. What -- what I felt like I could 11:37:19
8	Q.	First of all, just -- 11:34:52	8		represent was that the earnings of the company had 11:37:20
9	A.	Sorry. 11:34:53	9		been reduced because of this exercise. 11:37:22
10	Q.	-- if you -- if you -- it will help if you 11:34:53	10	Q.	Okay. All right. Then there's a star and 11:37:36
11		just read what you have and then you can explain. 11:34:55	11		a dot, and it says Jones NY example. Is that 11:37:37
12	A.	For the record, handwriting says, "Big 11:34:57	12		Jones New York? 11:37:42
13		issue, performance of last three years confused by 11:34:59	13	A.	I think it is. 11:37:44
14		inventory sell-off." And this is talking to the 11:35:03	14	Q.	And what is that -- why is there a star, 11:37:44
15		risks involved with Alpha, that the performance of 11:35:05	15		and what is the Jones New York example? 11:37:47
16		the company gets confused when you're selling off 11:35:08	16	A.	Well, I think the star actually goes with 11:37:49
17		inventory like Alpha was proposing to sell off. 11:35:12	17		the big issue. 11:37:51
18		So this was one of the big risks that -- that we 11:35:15	18	Q.	Oh, okay. 11:37:52
19		had to talk about. 11:35:18	19	A.	Is the way I see it and the way I remember 11:37:53
20		In the last three years, specifically we 11:35:20	20		doing it. 11:37:55
21		had been through some of this experience, 11:35:22	21	Q.	And they're your notes 11:37:55
22		particularly in the last year, where we had 11:35:24	22	A.	Well, the big issue -- you know, I write 11:37:57
23		evidence -- evidence showing that performance gets 11:35:27	23		it that way and then I put the star over to the 11:37:59
24		confused. People outside the company have a hard 11:35:31	24		side. But the big issue was the risk around the 11:38:01
25		time realizing what the company is really doing 11:35:33	25		performance of the company during a transition 11:38:04
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1		during one of these sell-off periods. 11:35:36	1		like this. 11:38:06
2	Q.	I'm not sure that I'm understanding what 11:35:48	2		And frankly, you know, not only I but the 11:38:07
3		your -- what you mean by sell-off. 11:35:50	3		management team wanted to make sure the board was 11:38:11
4	A.	The profitability -- the sell-off of the 11:35:51	4		fully aware of -- of all of the things that we had 11:38:13
5		inventory, the reduction of the inventory 11:35:54	5		learned and -- and that we could project that 11:38:16
6	Q.	Oh, markdowns? 11:35:55	6		would be coming, and this was -- this was a big 11:38:17
7	A.	Markdowns 11:35:56	7		part of that 11:38:20
8	Q.	Okay. 11:35:57	8	Q.	And what was the Jones New York example? 11:38:21
9	A.	And -- and -- yeah, the markdowns of 11:35:58	9	A.	There was a -- an example of, you know, 11:38:23
10		this -- this older inventory 11:35:59	10		how Jones of New York -- somebody -- I don't 11:38:26
11	Q.	Okay. 11:36:01	11		remember who -- I don't recall who made it, but 11:38:29
12		Basically you had been -- this is, again, 11:36:02	12		there was a comment about Jones New York and how 11:38:31
13		my word -- experimenting with the markdowns over 11:36:06	13		they had made some similar changes or whatever 11:38:35
14		the previous year, year and a half, two years and 11:36:10	14		And they had had a very bad time was all I 11:38:39
15		that was what became project -- or part of 11:36:12	15		remember about that 11:38:43
16		Project Alpha; is that -- is that fair? 11:36:21	16	Q.	Below that, it says, "No markdowns, 11:38:45
17	A.	Yeah, I'm not sure I would use the word 11:36:22	17		margins, labor RE." Do those things all go 11:38:47
18		experimenting. But generally the work we had -- 11:36:24	18		together? 11:38:52
19		we had done at the end of '04 and during '05 were 11:36:26	19	A.	Yeah, they do. I just don't -- I don't 11:39:01
20		certainly precursors to what led us into Alpha 11:36:32	20		recall what I was denoting by putting those down 11:39:02
21	Q.	In -- in looking back from this period 11:36:38	21		there. 11:39:06
22		over the previous couple of years when you had 11:36:41	22	Q.	No markdowns, margins? That doesn't -- 11:39:07
23		been engaged in the sell-off or markdowns -- and 11:36:44	23	A.	Well, in the past, no markdowns -- we -- 11:39:14
24		that obviously tends to reduce margin, correct? 11:36:52	24		the company had not had markdowns. Margins were 11:39:15
25	A.	Uh-huh 11:36:56	25		going to be affected. To do Alpha was going to 11:39:21

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1	cause additional costs in risk with labor cost in 11:39:24	1	A. Well, the comment here, "Dollar channel is 11:41:55
2	labor and risk in turnover in labor. And the 11:39:27	2	maturing," the growth levels of the players in the 11:41:59
3	whole real estate issue was -- was very critical 11:39:31	3	dollar channel had begun to slow over the last 11:42:03
4	to -- to Alpha. 11:39:33	4	several years 11:42:05
5	Q. Tell us about the real estate aspect of 11:39:34	5	Q. When you say the dollar channel, what 11:42:06
6	Project Alpha. What -- what specifically are you 11:39:37	6	you're talking about is that -- that sector of the 11:42:08
7	talking about? 11:39:39	7	retail sector that deals specifically with -- with 11:42:11
8	A. The closure of 400 stores, that has an 11:39:40	8	lower cost items, is that fair -- 11:42:16
9	adverse effect on revenue, obviously. It could 11:39:43	9	A. That's correct. 11:42:18
10	have a positive impact on margin, on 11:39:46	10	Q. -- to say? 11:42:19
11	contribution -- profit contribution. It has a 11:39:49	11	And what do you say -- what do you mean 11:42:21
12	major impact on employees and employee turnover. 11:39:51	12	that it's maturing? 11:42:23
13	It has an impact on inventory levels short-term. 11:39:54	13	A. Well, that's a term that generally means 11:42:26
14	You have to deal with that, and you're buying -- 11:39:57	14	that the growth rates begin to slow, that 11:42:28
15	you're open to buy patterns coming out of that. 11:39:59	15	saturation, potentially, begins to occur. And all 11:42:32
16	So it's -- it's a multifunctional issue 11:40:02	16	of a sudden, retail companies stop gaining so much 11:42:38
17	that you can't just close 400 stores and -- 11:40:04	17	of their profit from store growth and start having 11:42:43
18	there's a lot around the rest of the business that 11:40:08	18	to focus on other areas to generate growth in 11:42:45
19	has to be considered when you close 400 stores. 11:40:10	19	earnings. 11:42:49
20	Q. Specifically on the real estate issue, 11:40:15	20	Q. All right. Then let me stop here and ask 11:42:57
21	there's also the -- the other side of that, and 11:40:18	21	you, as you're taking these notes, who is it that 11:43:00
22	that's opening new stores, and I've seen some 11:40:21	22	is speaking? 11:43:03
23	references in some of these documents to what's 11:40:24	23	A. I don't recall, various people. 11:43:04
24	been called real estate discipline. What does 11:40:26	24	Q. Was there -- it says up here, the first is 11:43:10
25	that mean? 11:40:31	25	presentation by Lazard, Lehman. In these first 11:43:13
	Page 95		Page 97
1	A. I'm not sure who used the term discipline. 11:40:34	1	few notes, anyway, do you think that that is -- 11:43:20
2	I -- I don't know what that means. 11:40:36	2	those are your notes resulting from the 11:43:22
3	Q. Let me tell you what I think I got from 11:40:41	3	presentation by Lazard and Lehman? 11:43:25
4	Mr. Bottorff, and, again, this is just my 11:40:45	4	A. That would be speculation 11:43:29
5	interpretation of what he said. And that was that 11:40:47	5	Q. You don't know? 11:43:29
6	in the past there had been -- Dollar General had 11:40:50	6	A. I don't know. I don't remember 11:43:30
7	not really had any specific way that it identified 11:40:55	7	Q. All right. Then the next bullet point is 11:43:32
8	the best possible locations for new stores and 11:40:59	8	Responsibilities. I think that says "long-term 11:43:34
9	that that -- they were trying to change that 11:41:06	9	viability of company." 11:43:39
10	aspect of opening new stores as well. Is that -- 11:41:08	10	A. That's correct. 11:43:40
11	A. Yeah, the process, yeah, the process. 11:41:11	11	Q. I can't read the word underneath that, 11:43:41
12	Q. Does that sound right? 11:41:13	12	maximize? 11:43:44
13	MR. DIETZ. Objection. 11:41:14	13	A. Yeah, "Take care or maximize shareholder 11:43:44
14	THE WITNESS. Okay. What was 11:41:15	14	value." 11:43:46
15	involved in real estate were two things: One, the 11:41:16	15	Q. What does that say -- what does that mean? 11:43:52
16	closure of these stores, the second was a slowing 11:41:18	16	Are you just listing the responsibilities that you 11:43:57
17	down of new store growth, new store openings 11:41:24	17	have as a board member or what? 11:43:58
18	temporarily in order to allow us to facilitate 11:41:26	18	A. I think so. I think I was -- I was 11:44:01
19	changing the process by which we would identify a 11:41:29	19	documenting what was being said. I don't remember 11:44:02
20	store -- potential store locations. 11:41:32	20	who said it. 11:44:06
21	BY MR. JOHNSTON 11:41:34	21	Q. Okay. So -- all right. Then the next 11:44:08
22	Q. Okay. Let's go to the middle of the page, 11:41:39	22	bullet point, Recommend Alpha, and then it looks 11:44:19
23	and the first bullet point there, I think, says, 11:41:41	23	like that says, "Fully support," and then a box 11:44:21
24	"Background," and then I'm not sure, "dollar 11:41:43	24	and insert and a star. What does that mean? 11:44:25
25	channel is" or something. What does that say? 11:41:49	25	A. Well, I can't speak to what it means other 11:44:36

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<p style="text-align: right;">Page 98</p> <p>1 than at face value not knowing -- not remembering 11:44:38</p> <p>2 who -- who said it or whatever. 11:44:41</p> <p>3 Q. Does the fully support mean that's you 11:44:45</p> <p>4 fully support this or what? 11:44:48</p> <p>5 A. Not -- I don't know what this means here. 11:44:55</p> <p>6 I think -- I don't know what it means. 11:45:00</p> <p>7 Q. What does insert mean? Is that -- 11:45:02</p> <p>8 A. It must have been -- I don't remember. I 11:45:06</p> <p>9 can -- I can speculate, but I don't remember what 11:45:07</p> <p>10 that means. 11:45:11</p> <p>11 Q. Here I'm going to ask you to speculate, so 11:45:12</p> <p>12 it may or may not be worth anything but -- 11:45:14</p> <p>13 MR. DIETZ Again, I'm going to 11:45:19</p> <p>14 instruct the witness not to speculate. If he has 11:45:20</p> <p>15 a recollection about it, he can testify about 11:45:22</p> <p>16 that. If not, then he can't. 11:45:24</p> <p>17 BY MR. JOHNSTON. 11:45:29</p> <p>18 Q. Well, help -- speculating sometimes can 11:45:30</p> <p>19 help you probe your own memory, and it may spark a 11:45:31</p> <p>20 question by me too. We understand that it's just 11:45:34</p> <p>21 speculation, for whatever that's worth. So 11:45:36</p> <p>22 what -- what do you think that might be? 11:45:41</p> <p>23 A. You know, I really don't know. 11:45:45</p> <p>24 Q. Okay. 11:45:47</p> <p>25 MR. JOHNSTON: Okay We have got to 11:45:53</p>	<p style="text-align: right;">Page 100</p> <p>1 surrounded down there with a -- orded or squared 11:54:16</p> <p>2 or whatever that is? 11:54:20</p> <p>3 A. Yes, uh-huh 11:54:21</p> <p>4 Q. I want to ask you about the -- the second 11:54:23</p> <p>5 two bullet points on that The first one -- and 11:54:26</p> <p>6 I'm going to read this, what I think it's saying, 11:54:32</p> <p>7 and if I'm wrong, just tell me. 11:54:34</p> <p>8 It says, "I have a sober view about 11:54:37</p> <p>9 increased personal risk " Is that -- is that 11:54:40</p> <p>10 accurate as to what it says? 11:54:43</p> <p>11 A. Yes, yes. 11:54:44</p> <p>12 Q. What personal risk do you have -- or 11:54:48</p> <p>13 increased personal risk would you have at this 11:54:49</p> <p>14 point in November of 2006? 11:54:53</p> <p>15 A. That was in context of a comment about 11:54:56</p> <p>16 a -- this -- this whole private issue in this -- 11:55:00</p> <p>17 in this meeting around Alpha. And above that in 11:55:02</p> <p>18 the first bullet point, it talks about being 11:55:07</p> <p>19 private was not a panacea. David Beré, one of our 11:55:11</p> <p>20 directors, made a comment about that. 11:55:19</p> <p>21 I wrote at that point that I have a sober 11:55:21</p> <p>22 view about increased personal risk around that 11:55:25</p> <p>23 same issue, that it's not a panacea. 11:55:28</p> <p>24 Q. Going private? 11:55:30</p> <p>25 A. Yes. 11:55:31</p>
<p style="text-align: right;">Page 99</p> <p>1 go off the record so we can change the tape 11:45:54</p> <p>2 THE VIDEOGRAPHER: Going off the 11:45:56</p> <p>3 record at 11:46. 11:45:57</p> <p>4 (Brief recess observed.) 11:45:59</p> <p>5 THE VIDEOGRAPHER. We're back on the 11:53:04</p> <p>6 record. This is Tape No. 2 in the deposition of 11:53:27</p> <p>7 Mr. Perdue, and the time is 11:53. 11:53:30</p> <p>8 BY MR. JOHNSTON: 11:03:06</p> <p>9 Q. Mr. Perdue, just in the interest of time, 11:53:36</p> <p>10 I'm not going to go through every single thing on 11:53:38</p> <p>11 this I -- I think -- I think that under 11:53:44</p> <p>12 Operational Perspective, for example, we've 11:53:45</p> <p>13 already talked about everything that you've got 11:53:47</p> <p>14 listed under there today, haven't we? I mean, 11:53:49</p> <p>15 haven't you already told me about all of these and 11:53:52</p> <p>16 how they're going to have an impact on the 11:53:55</p> <p>17 company's operations? 11:53:57</p> <p>18 A. That's correct, except for the last bullet 11:53:58</p> <p>19 point under Operational Perspective, it was 11:53:59</p> <p>20 commented on that there -- there is an increase 11:54:02</p> <p>21 quarter-to-quarter profitability variability. I 11:54:05</p> <p>22 don't -- I don't think we had talked about that. 11:54:08</p> <p>23 And it's not just for one year, which we had 11:54:09</p> <p>24 talked about earlier. 11:54:12</p> <p>25 Q. Okay. You've got personal perspective 11:54:14</p>	<p style="text-align: right;">Page 101</p> <p>1 Q. Why would going private have an increased 11:55:31</p> <p>2 personal risk for you? 11:55:33</p> <p>3 A. Well, as CEO with a company that has debt 11:55:36</p> <p>4 with these attendant risks associated with a major 11:55:40</p> <p>5 restructuring like we're talking about, there's 11:55:44</p> <p>6 significant risk involved. 11:55:48</p> <p>7 Q. But why is that personal risk to you? 11:55:49</p> <p>8 A. If it -- if it doesn't work, it's my 11:55:51</p> <p>9 career on the line, and I've got a major financial 11:55:54</p> <p>10 stake in the success of the company. 11:55:57</p> <p>11 Q. Just in term -- all right. I guess what 11:55:59</p> <p>12 I'm trying to get, what does that have to do with 11:56:02</p> <p>13 the going private aspect of this, or does it? 11:56:05</p> <p>14 A. It doesn't. 11:56:08</p> <p>15 Q. Okay. I'm sorry. I thought that you were 11:56:12</p> <p>16 linking those two things together. 11:56:14</p> <p>17 A. No. 11:56:17</p> <p>18 Q. Being private not a panacea, and then the 11:56:17</p> <p>19 sober view of increased personal risk having 11:56:20</p> <p>20 something to do with going private. 11:56:22</p> <p>21 A. Oh, it did -- it does. I'm sorry. 11:56:24</p> <p>22 Q. Okay. Explain to me. 11:56:26</p> <p>23 A. Well, the -- the idea of a -- a transition 11:56:29</p> <p>24 like we're talking about, Alpha, has risk no 11:56:31</p> <p>25 matter how you do it Being private, along with 11:56:36</p>

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1 this, also means that -- that there's risk 11:56:38  
 2 attendant with that from a personal standpoint. 11:56:42  
 3 And that ties to the third point of less 11:56:44  
 4 liquidity. You just -- you just have less 11:56:48  
 5 liquidity in a private world than you do in a 11:56:51  
 6 public world. 11:56:54  
 7 Q. Okay. In the event that the company went 11:57:01  
 8 private, did you have any expectation as of 11:57:08  
 9 November the 20th that you would be retained as 11:57:13  
 10 CEO? 11:57:17  
 11 A. No. 11:57:17  
 12 Q. In terms of your looking forward in your 11:57:21  
 13 career, were you certainly hopeful that you would 11:57:24  
 14 remain CEO at least for the foreseeable future, 11:57:27  
 15 whether it was public or private? 11:57:30  
 16 A. Yes. 11:57:32  
 17 Q. Okay. Again, as we've already mentioned 11:57:52  
 18 at the November 20 meeting, there was no decision 11:58:09  
 19 made on the -- on Project Alpha. The decision was 11:58:11  
 20 made -- I'm just going to assert to you, and 11:58:15  
 21 assume that I'm correct, that that decision was 11:58:18  
 22 made at a board meeting on November the 28th. 11:58:20  
 23 Tell us what the -- what the 11:58:24  
 24 implementation plan would have entailed over the 11:58:26  
 25 next one month, two months, and three months, over 11:58:28

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1 that -- those periods 11:58:33  
 2 A. At the end of the holiday season, we would 11:58:35  
 3 mark down the holiday merchandise. Some of that 11:58:38  
 4 would be done in January but not as much would 11:58:40  
 5 have been done now because we delayed it. That 11:58:43  
 6 was one of the issues around the November 20 date. 11:58:46  
 7 There are all sorts of things you have to 11:58:49  
 8 do to implement a markdown strategy. You have to 11:58:51  
 9 get the word out, you have to get the signs out, 11:58:53  
 10 you have to get the system adjusted to handle the 11:58:55  
 11 new price. It's -- it's quite laborious. 11:58:58  
 12 There were continued markdowns in February 11:59:03  
 13 on seasonal merchandise planned. 11:59:05  
 14 The store closures were determined to have 11:59:07  
 15 three rollout phases. The first rollout phase 11:59:09  
 16 would happen somewhere in that first quarter 11:59:14  
 17 of '07, as I recall. 11:59:16  
 18 Q. What would that entail? 11:59:22  
 19 A. Well, first you had to -- there were 11:59:26  
 20 several things. One, you had to -- we did an 11:59:28  
 21 exhaustive review earlier about the employees. 11:59:31  
 22 Who was -- who was working in these stores? How 11:59:33  
 23 long had they been there? Where were the good 11:59:35  
 24 ones? Where were the mediocre ones? How do we 11:59:37  
 25 salvage our good people to transition into other 11:59:41

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1 stores that had turnover? So that was a big 11:59:45  
 2 issue. So personnel was a big issue. 11:59:45  
 3 Second issue was the inventory. What do 11:59:49  
 4 you do with all the inventory sitting in the 11:59:50  
 5 store? Do you bleed it down? Do you drop it, 11:59:52  
 6 move it, et cetera, et cetera? 11:59:54  
 7 So there were a lot -- there was a lot of 11:59:56  
 8 work in the preceding time frame to this 11:59:57  
 9 November 28 about how you would implement that, 11:59:59  
 10 and that's why we had decided to roll these out in 12:00:01  
 11 phases as opposed to doing them all at once. 12:00:04  
 12 How to use the markdowns around the 12:00:09  
 13 inventory sell-off of those stores was important, 12:00:12  
 14 and then what to do with the leases, you know, how 12:00:15  
 15 to negotiate our way out of the leases, if 12:00:18  
 16 possible. 12:00:20  
 17 So there were quite a few parallel 12:00:20  
 18 activities that were a part of closing those 12:00:23  
 19 stores that still is underway today. 12:00:26  
 20 Q. As of the end of calendar year 2006, how 12:00:30  
 21 far along were you in implementation -- 12:00:33  
 22 implementing Project Alpha? 12:00:38  
 23 A. Not very far. We had actually just 12:00:40  
 24 started. Like I said, there was a delay. We -- 12:00:43  
 25 we got some -- there were a few minor markdowns in 12:00:46

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1 January. There were -- there were some started in 12:00:49  
 2 February. But by the end of fiscal -- did you say 12:00:51  
 3 calendar '06? 12:00:54  
 4 Q. I said calendar '06. 12:00:56  
 5 A. Yeah, by end of calendar, it was very 12:00:58  
 6 little, very little. 12:01:00  
 7 Q. What -- just for the record, tell us 12:01:01  
 8 what's the difference between calendar year and 12:01:01  
 9 fiscal year. 12:01:02  
 10 A. I'm sorry. Calendar is 12-31, fiscal is 12:01:02  
 11 1-31. 12:01:06  
 12 Q. Okay. As -- as of the end of fiscal 12:01:11  
 13 year '06, where were you in that implementation 12:01:16  
 14 process? 12:01:19  
 15 A. Yeah, we -- I'm sorry, I confused that. 12:01:20  
 16 We had sold some inventory in January, not a large 12:01:22  
 17 amount, but we had marked down some holiday 12:01:24  
 18 merchandise in January and gotten rid of it. 12:01:28  
 19 Q. Had there been decisions made as to which 12:01:30  
 20 stores were going to be closed as of the end of 12:01:36  
 21 fiscal year 2006? 12:01:38  
 22 A. To my -- to my knowledge, I'm not sure if 12:01:44  
 23 we had -- if we actually closed those stores in 12:01:46  
 24 January. We began talking about how to notify 12:01:50  
 25 employees, how to start working through the issues 12:01:55

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1 of transfer, and that sort of thing. 12:01:58  
 2 So it was in that January and February 12:02:00  
 3 time frame when we began to notify those stores 12:02:03  
 4 that indeed they were going to be selected for 12:02:06  
 5 closure. 12:02:08  
 6 Q. As we sit here today, what I'm hearing you 12:02:09  
 7 say is that you're not absolutely certain exactly 12:02:13  
 8 where you were in that process? 12:02:14  
 9 A. That's right. 12:02:16  
 10 Q. But you knew you were in the process -- 12:02:16  
 11 A. Right. 12:02:18  
 12 Q. -- of closing them down? 12:02:18  
 13 A. Right. 12:02:20  
 14 Q. As we sit here today, where are you in the 12:02:20  
 15 process of closing stores? 12:02:24  
 16 A. We have announced the first tranches -- 12:02:29  
 17 there were three tranches. We've announced the 12:02:32  
 18 first tranche and have started that process. We 12:02:34  
 19 now have recently announced the second phase of 12:02:37  
 20 that, and we're into that now, so that's where we 12:02:40  
 21 are. 12:02:43  
 22 And each of those phases had about 130 to 12:02:44  
 23 140 stores, give or take. 12:02:47  
 24 Q. Does that mean that the first phase stores 12:02:51  
 25 have been closed? 12:02:55

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1 A. Some have; some are still working out of 12:02:56  
 2 their lease; some are still working out of their 12:02:59  
 3 inventory. It's a -- it's a very fluid issue, 12:03:01  
 4 closing stores. 12:03:05  
 5 Q. How have you made -- what decisions have 12:03:06  
 6 you made in regard to what to do with the 12:03:08  
 7 merchandise in these various stores? 12:03:10  
 8 A. Yeah, for the most part, we -- we decided 12:03:12  
 9 to sell them in the existing store. I won't tell 12:03:14  
 10 you that there weren't some isolated examples 12:03:16  
 11 where we transferred inventory to other stores. 12:03:20  
 12 But the predominant strategy was that we would 12:03:22  
 13 sell it in store. 12:03:25  
 14 Q. Is -- is that merchandise generally marked 12:03:26  
 15 down? 12:03:29  
 16 A. Yes. 12:03:30  
 17 Q. It's a go -- like a going-out-of-business 12:03:31  
 18 sort of sale? 12:03:34  
 19 A. Yeah, but we try not to make it that -- 12:03:34  
 20 quite that severe. I have a chief financial 12:03:36  
 21 officer that really likes to maximize value of 12:03:40  
 22 inventory, and we -- we did -- we had a very 12:03:43  
 23 careful effort undertaken to -- to try to do just 12:03:46  
 24 that with regard to getting rid of the inventory. 12:03:49  
 25 Q. All right. Let's -- let's come forward a 12:03:54

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1 little bit into January, and specifically there 12:03:56  
 2 were some -- an early January board meeting in 12:04:03  
 3 which Project Alpha was discussed again. And I 12:04:08  
 4 believe at that time there was also a -- a 12:04:12  
 5 presentation that may have been done by Lazard and 12:04:15  
 6 Lehman, which included aspects of KKR's interest. 12:04:18  
 7 And we really haven't talked -- I tell you 12:04:26  
 8 what, let's -- let's backup from that just a 12:04:28  
 9 little bit because we haven't really talked about 12:04:31  
 10 the interest that they had expressed, anything 12:04:33  
 11 beyond that -- that initial discussion. 12:04:36  
 12 We mentioned earlier about your meeting 12:04:45  
 13 with Mr. Turner and your report to the board, the 12:04:47  
 14 establishment of the strategic planning committee. 12:04:54  
 15 What was it that KKR did that advanced the 12:05:00  
 16 ball beyond the meeting with Mr. Turner? 12:05:02  
 17 MR. DIETZ. For the record, you mean 12:05:07  
 18 Mr. Turner and KKR? 12:05:08  
 19 MR. JOHNSTON: Yes, yeah. I'm sorry, 12:05:12  
 20 yes. 12:05:15  
 21 THE WITNESS: The one where Wilds, 12:05:18  
 22 Turner, and I were meeting with KKR, October 5? 12:05:18  
 23 BY MR. JOHNSTON: 11:05:35  
 24 Q. Yes, yes 12:05:22  
 25 MR. McEVROY: Let me just object to 12:05:23

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1 the form. 12:05:24  
 2 THE WITNESS: Okay. What did KKR do? 12:05:25  
 3 BY MR. JOHNSTON: 11:07:10  
 4 Q. Right. 12:05:27  
 5 A. To move the process forward? 12:05:28  
 6 Q. Yes. 12:05:30  
 7 A. To my knowledge, I -- I have no knowledge 12:05:30  
 8 of -- of them moving the process forward. 12:05:32  
 9 Q. Well, I'll try to cut through this. In 12:05:34  
 10 November of 2006, they provided the company a -- a 12:05:42  
 11 more formal notice of their interest, including a 12:05:46  
 12 potential valuation, a range of -- of values that 12:05:54  
 13 they saw at that time, not having had access to 12:06:00  
 14 any private information. 12:06:03  
 15 A. Uh-huh. 12:06:06  
 16 Q. It is true up to that point they had not 12:06:06  
 17 had access to private information, correct? 12:06:09  
 18 MR. McEVROY: Object to form 12:06:11  
 19 THE WITNESS: Okay. To my knowledge, 12:06:13  
 20 no, they had not had access to any private 12:06:17  
 21 information. 12:06:20  
 22 BY MR. JOHNSTON. 11:08:14  
 23 Q. All right. In -- then in November, you 12:06:20  
 24 did receive -- you, the company, received this 12:06:22  
 25 what I'm calling a more formal expression of their 12:06:26

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1 interest, including this valuation; is that right? 12:06:29	1 Q. Who else? 12:08:39
2 A. I don't think the company received it 12:06:33	2 A. In the due diligence process, there were 12:08:40
3 think that went -- well, I don't know where it 12:06:35	3 two groups but four entities. Bain and Blackstone 12:08:42
4 went. It didn't come to the company, that I 12:06:36	4 were doing due diligence, and TPG and KKR. 12:08:47
5 recall. 12:06:42	5 Q. All right. TPG being one of those that 12:08:52
6 Q. The company at some point did get 12:06:42	6 you had had some discussions with -- 12:08:55
7 information that they had provided some 12:06:45	7 A. Correct. 12:08:57
8 documentation showing a value range, right? 12:06:51	8 Q. -- early on when you were exploring the -- 12:08:57
9 A. Well, I'm trying to draw a distinction 12:06:55	9 A. That's correct. 12:09:00
10 between the company and the strategic planning 12:06:59	10 Q. -- the universe -- 12:09:01
11 committee. 12:07:01	11 A. Right. 12:09:02
12 Q. That's fair. 12:07:01	12 Q. -- in August? 12:09:04
13 A. The strategic planning committee was who 12:07:02	13 By the January -- or the early January 12:09:11
14 they were communicating with. 12:07:04	14 board meeting, January of 2007, had the two firms, 12:09:14
15 Q. Okay. I -- and that -- that's fair. I'm 12:07:05	15 Bain and KKR, presented their expressions of 12:09:22
16 sort of lumping it all together. 12:07:08	16 interest to the strategic planning committee to 12:09:27
17 A. Right. 12:07:10	17 the best of your knowledge? 12:09:29
18 Q. I -- and I understand that. 12:07:11	18 A. By what date? 12:09:31
19 And then the -- the -- KKR communicated 12:07:12	19 Q. By the early January board meeting. 12:09:32
20 with the strategic planning committee, and then 12:07:16	20 A. I don't have any knowledge of that. 12:09:42
21 the strategic planning committee contacted the 12:07:20	21 Q. Just briefly -- and I'm only doing this 12:10:30
22 board and let them know what was going on; is that 12:07:24	22 because I want to see if I can refresh your 12:10:33
23 how it worked? 12:07:27	23 recollection. 12:10:35
24 MR. McEVOY. Object to form. 12:07:28	24 A. Okay. 12:10:38
25 THE WITNESS. I -- I don't recall the 12:07:29	25 Q. Let me show you Exhibit 18 to 12:10:39
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1 details of how all that transpired. 12:07:30	1 Mr. Bottorff's deposition. 12:10:40
2 BY MR. JOHNSTON: 12:07:33	2 A. Right. 12:10:42
3 Q. The board and you were ultimately informed 12:07:35	3 Q. Which is -- been previously identified as 12:10:49
4 that KKR had had this contact with the committee; 12:07:37	4 a presentation to the board by Lazard on January 12:10:50
5 is that right? 12:07:41	5 the 5th. If you want to just look through that 12:10:56
6 A. I remember some period of time -- I don't 12:07:42	6 just real quickly. 12:11:08
7 know when it happened, but I do remember that, 12:07:43	7 A. Uh-huh. 12:11:09
8 yes. 12:07:47	8 Q. And basically I just want to know if this 12:11:10
9 Q. Now, was there a decision made either by 12:07:49	9 refreshes your recollection as to the time 12:11:12
10 the board or by the strategic planning committee 12:07:51	10 period -- 12:11:14
11 to solicit one or more other private equity firms 12:08:02	11 A. It does. 12:11:14
12 at about this same time? 12:08:07	12 Q. -- that I'm talking about? 12:11:15
13 A. I wasn't involved in those conversations. 12:08:09	13 A. Yes. 12:11:18
14 I have no knowledge of -- of that. 12:08:10	14 Q. Okay. 12:11:19
15 Q. You know now that that occurred; do you 12:08:12	15 A. But you're representing this was the 12:11:21
16 not? 12:08:14	16 document used on -- on January -- in that 12:11:22
17 A. I know now that it occurred at some point. 12:08:14	17 January 5th meeting? 12:11:25
18 Q. You're just not sure when? 12:08:17	18 Q. Yes. 12:11:27
19 A. No. 12:08:18	19 A. Okay. Thank you. Okay. 12:11:28
20 Q. What is it that you remember about that? 12:08:21	20 Q. All right. And in looking at this 12:11:30
21 A. I have no recollection of the naming of 12:08:24	21 document, does it appear to you that, in fact, 12:11:34
22 these people who would do due diligence. 12:08:29	22 both KKR and Bain had made known their interest in 12:11:36
23 Q. Do you know -- as we sit here today, do 12:08:34	23 pursuing a potential offer? 12:11:40
24 you know who else did due diligence? 12:08:36	24 MR. McEVOY. Object to form. 12:11:45
25 A. Yes, yes. 12:08:38	25 THE WITNESS: I'm not -- this says 12:11:46

29 (Pages 110 to 113)



<p style="text-align: right;">Page 114</p> <p>1 indication of interest, so I can't speak to what 12:11:47  2 that means. This indicates to me that the 12:11:49  3 strategic planning committee had been in 12:11:53  4 conversation with KKR and Bain and that Bain 12:11:54  5 had -- I'm on Page 2 -- had -- they both had come 12:11:57  6 back with a level of indicative offer price, you 12:12:01  7 know, estimate. 12:12:09  8 BY MR. JOHNSTON: 12:12:09  9 Q. Okay. Just, again, real briefly -- and I 12:12:15  10 don't want to belabor this point because I think 12:12:18  11 it's been done already -- on Page 3, you've got a 12:12:20  12 number of what's called financial metrics that 12:12:29  13 were provided to Bain and KKR. 12:12:32  14 A. Right. 12:12:34  15 Q. As of the date that they were provided to 12:12:35  16 KKR, would these have been the most up-to-date, 12:12:37  17 timely numbers that you had available? 12:12:43  18 A. To my recollection, yes. 12:12:48  19 Q. As of January the 5th of 2007, was 12:12:56  20 Dollar General for sale? 12:13:01  21 A. Not in my mind, no. 12:13:02  22 Q. Do you know whether or not, either from 12:13:07  23 conversations or other communications that you may 12:13:12  24 have had with other board members, that any of 12:13:15  25 them would have considered Dollar General for sale 12:13:18</p>	<p style="text-align: right;">Page 116</p> <p>1 shareholders, and that -- you know, we were all 12:15:09  2 conscientiously trying to determine, what was the 12:15:16  3 right thing to do. And that's the only thing I 12:15:20  4 can interpret from that. 12:15:23  5 Q. Your response back to him, looks like the 12:15:24  6 same day shortly after you got this, you say, "We 12:15:28  7 will learn more as they perform due diligence, but 12:15:33  8 this seems to be the best thing for DG given the 12:15:36  9 amount of change ahead of us." 12:15:39  10 Are you making reference to the 12:15:43  11 possibility of going private there? 12:15:45  12 A. No, I'm talking about the due diligence. 12:15:46  13 Q. In what way is allowing whoever to do due 12:15:51  14 diligence the best thing for Dollar General? 12:15:55  15 A. It would give us an understanding of what 12:15:57  16 someone else might -- how they might value our 12:16:00  17 company in a present value mode with -- that we 12:16:06  18 could compare to relative to the change that we 12:16:09  19 were undertaking. It would give us more 12:16:13  20 information to evaluate what the right thing to do 12:16:16  21 is. 12:16:19  22 So my comment here was that we'll learn 12:16:20  23 more through the due diligence process, and that 12:16:22  24 this due diligence process seems to be the right 12:16:24  25 thing to do. 12:16:27</p>
<p style="text-align: right;">Page 115</p> <p>1 as of January the 5th, 2007? 12:13:21  2 A. I -- I can't speak for -- for the 12:13:24  3 directors. 12:13:26  4 Q. You don't know because none of them said 12:13:27  5 that to you? 12:13:28  6 A. No. 12:13:36  7 Q. All right. Let's -- let me ask you to 12:14:01  8 take another -- a look at another document. 12:14:03  9 (Marked Exhibit No. 6.) 12:14:17  10 BY MR. JOHNSTON: 12:14:17  11 Q. I believe what this is is, again, a short 12:14:25  12 e-mail train between you and Gordon Gee. 12:14:27  13 A. Right. 12:14:34  14 Q. And he says to you, "I'm sorry we did not 12:14:37  15 have more of a chance to discuss the Lazard 12:14:40  16 presentation. I listened carefully and hope that 12:14:42  17 we are making the right decision, both for 12:14:45  18 Dollar General and our management team." 12:14:48  19 Do you know what he was making reference 12:14:50  20 to when he says "making the right decision"? 12:14:51  21 A. Well, we talked in this meeting, as I 12:14:57  22 recall, what was the proper thing to do for 12:14:59  23 Dollar General. We've -- we've got these 12:15:02  24 expressions of interest. We had been given legal 12:15:04  25 advice about our responsibilities to the 12:15:08</p>	<p style="text-align: right;">Page 117</p> <p>1 The question before the board had been, 12:16:27  2 should we open this up to these two people to do 12:16:29  3 due diligence. 12:16:32  4 Q. Okay. As we sit here today, do you know 12:16:33  5 whether or not you are going to continue in your 12:16:56  6 role as CEO? 12:16:58  7 A. I've been told by KKR there's a high 12:16:59  8 likelihood that I won't be. 12:17:01  9 Q. When were you told that? 12:17:04  10 A. Several weeks ago. 12:17:05  11 Q. As we sit here today, is it your intention 12:17:14  12 to roll over any of your equity into the private 12:17:16  13 transaction? 12:17:25  14 A. I've not been given that opportunity. 12:17:25  15 Q. Do you know whether or not other members 12:17:28  16 of senior management have been given that 12:17:31  17 opportunity? 12:17:34  18 A. I have information that KKR is talking to 12:17:34  19 the other management group currently, but nothing 12:17:38  20 has been decided. 12:17:41  21 Q. When you say the other management group, 12:17:42  22 what are you talking about? 12:17:44  23 A. Well, there's certain officers of the 12:17:45  24 group, of the company. I don't know the exact 12:17:47  25 number, but I know that KKR is in conversation 12:17:52</p>

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1 with them now. 12:17:55	1 Q. Was that in person? 13:11:40
2 Q. Do you know whether or not they're in 12:18:00	2 A. Yes. 13:11:43
3 conversation with Mr. Beré? 12:18:01	3 Q. Tell me how that conversation came about 13:11:46
4 A. I have information that says that they are 12:18:02	4 and just generally what went on in it. Did -- did 13:11:49
5 talking to him, yes. 12:18:05	5 he call you? Did he come to see you? 13:11:52
6 Q. Do you have any information as to specific 12:18:11	6 A. He was on a -- a visit. They -- he comes 13:11:55
7 individuals who they may be in conversations with? 12:18:14	7 periodically during the tran- -- has come 13:11:58
8 A. Other than the general notion that they're 12:18:18	8 periodically during the transition to review 13:12:01
9 having the conversation, I've seen one -- I have 12:18:21	9 progress on Alpha, review the transition and so 13:12:04
10 some information that says who -- who they're 12:18:24	10 forth. 13:12:08
11 talking to, but that's -- that's all, and I don't 12:18:28	11 The board and KKR agreed that during the 13:12:09
12 recall who they are. Obviously the senior 12:18:32	12 transition phase that we would collaborate -- that 13:12:11
13 executive vice president, the senior vice 12:18:34	13 would be a period of collaboration -- so he was 13:12:14
14 presidents, and I think all -- most, if not all, 12:18:36	14 coming to review, and that's -- that was very 13:12:17
15 vice presidents. 12:18:39	15 common. 13:12:18
16 Q. CFO? 12:18:41	16 Well, one such visit, the one prior to his 13:12:19
17 A. Yes. 12:18:41	17 visit last week, after we had met, had the review 13:12:22
18 Q. Do you know if any of those individuals, 12:18:42	18 at the end of the day, he came in and wanted some 13:12:22
19 in addition to discussing future employment, 12:18:45	19 private time, so we talked. And he right away 13:12:28
20 staying on with the company once it goes private, 12:18:50	20 immediately initiated this conversation. 13:12:32
21 are also discussing rolling over any of their 12:18:53	21 Q. And what did he tell you specifically? 13:12:34
22 equity so as to participate in the transaction? 12:18:56	22 A. He said, you know, nothing definitive at 13:12:36
23 MR. McEVROY: Object to form. 12:19:00	23 this point, but you need to be prepared that 13:12:41
24 THE WITNESS: What I know is that a 12:19:04	24 there's a like -- strong likelihood that we're 13:12:43
25 document was provided to those people that 12:19:05	25 going to go a different direction, and as such, 13:12:47
Page 119	Page 121
1 included the rolling over of -- or the investment 12:19:07	1 you probably won't be with the company past 13:12:51
2 in the private enterprise. 12:19:11	2 closing. 13:12:53
3 MR. JOHNSTON: Okay. Do you want to 12:19:22	3 Q. Okay. When he said that, did you ask any 13:12:53
4 take a lunch break? 12:19:22	4 questions about how that decision came to be or -- 13:12:56
5 MR. DIETZ: Sounds good. 12:19:24	5 A. No. As I recall, I think it was a very 13:13:00
6 THE VIDEOGRAPHER: Stand by one 12:19:25	6 brief conversation, wasn't a total surprise. I 13:13:02
7 second, please. I'm sorry. Going off the record 12:19:25	7 went in to -- when I heard that we were going to 13:13:06
8 at 12:19. 12:19:28	8 go into this due diligence process, I went in with 13:13:08
9 (Luncheon recess observed.) 12:19:31	9 my eyes open regarding the realities of what 13:13:11
10 THE VIDEOGRAPHER: We're back on the 13:10:47	10 happens generally when this type of thing 13:13:15
11 record at 1:11 p.m. 13:10:54	11 happen -- occurs. 13:13:17
12 BY MR. JOHNSTON: 13:10:55	12 I asked a couple of questions about the 13:13:19
13 Q. Mr. Perdue, I want to go back to the issue 13:11:01	13 transition between now and closing. We talked 13:13:21
14 that we left on, and let me just say up-front 13:11:04	14 about the -- high yield -- 13:13:25
15 if -- to the extent that my questions cause you to 13:11:08	15 Q. Excuse me I'm sorry I don't mean to 13:13:29
16 be uncomfortable, I apologize for that on the 13:11:14	16 interrupt you. 13:13:31
17 front end. I'm not trying to do that on purpose. 13:11:17	17 A. Yeah. 13:13:32
18 A. Sure. 13:11:20	18 Q. But you mean in this conversation you 13:13:32
19 Q. But this is an area that I've got to delve 13:11:20	19 asked about the transition? 13:13:34
20 into. 13:11:24	20 A. Yeah. We had -- 13:13:36
21 You've indicated to us that you have been 13:11:25	21 Q. Okay. 13:13:36
22 told that it is not likely that you will be 13:11:27	22 A. We continued that -- in that conversation, 13:13:37
23 retained as CEO once the -- the deal is done. Who 13:11:32	23 we talked about the remaining period of time 13:13:39
24 is it that told you that? 13:11:37	24 between now and the closing. 13:13:42
25 A. Mike Calbert. 13:11:39	25 Q. All right. 13:13:43

<p style="text-align: right;">Page 122</p> <p>1 A. And I -- I reasserted that in that period 13:13:44  2 of time, I'm CEO of a public company. It's my 13:13:45  3 responsibility to take care of the shareholders 13:13:49  4 And I would act accordingly. And I wanted to make 13:13:51  5 sure there was no misunderstanding about it. He 13 13 53  6 said he agreed totally, and that's about all I 13:13:55  7 recall from that conversation. 13.13.58  8 Q. Okay. 13 14 01  9 A. It was very -- very brief. 13.14.01  10 Q. And you say this was the meeting before 13.14.03  11 last week? 13:14:05  12 A. Yes. 13.14.06  13 Q. When -- immediately -- 13 14 06  14 A. A visit before. He visited last week, and 13 14 07  15 the previous visit, which was probably several 13.14.11  16 weeks ago now as I recall. 13:14:13  17 Q. Roughly this would have been in early to 13:14:17  18 mid May? 13 14 20  19 A. You know, let me correct something. 13:14:26  20 Q. Sure. 13:14:28  21 A. It wasn't -- he was here last week. There 13:14:29  22 was a visit in between the visit last week and the 13:14:31  23 visit when we were talking. 13:14:35  24 Q. Okay. 13:14:37  25 A. So if this is early June, I wouldn't be 13.14.38</p>	<p style="text-align: right;">Page 124</p> <p>1 would stay and participate in the transaction, and 13.15:57  2 there was also the other possibility that you 13.16.03  3 would not stay at all and not participate? 13.16.05  4 A. That's correct. 13.16:07  5 Q. Given that -- that you are still the CEO 13.16.20  6 of a public company and will remain that way at 13:16.21  7 least through shareholder approval and possibly to 13.16:24  8 closing -- or at some point thereafter, have 13:16.29  9 you -- let me back up just a minute. 13:16:33  10 When you were told that, did you then have 13:16:37  11 any discussions with anybody else regarding what 13.16:39  12 you had been told? 13:16.41  13 A. Yes. 13.16.48  14 Q. Who did you have such discussions with? 13 16 49  15 A. Legal counsel. 13:16:52  16 Q. Company's legal counsel or your own? 13:16:53  17 A. It was -- it's the company's counsel. 13.17:02  18 Q. Again, I'm not going to ask you about 13 17:05  19 discussions that you've had with -- with your 13.17:06  20 company's lawyers. But were you -- was one of 13.17:09  21 your concerns the -- what happens with such a 13:17:18  22 situation regarding your employment contract with 13.17.23  23 the company? 13:17.26  24 A. Well, yes. 13:17.32  25 Q. All right. What is your understanding as 13.17:35</p>
<p style="text-align: right;">Page 123</p> <p>1 uncomfortable -- I don't know when it was 13.14.44  2 specifically. It was in the last six weeks or so. 13:14:46  3 Q. All right. Did -- did you ask him in that 13:14:49  4 meeting or at any other time before or since about 13:14.52  5 other members of senior management as to whether 13 14 57  6 or not they would be asked to stay on? 13:14:59  7 A. I did. And as a matter of fact, prior to 13 15:02  8 that meeting, he had publicly stated inside the 13:15:04  9 company and outside the company that it was KKR's 13 15:09  10 plan to keep the team in its entirety. 13 15:12  11 Q. Is it your understanding today that that 13:15.18  12 is going to be the case, with the exception of 13:15.20  13 you? 13 15 22  14 A. I have no information about that. I know 13:15.23  15 they've made this proposal, and I know that 13 15:26  16 they're talking about it, as I said earlier. 13:15:29  17 Beyond that, I don't know who they want to stay, 13.15.32  18 who is going to stay. 13:15.35  19 Q. Okay. I realize that you said that you 13 15 36  20 went into this with your eyes wide open. Did you 13:15:44  21 understand that there was the possibility -- 13 15 47  22 before this offer was made, did you understand 13.15.48  23 that if the offer was made and accepted by the 13:15.50  24 board and then ultimately approved by the 13 15.53  25 shareholders, there was the possibility that you 13:15:56</p>	<p style="text-align: right;">Page 125</p> <p>1 to what will happen in the event that you are not 13.17.36  2 retained? 13:17:41  3 A. The contract will be exercised, according 13.17.41  4 to the provisions in it. 13.17:48  5 Q. I'll be honest with you. I haven't looked 13:17:56  6 at that. I don't know what it says. I've seen 13.17.58  7 similar ones before -- or what I think are 13:18:00  8 probably similar, but I haven't seen yours. I 13 18 03  9 don't know if there's a for cause termination 13.18:07  10 clause in there or not. 13.18.12  11 Would this be a for cause termination, or 13.18.14  12 is this not for cause? 13 18:17  13 MR. DIETZ: Objection. 13:18:19  14 You may answer. 13:18:20  15 THE WITNESS: I -- you know, I don't 13.18:21  16 know how to answer that. 13:18:22  17 BY MR. JOHNSTON: 13 18.23  18 Q. You don't? Okay. That's fine. 13 18.23  19 A. No -- 13.18.27  20 Q. That's fine. 13.18.27  21 A. Okay. 13:18:28  22 Q. Aside from conversations that you've had 13:18.34  23 with company counsel, what other conversations 13:18.36  24 have you had specifically regarding what you were 13:18:38  25 told about not being -- likely not being retained? 13:18.40</p>



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1 A. I discussed that with the senior team. 13:18:48  
 2 These are the people that I consider the inner 13:18:50  
 3 leaders of the company, the executive vice 13:18:52  
 4 presidents and one senior vice president. I 13:18:54  
 5 informed them that while nothing had been decided, 13:18:57  
 6 that there was a high likelihood that I would not 13:19:01  
 7 be kept on after the deal. 13:19:03  
 8 Q. You've mentioned specifically executive 13:19:05  
 9 VPs and the senior VP. Is that the VP that's 13:19:07  
 10 overseeing the senior VP that's on -- 13:19:11  
 11 A. No. No, there is one senior VP, 13:19:14  
 12 Wayne Gibson, who was included in that group. 13:19:17  
 13 He -- he has been included since he's been here in 13:19:20  
 14 the senior leadership team -- the executive 13:19:22  
 15 leadership team because he runs the Dollar General 13:19:24  
 16 market division -- or effort. 13:19:27  
 17 Q. Right. And you didn't name them 13:19:29  
 18 specifically. But are you also including the CFO 13:19:33  
 19 and Mr. Beré and I don't know who else -- 13:19:36  
 20 A. General counsel, head of HR, yes, I am. 13:19:41  
 21 Q. Okay. 13:19:43  
 22 A. Beryl Buley and -- as well as 13:19:45  
 23 Kathleen Guion, and that -- that was the group. 13:19:46  
 24 Q. Was this a group meeting in which you -- 13:19:49  
 25 A. No. 13:19:51

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1 Q. You went to them individually? 13:19:51  
 2 A. I did. 13:19:53  
 3 Q. Over what period of time did those 13:19:53  
 4 conversations take place? 13:19:54  
 5 A. Within a week. 13:19:55  
 6 Q. Did any of them express surprise or 13:19:56  
 7 consternation or -- 13:20:00  
 8 A. Well, I -- I think there was a general 13:20:02  
 9 tone -- my ego would like to think there was a 13:20:05  
 10 general tone of regret, but I think there was a 13:20:09  
 11 little bit of a surprise because we had all worked 13:20:11  
 12 so hard during the due diligence period to get to, 13:20:14  
 13 you know, this point. 13:20:17  
 14 But, no, there was no real -- there wasn't 13:20:18  
 15 a lot of reaction. There wasn't a long -- these 13:20:20  
 16 weren't long conversations. 13:20:23  
 17 Q. Okay. All right. Any other conversations 13:20:24  
 18 that you may have had? For example, did you -- I 13:20:26  
 19 would assume you went home and told your wife that 13:20:31  
 20 this was likely? 13:20:33  
 21 A. Yep. 13:20:35  
 22 Q. You live here in the Nashville area? 13:20:35  
 23 A. I do. 13:20:37  
 24 Q. How long have you lived here? 13:20:38  
 25 A. Four years. 13:20:40

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1 Q. Are you planning on trying to stay around, 13:20:40  
 2 or are you looking at options outside of the area, 13:20:43  
 3 or -- 13:20:46  
 4 A. We would -- we would generally like to 13:20:47  
 5 stick around. 13:20:48  
 6 Q. What is it that you told your wife? 13:20:49  
 7 A. Just what I've said to you, that I had a 13:20:53  
 8 meeting today with KKR, and they informed me that 13:20:55  
 9 there was a very good likelihood that when this 13:20:58  
 10 thing closes we won't be around -- that I won't be 13:20:59  
 11 included. 13:21:02  
 12 Q. Any other conversations that you had with 13:21:04  
 13 anybody else? 13:21:05  
 14 A. No. 13:21:06  
 15 Q. Since that conversation that you've had 13:21:13  
 16 where they -- where they gave you this 13:21:17  
 17 information, has anybody given you any contrary 13:21:19  
 18 information or different information about the 13:21:22  
 19 likelihood of being retained? 13:21:23  
 20 A. No, and let me -- let me -- let me 13:21:26  
 21 correct -- or add one thing to that last answer 13:21:27  
 22 I did talk to David Wilds about it. 13:21:30  
 23 MR. DIETZ. Doug, I'm going to insert 13:21:35  
 24 an objection as to the question about the 13:21:37  
 25 conversation with the spouse and reserve all 13:21:39

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1 rights in connection with that. 13:21:42  
 2 MR. JOHNSTON. I understand 13:21:43  
 3 THE WITNESS: You wouldn't want those 13:21:46  
 4 anyway, trust me. 13:21:47  
 5 BY MR. JOHNSTON: 13:21:52  
 6 Q. Was the conversation with Mr. Wilds at or 13:22:00  
 7 about the same time that you were going through -- 13:22:04  
 8 A. It was, yes. 13:22:06  
 9 Q. Okay. Did he express surprise or 13:22:08  
 10 consternation? 13:22:15  
 11 A. A little of both. You know, not 13:22:18  
 12 consternation. That's a strong term. I think he 13:22:20  
 13 was a little surprised, but, you know, as -- as we 13:22:23  
 14 talked, this -- this is not an unusual event in 13:22:26  
 15 these private purchases. 13:22:29  
 16 Q. Do you have any sense, either through 13:22:36  
 17 conversations or communications of any kind with 13:22:38  
 18 anybody at KKR or anybody in the company for that 13:22:41  
 19 matter, as to who will operate as the CEO? 13:22:44  
 20 A. I have. 13:22:49  
 21 Q. Who is that -- who will that be? 13:22:50  
 22 A. Well, it's -- it's undetermined. My -- I 13:22:52  
 23 know -- KKR has told me that they wanted to start 13:22:55  
 24 a search. I've had one conversation with 13:23:03  
 25 Mike Calbert about that search where I gave him 13:23:08

<p style="text-align: right;">Page 130</p> <p>1 input about two candidates I've also given him 13:23:08  2 input about David Beré, who is our current chief 13:23:12  3 operating officer, and that's the extent of it. 13:23:17  4 Q. Okay Let me go back to something before 13:23:22  5 we pick up our chronological thing because I meant 13:23:25  6 to do this earlier, and I just skipped over it. 13:23:28  7 We have -- on a couple of occasions here 13:23:37  8 today and during Mr. Bottorff's deposition as 13:23:39  9 well, we looked at numbers and projections 13:23:41  10 specifically, and I know that y'all were looking 13:23:47  11 at various projections when you were considering 13:23:50  12 and then determining that you were going to go 13:23:52  13 ahead with Project Alpha. 13:23:54  14 What I'd like you to do is to -- to tell 13:23:59  15 us, beginning with the CFO and working down, who 13:24:02  16 is it that is involved in -- in making and 13:24:05  17 preparing those projections? 13:24:10  18 A. We have a -- a vice president of planning, 13:24:12  19 financial planning, and we have a CFO, we have a 13:24:16  20 treasurer, and we have a controller. And 13:24:21  21 generally the controller doesn't get involved in 13:24:23  22 forward-looking planning. Occasionally the 13:24:25  23 treasurer will when it comes to things like stock 13:24:29  24 buybacks and -- and so forth 13:24:32  25 It's generally the financial planning 13:24:34</p>	<p style="text-align: right;">Page 132</p> <p>1 And it's an iterative process, very fluid. 13:25:51  2 There's a lot of interaction. Periodically the 13:25:54  3 CFO gets involved to see how the pro -- we're 13:25:57  4 talking about building -- it's the same 13:25:59  5 fundamental process as building a budget. 13:26:01  6 And when we do the strategic plan, the 13:26:03  7 strategic plan is basically the thing that we will 13:26:06  8 look out a little further. Then we roll into 13:26:09  9 doing a budget shortly thereafter. So this 13:26:13  10 process is very similar to that exercise. 13:26:15  11 Q. Okay. Is there someone that has -- and 13:26:18  12 I'm guessing that this will be the CFO, but I 13:26:39  13 don't know. 13:26:41  14 Is there someone that has overall 13:26:42  15 responsibility for taking a look at this 13:26:45  16 accumulated stack of information on numbers. And 13:26:51  17 once it's gotten into -- into a more usable form 13:26:57  18 and you start looking at how that impacts the end 13:27:02  19 of the current fiscal year and the coming fiscal 13:27:07  20 year and the year after that and all, is there 13:27:10  21 someone that has overall responsibility for taking 13:27:13  22 a look at that and then making sure that the 13:27:15  23 assumptions that have gone into that are 13:27:17  24 appropriate? 13:27:21  25 A. Well, the chief financial officer is the 13:27:22</p>
<p style="text-align: right;">Page 131</p> <p>1 person in conjunction with the operating units. 13:24:37  2 The operating units have people embedded there 13:24:40  3 that will feed their forecasts up through the 13:24:44  4 planning function, and therein lies the 13:24:46  5 accumulation, if you will, of all that input into 13:24:50  6 a formulaic forecast, if you will. 13:24:53  7 Q. All right. Let -- let's go down, then, to 13:24:57  8 the -- to the bottom part. What -- what are the 13:24:59  9 operating units, and -- and who are the people 13:25:01  10 that are involved in those operating units? 13:25:03  11 A. The operating units, let's start with 13:25:05  12 merchandising, you have the buyers, the merchants, 13:25:07  13 the merchandisers. There's a planning group 13:25:10  14 within that, the organization structure, that 13:25:13  15 works on things like inventory control, open to 13:25:15  16 buy, flow of product. There are the supply chain 13:25:18  17 people, the store operations people. Those are 13:25:24  18 the major contextual players. 13:25:28  19 Inside each of those are operators of 13:25:33  20 the -- of the unit that will put forecasts 13:25:35  21 together related -- relative to same store sales, 13:25:38  22 profitability, sales in general, flow of product, 13:25:41  23 and that sort of thing. And that -- generally all 13:25:45  24 of that input comes back up to the planning 13:25:48  25 department. 13:25:50</p>	<p style="text-align: right;">Page 133</p> <p>1 one responsible for that. But he also consults 13:27:24  2 the senior leadership of the operating units 13:27:27  3 themselves to make sure that -- that we can get a 13:27:30  4 consensus on what we are going to put in as the 13:27:34  5 input variables on some of the assumptions. 13:27:37  6 For example, comp store sales, we'll get 13:27:39  7 input from the operating units about what they 13:27:41  8 think comp sales will be. We look at that. We 13:27:42  9 provide our input, including me, in terms of what 13:27:44  10 we think is realistic. 13:27:47  11 In many cases, we yield to the operators 13:27:50  12 because they are the front-line people who are 13:27:52  13 operating, and that -- that happens under the 13:27:54  14 aegis of the CFO. 13:27:55  15 Q. Okay. So that when we see these 13:28:00  16 projections then, what you're talking about is 13:28:03  17 the -- you're talking about the cumulative wisdom 13:28:05  18 of a whole lot of people? 13:28:10  19 A. Correct. 13:28:17  20 Q. Okay. Before I get into any more 13:28:32  21 documents, we were -- we -- I think we sort of cut 13:28:36  22 off at about -- if you skip out the part where you 13:28:38  23 were told about the -- not being retained, we 13:28:41  24 were -- basically we're back in January, and we 13:28:45  25 talked about that board meeting in early January 13:28:47</p>

<p style="text-align: right;">Page 134</p> <p>1 A. Uh-huh. 13:28:55</p> <p>2 Q. In the month of January, did you and/or 13:28:55</p> <p>3 other members of management go to New York to do a 13:28:58</p> <p>4 presentation both to KKR and to Bain? 13:29:00</p> <p>5 A. That's correct. 13:29:03</p> <p>6 Q. Tell -- tell us a little bit about those 13:29:06</p> <p>7 presentations. First of all, who was -- who 13:29:09</p> <p>8 actually went on these presentation trips? 13:29:19</p> <p>9 A. Generally it was the senior -- the 13:29:19</p> <p>10 executive leadership team. It was myself, 13:29:20</p> <p>11 David Beré, David Tehle, Susan Lanigan, 13:29:22</p> <p>12 Chalis Lowe, Kathleen Guon, Beryl Buley, and 13:29:28</p> <p>13 Wayne Gibson. And I'm not sure -- let me correct 13:29:35</p> <p>14 that. I don't know if Susan Lanigan participated 13:29:39</p> <p>15 I don't recall that. 13:29:43</p> <p>16 Q. Okay. How -- how were these -- how were 13:29:49</p> <p>17 arrangements for these presentations made? Was 13:29:51</p> <p>18 this something that -- that you or the board said, 13:29:53</p> <p>19 we'd like to do, KKR? Or did KKR -- and I'm just 13:29:55</p> <p>20 using them as an example. 13:30:01</p> <p>21 Did KKR say, we'd like you to do this? Or 13:30:02</p> <p>22 how did that come about? 13:30:05</p> <p>23 A. No, this was simply Lazard organizing 13:30:07</p> <p>24 these two meetings. 13:30:10</p> <p>25 Q. And what did they say was the reason for 13:30:13</p>	<p style="text-align: right;">Page 136</p> <p>1 We talked about our consumer, we talked about our 13:31:26</p> <p>2 sector, we talked about the changes in the last 13:31:29</p> <p>3 five years in that sector from external variables 13:31:29</p> <p>4 including gas prices and unemployment and so 13:31:29</p> <p>5 forth. 13:31:33</p> <p>6 We moved on and talked about the specifics 13:31:34</p> <p>7 of our plan. We talked about what we expected to 13:31:36</p> <p>8 be the risks and the rewards from that and what 13:31:39</p> <p>9 the potential outcomes were going to be. We 13:31:41</p> <p>10 actually had financial forecasts in there that we 13:31:44</p> <p>11 went through in that same -- same meeting. 13:31:46</p> <p>12 There were a lot of questions. And by the 13:31:51</p> <p>13 way, it wasn't -- there were a roomful of other 13:31:52</p> <p>14 players. It was -- in the first meeting on -- I 13:31:54</p> <p>15 think the first -- I -- I don't recall actually 13:31:57</p> <p>16 which one was first. 13:31:58</p> <p>17 But in each meeting, there was -- in 13:32:00</p> <p>18 Bain's meeting, for example, it was Bain -- 13:32:03</p> <p>19 several members of Bain, it was Blackstone, 13:32:06</p> <p>20 several members of Blackstone. And as I recall, 13:32:09</p> <p>21 there were other people in the room primarily from 13:32:10</p> <p>22 the credit side. They had brought their lenders 13:32:14</p> <p>23 with them. 13:32:16</p> <p>24 On KKR's side, it was KKR, TPG, and their 13:32:17</p> <p>25 representatives, and they had some lenders in 13:32:22</p>
<p style="text-align: right;">Page 135</p> <p>1 the meeting? 13:30:15</p> <p>2 A. The purpose of the meeting was for us to 13:30:16</p> <p>3 lay out our strategic plan, what's the current 13:30:18</p> <p>4 thinking of the management team, and lay that out 13:30:21</p> <p>5 for them. We made a preparation -- presentation, 13:30:28</p> <p>6 went up and presented it to both groups in very 13:30:32</p> <p>7 similar -- I think it was two days back to back. 13:30:35</p> <p>8 Q. Okay. And how long would either of the 13:30:39</p> <p>9 meetings have been? Were they both relatively the 13:30:41</p> <p>10 same? 13:30:45</p> <p>11 A. Most of the day. Yeah, most of the day. 13:30:46</p> <p>12 Q. I'm going to show you this document in 13:30:49</p> <p>13 just a minute, but I'm just trying to get as much 13:30:51</p> <p>14 as -- as I can of what you remember about it. 13:30:53</p> <p>15 Tell us just a little bit about the tenor 13:30:56</p> <p>16 of the meetings and what -- what you and the other 13:30:58</p> <p>17 senior management people actually did. 13:31:01</p> <p>18 A. Well, we -- we spent quite a bit of time 13:31:04</p> <p>19 preparing for this meeting with Lazard's help. We 13:31:07</p> <p>20 wanted to communicate not only Alpha but the 13:31:10</p> <p>21 underlying precepts of the business in terms of 13:31:13</p> <p>22 putting our -- as -- as Lazard said, put your best 13:31:16</p> <p>23 foot forward to try to explain to them the essence 13:31:18</p> <p>24 of this business model. 13:31:23</p> <p>25 So we spent a lot of time explaining that. 13:31:24</p>	<p style="text-align: right;">Page 137</p> <p>1 there represented as well from major banks in -- 13:32:24</p> <p>2 in New York 13:32:29</p> <p>3 There were a lot of questions regarding 13:32:30</p> <p>4 the -- the details of the presentation, both on 13:32:32</p> <p>5 the precepts of the business model but also on 13:32:35</p> <p>6 the -- the essence of our forecasting behind 13:32:39</p> <p>7 Alpha. 13:32:43</p> <p>8 Q. In terms of the other participants in 13:32:47</p> <p>9 these meetings, the people, the bankers, the 13:32:50</p> <p>10 lenders that you mentioned, were -- do you 13:32:52</p> <p>11 remember whether or not there were any 13:32:57</p> <p>12 representatives of Goldman Sachs? 13:32:59</p> <p>13 A. In one meeting, there was. 13:33:01</p> <p>14 Q. Do you remember which one? 13:33:03</p> <p>15 A. No. 13:33:03</p> <p>16 Q. Were there any members of Lehman? 13:33:05</p> <p>17 A. In one of the meetings. 13:33:10</p> <p>18 Q. Do you remember which one? 13:33:11</p> <p>19 A. No, I don't. 13:33:12</p> <p>20 Q. Lazard? 13:33:14</p> <p>21 A. Lazard was in both meetings. 13:33:15</p> <p>22 Q. And was that assisting you? 13:33:16</p> <p>23 A. No, they actually conducted the meeting. 13:33:17</p> <p>24 They used us to make the presentation, but this 13:33:19</p> <p>25 was under their umbrella. They supervised the 13:33:21</p>

35 (Pages 134 to 137)



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1 present -- the development of the presentation as 13:33:23  
 2 well as the outline of the presentation. And then 13:33:28  
 3 during the presentation, they participated in 13:33:30  
 4 helping clarify at various points of the day. 13:33:33  
 5 Q. Did -- did Lazard -- was Lazard paid a fee 13:33:44  
 6 for that specific function? 13:33:47  
 7 A. I don't know. 13:33:51  
 8 Q. Do you know whether or not that was part 13:33:51  
 9 of the contract that they entered into in the fall 13:33:52  
 10 or late fall of 2006? 13:33:57  
 11 A. No, I wasn't privy to any of that 13:33:59  
 12 information. 13:34:04  
 13 Q. Okay. You mentioned that Lehman was in 13:34:05  
 14 one of the meetings? 13:34:10  
 15 A. Uh-huh. 13:34:10  
 16 Q. Not the other one? 13:34:11  
 17 A. Right. 13:34:12  
 18 Q. Only one? 13:34:12  
 19 What was their role? 13:34:13  
 20 A. As it was explained to us in that meeting, 13:34:14  
 21 it was someone from their high yields side, their 13:34:16  
 22 credit side, and their role was to participate 13:34:22  
 23 with whichever private equity group they were with 13:34:24  
 24 to see if they were going to partner with them to 13:34:27  
 25 provide -- or help provide and raise the -- the 13:34:30

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1 debt. 13:34:32  
 2 Q. Are they partnering with KKR in helping to 13:34:35  
 3 raise the debt? 13:34:39  
 4 A. Lehman? 13:34:41  
 5 Q. Yes. 13:34:42  
 6 A. Not to my knowledge. 13:34:43  
 7 Let me -- let me amend that. There are 13:34:49  
 8 three people that are participating with Lehman, 13:34:51  
 9 to my knowledge. It was -- it's Goldman, 13:34:53  
 10 Citibank, and I think Lehman is participating. 13:34:55  
 11 But in that first meeting, Lehman was only in one 13:34:58  
 12 of the meetings; they weren't in both meetings, I 13:35:01  
 13 don't think. 13:35:07  
 14 Q. What kind of questions did you get from 13:35:13  
 15 KKR in your meeting with them? 13:35:16  
 16 A. They wanted to know about store 13:35:18  
 17 conditions. They wanted to know about store 13:35:19  
 18 manager turnover, shrink. They were concerned 13:35:25  
 19 about running 8,000 stores, whether we were too 13:35:29  
 20 large, whether we had, you know, kind of reached 13:35:31  
 21 the saturation limit. They wanted to know about 13:35:33  
 22 how we open stores. 13:35:35  
 23 There were a lot of questions in there 13:35:38  
 24 about the -- the actual model, what -- you know, 13:35:39  
 25 why do we exist? They -- they probed on our 13:35:42

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1 strategy that we think is -- is our model behind 13:35:46  
 2 our mission of serving others, and that's that 13:35:48  
 3 we're -- we compete on price and convenience. We 13:35:51  
 4 try to distinguish that from a Wal-Mart, for 13:35:54  
 5 example, that competes on price and assortment. 13:35:56  
 6 We tried to explain to them how we survive 13:35:59  
 7 in a market dominated by these behemoths, if you 13:36:03  
 8 will, between Target and Sears and K-mart and 13:36:04  
 9 Wal-Mart. 13:36:10  
 10 There were a lot of questions around our 13:36:11  
 11 consumer, who are they, what do they -- what do 13:36:14  
 12 they look like, what's their socioeconomic 13:36:15  
 13 condition, what are the trends? There were -- you 13:36:17  
 14 know, there was a lot of conversation around that. 13:36:18  
 15 And then there was a lot of conversation 13:36:20  
 16 around Alpha, the -- the plan that we put in 13:36:21  
 17 there, relative to the store closures as well 13:36:23  
 18 as the -- the inventory reduction, and the 13:36:27  
 19 transition of the process to a clearance model. 13:36:31  
 20 Q. And -- and what specifically were you 13:36:34  
 21 telling them in regard to implementation of Alpha 13:36:35  
 22 at that time? 13:36:40  
 23 A. This -- this is in January? 13:36:44  
 24 Q. Yes. 13:36:45  
 25 A. We had -- we outlined to them what we had 13:36:46

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1 told the board and what we had approved -- had 13:36:48  
 2 approval from the board to do, and that is that we 13:36:50  
 3 would get rid of the inventory by the end of '07 13:36:52  
 4 and that we would get these 400 stores closed by 13:36:55  
 5 the end of '07. 13:36:58  
 6 Q. Okay. I'll show you the document that has 13:36:59  
 7 been previously marked as Exhibit 13 to 13:37:14  
 8 Mr. Bottorff's deposition. 13:37:16  
 9 Is this a copy of the presentation that 13:37:36  
 10 you were making in January to KKR and to Bain? 13:37:38  
 11 A. I'd have to go through it page by page, 13:37:47  
 12 but the first part of this looks like that, yes. 13:37:50  
 13 Q. Go ahead and take your time and look at 13:37:53  
 14 it. I want you to be sure 13:37:55  
 15 A. Okay. 13:37:58  
 16 Q. I -- I'm pretty sure that it is, but I 13:37:58  
 17 want you to be sure. 13:38:00  
 18 A. Yes, this looks like the document 13:38:28  
 19 Q. Okay. Let's just -- let's look at a 13:38:31  
 20 couple of things. I'm not going to make you go 13:38:36  
 21 through this page by page and explain to me 13:38:39  
 22 everything that you said to them, but I do want to 13:38:41  
 23 pick out a few things. 13:38:42  
 24 A. Sure. 13:38:45  
 25 Q. Let me call your attention to Page 103. 13:38:45

<p style="text-align: right;">Page 142</p> <p>1 A. Okay. 13:38:55</p> <p>2 Q. In -- in this, let me -- we're also going 13:38:55</p> <p>3 to look at EBITDA and maybe a couple of other 13 38 57</p> <p>4 things in -- in this document. But before we 13:39 01</p> <p>5 actually look at that -- or while we're looking at 13:39:03</p> <p>6 it, let me -- let me go back and make sure that 13:39:06</p> <p>7 we're together on this. 13:39:08</p> <p>8 When -- when we look at the sales and 13:39:10</p> <p>9 specifically the forecast of sales, not so much 13:39:13</p> <p>10 historical, that's pretty easy to do, but the 13 39:22</p> <p>11 forecasts, are -- are those figures part of what 13:39:24</p> <p>12 you were telling me just a few minutes ago about 13:39:27</p> <p>13 this process that you use to develop these 13:39:29</p> <p>14 forecast numbers? 13:39:32</p> <p>15 A. That's correct. 13:39:33</p> <p>16 Q. So -- so these numbers are numbers that 13:39:33</p> <p>17 have been vetted by the CFO and all of the various 13:39:37</p> <p>18 people below that would have access to sales 13:39:40</p> <p>19 numbers in coming up with this -- these 13 39:45</p> <p>20 projections? 13:39:47</p> <p>21 A. That's correct. 13:39:48</p> <p>22 Q. Specifically as it relates to sales, were 13:39:50</p> <p>23 these the best available numbers that you had at 13 39:52</p> <p>24 the time that you were making this presentation? 13 39:57</p> <p>25 A. Yes. 13:39:59</p>	<p style="text-align: right;">Page 144</p> <p>1 A. Yes, it is 13:41:17</p> <p>2 Q. Okay 13:41:18</p> <p>3 A. Yes, it is. 13:41:18</p> <p>4 Q. All right. At this point, all of these 13:41:24</p> <p>5 other various iterations of Project Alpha that the 13:41:25</p> <p>6 board had considered were not in play, you had 13:41:29</p> <p>7 made the determination as to what Project Alpha 13 41 32</p> <p>8 was going to be, and you had given management the 13 41:35</p> <p>9 instruction to begin implementation of that 13:41:40</p> <p>10 project, correct? 13:41 42</p> <p>11 A. Correct 13:41:44</p> <p>12 Q. So we -- we know what Project Alpha is, 13:41 44</p> <p>13 and then you've explained what the alternative 13:41:48</p> <p>14 case is. Okay. 13:41:49</p> <p>15 Let's turn over to 112. Again, in looking 13 41 58</p> <p>16 at the forecast -- and let -- let's clarify that 13:42:17</p> <p>17 2006 is an estimate because at the time that 13:42:20</p> <p>18 you're making this presentation -- 13:42:23</p> <p>19 A. Right 13:42:26</p> <p>20 Q. -- your fiscal 2006 hadn't ended yet? 13 42:26</p> <p>21 A. That's correct. 13 42:30</p> <p>22 Q. But the -- again, the -- the projections 13:42:32</p> <p>23 that we see here are a result of the process that 13:42:34</p> <p>24 you've described already? 13:42:39</p> <p>25 A. That's correct. 13 42 41</p>
<p style="text-align: right;">Page 143</p> <p>1 Q. Now, the -- the chart here is a -- it's a 13:40:02</p> <p>2 little bit fuzzy because of the copying. 13:40:08</p> <p>3 A. Uh-huh. 13:40:10</p> <p>4 Q. I think I can read it, but I want to be 13:40:10</p> <p>5 certain that I'm -- I'm reading it correctly. If 13:40:12</p> <p>6 you would, let's just look at 2007, 2008, and 2009 13:40:15</p> <p>7 where there are two sets of numbers, two numbers 13:40 21</p> <p>8 And explain to us what those are. 13:40:24</p> <p>9 A. Yeah, there -- there were two Alpha cases. 13 40:26</p> <p>10 There was a -- an Alpha case, and then there was 13:40:29</p> <p>11 an alternative Alpha case. And what the 13 40 34</p> <p>12 alternative -- Alpha case was basically the layout 13:40:37</p> <p>13 of -- of reducing 600 plus million dollars of 13:40 39</p> <p>14 inventory, closing down 400 stores, slowing store 13:40:43</p> <p>15 growth, et cetera, et cetera, and buying back \$500 13:40:48</p> <p>16 million of -- of stock. 13:40:49</p> <p>17 The alternative case was exactly the same 13:40:50</p> <p>18 with a few key changes. And it included a little 13:40:53</p> <p>19 bit of an increase in primarily comp store sales. 13:40:57</p> <p>20 So the fundamental difference here in revenue is 13:40:59</p> <p>21 in comp store sales and maybe a little bit in new 13:41:03</p> <p>22 store openings. 13:41:06</p> <p>23 Q. You -- you've used the term revenues. 13:41:10</p> <p>24 That -- is that basically the same thing as sales 13:41:13</p> <p>25 when we're -- 13:41:16</p>	<p style="text-align: right;">Page 145</p> <p>1 Q. And, again, in terms of EBITDA, these are 13:42:43</p> <p>2 the best available numbers that you had at the 13 42 47</p> <p>3 time that you were making this presentation; is 13:42:50</p> <p>4 that right? 13:42:52</p> <p>5 A. That's correct. 13:42:52</p> <p>6 Q. On Page 135, it's entitled Key Investment 13:43:08</p> <p>7 Highlights 13:43 19</p> <p>8 A. Uh-huh. 13:43:20</p> <p>9 Q. Is that making reference to a potential 13:43 21</p> <p>10 investment on the part of either KKR or Bain in 13:43:23</p> <p>11 Dollar General? 13:43:29</p> <p>12 A. That's correct. 13 43 30</p> <p>13 Q. Okay. And these are the reasons why it 13:43:33</p> <p>14 would be a good investment for them to take them 13:43:34</p> <p>15 private, as they are proposing -- or about to 13:43:39</p> <p>16 propose? 13:43:43</p> <p>17 A. That's correct. 13:43:44</p> <p>18 Q. As of mid January, January of 2007 when 13:43:51</p> <p>19 you were making these presentations to Bain and to 13:43:55</p> <p>20 KKR, was Dollar General for sale? 13:43:58</p> <p>21 A. No. 13:44:01</p> <p>22 Q. And why was it not for sale at that point? 13:44:02</p> <p>23 A. Because the board -- the only decision the 13:44:04</p> <p>24 board had taken was to allow these people to 13:44:07</p> <p>25 establish a better frame of reference by using 13:44:09</p>

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1 inside information around their external estimate 13:44:13	1 relative to our customer, our stores. Some of the 13:46:49
2 of value. That's all this process was. 13:44:15	2 people had even visited stores. And we reported 13:46:53
3 Q. And that reminds me, I need to -- one more 13:44:19	3 all of this to the board. 13:46:55
4 thing on the numbers, specifically on the sales 13:44:22	4 Q. Did KKR appear to have more knowledge than 13:46:57
5 and EBITDA -- 13:44:25	5 Bain? 13:47:00
6 A. Right. 13:44:27	6 A. They appeared to have had a head start, 13:47:00
7 Q. -- that is information that is nonpublic 13:44:28	7 yes, but Bain caught up very quickly 13:47:02
8 information at this point, correct? 13:44:31	8 Q. Now, KKR, of course, had -- had this 13:47:11
9 A. Correct. 13:44:33	9 contact with you early on, and they had made 13:47:12
10 Q. And would this have been the first time 13:44:37	10 arrangements to meet with Mr. Turner relatively 13:47:15
11 that -- that either KKR or Bain had been provided 13:44:39	11 early on. Did -- to the best of your knowledge, 13:47:18
12 nonpublic information, even though it's in an 13:44:43	12 did Bain at any point ever attempt to seek out 13:47:22
13 in-stage form? 13:44:47	13 Mr. Turner? 13:47:26
14 A. I would have to check the record. But we 13:44:49	14 A. Not to my knowledge. 13:47:28
15 opened a data room concurrent with this 13:44:51	15 Q. You -- you've not heard even a rumor that 13:47:40
16 presentation, and my memory is that that data room 13:44:53	16 possibly somehow Bain had a discussion -- a 13:47:42
17 was opened a few days prior to this specific 13:44:55	17 private discussion with Mr. Turner and -- somewhat 13:47:45
18 meeting. 13:44:59	18 similar to what went on with KKR? 13:47:50
19 Q. Opening of the data room, then, was the 13:44:59	19 MR. McEVROY: Object to form. 13:47:54
20 first opportunity that either KKR or Bain had -- 13:45:01	20 THE WITNESS: I have no information. 13:47:55
21 A. Correct. 13:45:05	21 I don't recall anything like that 13:47:59
22 Q. -- to obtain nonpublic information? 13:45:05	22 BY MR. JOHNSTON. 13:47:59
23 A. That's correct. 13:45:07	23 Q. Okay. Do you have any opinion as to 13:48:07
24 Q. There was a -- both a strategic planning 13:45:33	24 whether or not it was a smart move on behalf -- on 13:48:09
25 committee meeting and a board meeting at the end 13:45:37	25 KKR's part to seek out Mr. Turner and talk to him 13:48:13
Page 147	Page 149
1 of January of 2007. Does that comport with your 13:45:39	1 about what they may want to do? 13:48:16
2 recollection? 13:45:47	2 MR. McEVROY: Object to form 13:48:19
3 A. I -- I don't recall. 13:45:48	3 MR. DIETZ: Objection. 13:48:20
4 Q. Do you remember a strategic planning 13:45:49	4 THE WITNESS: I have no way of -- of 13:48:21
5 committee meeting and a board meeting that 13:45:51	5 knowing what their motives were 13:48:22
6 occurred shortly after the presentations were made 13:45:55	6 BY MR. JOHNSTON. 23:59:57
7 in New York? 13:45:57	7 Q. No, I'm asking you if in your own 13:48:25
8 A. Not without referring to a schedule, I'm 13:46:02	8 opinion -- 13:48:27
9 sorry, no 13:46:05	9 A. Right 13:48:28
10 Q. I understand. You recall reporting to the 13:46:05	10 Q. -- was that something smart for them to do 13:48:29
11 board on the presentations? 13:46:09	11 or -- 13:48:31
12 A. Yes. 13:46:11	12 A. In my opinion? 13:48:32
13 Q. Okay. Tell us what you remember about 13:46:12	13 Q. Yes. 13:48:34
14 your report to the board on those presentations. 13:46:14	14 MR. DIETZ: Objection 13:48:35
15 A. Well, it wasn't much to report. I mean, 13:46:17	15 MR. McEVROY: Same objection 13:48:36
16 we -- we basically explained -- it was pretty much 13:46:20	16 THE WITNESS: I have no -- I have no 13:48:37
17 a one-way distribution of information. We did 13:46:23	17 way of having an opinion about that. 13:48:38
18 talk about some of the questions. We talked about 13:46:27	18 BY MR. JOHNSTON. 23:59:57
19 the fact that both sides were very aggressive in 13:46:30	19 Q. Okay. As of January 2007, the 13:49:12
20 terms of their questioning and in terms of the 13:46:33	20 presentations that you made to KKR and Bain in 13:49:15
21 detail 13:46:37	21 January of 2007, had you discussed with members of 13:49:18
22 It was very obvious to us that they were 13:46:39	22 the board or anyone else any possibility or 13:49:24
23 prepared coming into that meeting. They knew a 13:46:41	23 interest in getting other potential acquirers 13:49:30
24 lot about us already at a superficial level 13:46:44	24 involved in the process? 13:49:36
25 albeit, but they had done a lot of homework 13:46:47	25 A. I was a part of a report from the 13:49:41



<p style="text-align: right;">Page 150</p> <p>1 strategic planning committee to the full board 13:49:45  2 about that issue, but I was never a part for that 13:49:47  3 conversation within the strategic planning 13:49:50  4 committee 13:49:52  5 Q. Tell me about the report and your part in 13:49:55  6 it. 13:49:55  7 A. It was basically that they had gotten 13:49:55  8 counsel from Lazard, that they were making the 13:49:58  9 decision that having four players involved 13:50:02  10 was a -- particularly the four players that were 13:50:05  11 being included was a very broad list of people to 13:50:08  12 do the investigation, and that's about all I 13:50:14  13 remember -- remember from that conversation. 13:50:19  14 Q. Did you agree that -- well, you say four. 13:50:22  15 There's actually two parties of two partners each, 13:50:24  16 right? 13:50:27  17 A. (Witness nodded head.) 13:50:28  18 Q. So there's only -- I guess you could say 13:50:29  19 four or you could say -- argue that it's only two. 13:50:32  20 Did you believe that having only two -- or 13:50:35  21 four people involved in two different approaches 13:50:40  22 was a broad approach? 13:50:44  23 A. I did because of the way the due diligence 13:50:46  24 was conducted. Each of those entities did their 13:50:47  25 own independent review evidenced by the fact of 13:50:51</p>	<p style="text-align: right;">Page 152</p> <p>1 MR. SAVITT: Why don't we take a 13:52:09  2 break for a second. 13:52:10  3 THE VIDEOGRAPHER. Stand by. Gong 13:52:11  4 off the record at 1:52 13:52:12  5 (Brief recess observed.) 13:52:16  6 THE VIDEOGRAPHER. We're back on the 13:57:01  7 record at 1:57 13:57:02  8 MR. McEVOY: Before we -- sorry. 13:57:06  9 Before we pick up again, I just want to add a 13:57:06  10 belated jander in the objection to form. And so 13:57:09  11 that we don't have to do this going forward, can 13:57:12  12 we have the same sort of agreement -- 13:57:13  13 MR. JOHNSTON: Sure. 13:57:13  14 MR. McEVOY. -- that we had last 13:57:14  15 time, that our objections are yours and yours are 13:57:14  16 ours so we don't always have to yell out in 13:57:16  17 chorus? 13:57:19  18 MR. JOHNSTON: Yes. 13:57:22  19 MR. McEVOY: Great. 13:57:22  20 MR. DIETZ And for the record, 13:57:22  21 Mr. Johnston, I -- I will insert my objection as 13:57:23  22 to the last series of questions. I believe the 13:57:25  23 questions were ambiguous and subject to multiple 13:57:28  24 interpretations, and so I have an objection as to 13:57:32  25 the last series of questions. 13:57:34</p>
<p style="text-align: right;">Page 151</p> <p>1 different results at the end of the day. It 13:50:55  2 wasn't that they were -- I'm sure they 13:50:56  3 collaborated. 13:50:58  4 But in our presence, the approaches and 13:50:59  5 the questions were very independent, very 13:51:01  6 different. Each entity -- each of the four 13:51:03  7 entities had different areas of interest at 13:51:06  8 different points in time, and it was very -- the 13:51:08  9 process was -- it was four due diligence 13:51:11  10 exercises, not two. I -- I appreciate it was two 13:51:14  11 consortiums. But the way the due diligence was 13:51:17  12 transacted was very much four independent people 13:51:20  13 doing the work. 13:51:24  14 Q. Why do you believe that they collaborated? 13:51:25  15 A. Well, just because of the -- the 13:51:27  16 consortium. I have no information that they did 13:51:29  17 At the end of the day, they all came to 13:51:33  18 independent conclusions. It's -- from the 13:51:36  19 record -- or from the way the bids came in. 13:51:39  20 MR. SAVITT: Hang on for a second. 13:51:45  21 MR. JOHNSTON Do you want to take a 13:51:57  22 break for a second? 13:51:58  23 MR. DIETZ: Well, I want to object to 13:51:59  24 the form of the question concerning the word they 13:52:00  25 and what that means. Who's involved in they? 13:52:04</p>	<p style="text-align: right;">Page 153</p> <p>1 MR. JOHNSTON. Okay 13:57:36  2 BY MR. JOHNSTON: 13:57:36  3 Q. Mr. Perdue, is there anything that you 13:57:39  4 wanted to -- 13:57:40  5 A. Yeah, I would like to clarify the word 13:57:41  6 collaboration and -- and explain exactly what I 13:57:43  7 meant. In no way did I mean to intimate that the 13:57:46  8 two sides led by Bain and KKR were collaborating 13:57:49  9 with each other. Indeed, that would -- just the 13:57:53  10 opposite was the case. There was -- we were told 13:57:55  11 they didn't even know who the other parties were. 13:57:57  12 The collaboration I spoke of was between 13:57:59  13 Blackstone and Bain and between TPG and KKR. 13:58:01  14 Generally when we met with them -- and it wasn't 13:58:06  15 that many times, but when we met with them, they 13:58:08  16 were generally there together, they being KKR and 13:58:10  17 TPG. And then when we met with Bain, Blackstone 13:58:13  18 was generally there 13:58:16  19 Q. During this period of time, and when I say 13:58:17  20 period of time, I'm talking about November, 13:58:19  21 December, January -- November/December of 06, 13:58:21  22 January of '07. During that period of time, 13:58:25  23 had -- had you read or heard anything about a 13:58:27  24 possible Department of Justice investigation into 13:58:29  25 collusion among private equity groups? 13:58:34</p>

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1 A No 13:58:37  
 2 Q. Is -- is my stating that in the form of a 13:58:38  
 3 question to you the first time that you've heard 13:58:41  
 4 that? 13:58:43  
 5 A Yes 13:58:43  
 6 Q If, in fact, you had known such a thing, 13:58:51  
 7 if you had, would that in any way have impacted 13:58:54  
 8 your idea that limiting the data room to -- to two 13:58:59  
 9 groups was a good idea? 13:59:06  
 10 MR. DIETZ. Objection. 13:59:10  
 11 MR. McEVOY. Objection to form. 13:59:11  
 12 THE WITNESS Well, I wasn't part of 13:59:12  
 13 the decision for it to be two, four, or whatever. 13:59:13  
 14 The strategic planning committee and the board 13:59:16  
 15 made those decisions. 13:59:19  
 16 BY MR. JOHNSTON: 13:59:20  
 17 Q. But you're a member of the board? 13:59:20  
 18 A. I am. 13:59:22  
 19 Q. Let -- let me clarify that. I mean, you 13:59:27  
 20 are a member of the board, and you were present at 13:59:28  
 21 the board meetings in November when these things 13:59:30  
 22 were determined; were you not? 13:59:33  
 23 A. I was. 13:59:34  
 24 Q. Okay. So you -- to that extent, you did 13:59:35  
 25 partopate in that decision? 13:59:38

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1 MR. DIETZ: Objection to form. 13:59:40  
 2 BY MR. JOHNSTON 13:59:41  
 3 Q Am I right or wrong? 13:59:43  
 4 A I don't recall if it was a decision of the 13:59:44  
 5 board or if the strategic planning committee came 13:59:46  
 6 with that conclusion. 13:59:49  
 7 Q I -- I could be wrong about this, but I 13:59:57  
 8 believe that what Mr. Bottorff told us was that 13:59:59  
 9 the -- the process was that the strategic planning 14:00:03  
 10 committee would develop recommendations. Those 14:00:06  
 11 recommendations would then be presented to the 14:00:10  
 12 board, and the board would make the decisions. 14:00:12  
 13 A (Witness nodded head.) 14:00:15  
 14 Q. Is that your understanding -- 14:00:16  
 15 A. It is. 14:00:17  
 16 Q. -- of how that worked? 14:00:18  
 17 A Generally, yes 14:00:20  
 18 Q Okay So in that respect, then, it would 14:00:21  
 19 have been the board that would have made the 14:00:23  
 20 determination to either expand to more than two or 14:00:24  
 21 limit it to two or even to one? 14:00:27  
 22 A Right. 14:00:29  
 23 Q. All right -- 14:00:34  
 24 MR. DIETZ: Objection to form 14:00:35  
 25

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1 BY MR. JOHNSTON. 14:00:35  
 2 Q. So again, if you had known that at the 14:00:36  
 3 time -- and I grant that you don't -- you didn't. 14:00:38  
 4 But if you had known that at the time, might that 14:00:41  
 5 have impacted your decision as part of the board 14:00:43  
 6 to limit the access to the data room to only two? 14:00:48  
 7 MR. DIETZ. Same objection. 14:00:52  
 8 MR. McEVOY: Objection. 14:00:53  
 9 THE WITNESS. I -- I don't know how 14:00:54  
 10 to answer that. I don't -- not knowing what that 14:00:54  
 11 ruling was or that rumor, I'm not sure how to 14:00:58  
 12 answer that. 14:01:02  
 13 BY MR. JOHNSTON: 14:01:02  
 14 Q. Let me hand you another document. Again, 14:01:15  
 15 just a short e-mail train here between you and 14:01:27  
 16 Ms. -- how do you pronounce her name? 14:01:29  
 17 A. Guion. 14:01:32  
 18 Q. Guion? 14:01:34  
 19 A. Yes. 14:01:35  
 20 Q. And -- and who is Ms. Guion? 14:01:35  
 21 A. She is the executive vice president of 14:01:37  
 22 store operations and real estate 14:01:39  
 23 (Marked Exhibit No. 7.) 14:01:48  
 24 BY MR. JOHNSTON 23:59:57  
 25 Q. In -- in her e-mail to you dated 14:01:56

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1 January 31 -- actually, in all of these, in the 14:01:58  
 2 subject line it's Beta-Clantias or Clantias. 14:02:04  
 3 A. Clantias, yes. 14:02:12  
 4 Q. Clantias, and then County Capacity, 14:02:13  
 5 something else. Is Beta the name that you've 14:02:15  
 6 given to the -- 14:02:19  
 7 A. Due diligence process. 14:02:21  
 8 Q. Okay. And what is Clantias? 14:02:22  
 9 A. Clantias is an outside group that our real 14:02:27  
 10 estate people have used for certain information 14:02:30  
 11 data around location -- locations. 14:02:35  
 12 Q. It's the name of a group? 14:02:41  
 13 A. A company. 14:02:43  
 14 Q. And what's county capacity? 14:02:43  
 15 A. I'm not real sure. 14:02:46  
 16 Q. Your response -- she's asking if it's okay 14:02:51  
 17 that this be sent to the data room? 14:02:54  
 18 A. Right. 14:02:55  
 19 Q. And your response is that it's okay, but 14:02:56  
 20 you want to make sure they don't try to use it 14:02:58  
 21 improperly. What are you talking about there? 14:03:00  
 22 A. Well, as I recall, the Clantias 14:03:03  
 23 information could be misinterpreted pretty 14:03:05  
 24 broadly, that the Clantias information, you had to 14:03:08  
 25 understand the perspective. If you didn't 14:03:11

<p style="text-align: right;">Page 158</p> <p>1 understand the perspective around some of their 14.03.14  2 information, you could use it improperly. 14.03.16  3 If you used, for example, a saturation 14.03.19  4 model -- you were trying to develop a saturation 14:03:21  5 model and you used some of the Claritas 14.03.23  6 information that we challenged, you could end up 14.03:27  7 with an incorrect use of that information. 14:03:27  8 So the improper use of it was to -- we 14.03.29  9 were -- I was afraid that they would get to 14:03:32  10 improper conclusions. 14:03:34  11 Q. Not knowing what this is or what it's 14:03:40  12 showing you, what sort of improper conclusions? 14.03.42  13 Are you talking about that -- that it's going to 14:03:44  14 adversely affect them -- the numbers that they 14.03.49  15 come up with when they -- 14.03.53  16 A. It could dramatically impact that based on 14:03:55  17 the -- the information around the number of 14.03.57  18 potential stores that could be put in a general 14.03.58  19 area over a long period of time. And that's -- 14.04:02  20 that's only one. I'm using that as an example. 14.04:04  21 There were several other areas like 14.04.08  22 that that -- the only thing I'm saying here is 14:04:09  23 that we'll have to be sure that -- that -- to 14:04:11  24 watch how they use it and not let them use it 14:04:13  25 improperly. 14.04.16</p>	<p style="text-align: right;">Page 160</p> <p>1 couple of exceptions, I thought we had the team in 14:05:41  2 place to execute Alpha. I went through the same 14:05:44  3 litany of risks that I had covered with the board 14:05:47  4 and that were in the Lazard's presentation. 14:05:49  5 That's all I recall at this point 14.05.57  6 Q. Okay. Now, ultimately the due diligence 14:05:59  7 process ended, and you received some information 14:06:03  8 from one or both of the -- the entities, correct? 14.06.07  9 A. I didn't. I was told -- I got a phone 14:06:13  10 call on Friday afternoon from Denny Bottorff 14:06:16  11 explaining that they had gotten a bid 14.06:19  12 Q. All right. Tell me about that. What did 14.06.24  13 he tell you about the bid? 14:06:26  14 A. He told me they had gotten a bid, that it 14:06:28  15 was higher than the preliminary indications and 14.06:31  16 that it was high enough that it looked like they 14.06:38  17 were going to -- their -- the strategic planning 14.06:41  18 committee was going to take this to the full 14.06:43  19 board, and we potentially needed to pull the board 14:06:45  20 together. 14:06:48  21 Q. Okay. Now, during the due diligence 14:06:51  22 process -- at any point during that due diligence 14.06:54  23 process, up until the day before this phone call 14:06:56  24 came in, was Dollar General for sale? 14:06:59  25 A. No. 14.07.02</p>
<p style="text-align: right;">Page 159</p> <p>1 Q. Okay. Generally do you recall 14.04.20  2 approximately how long this -- this due diligence 14.04:22  3 process went on? 14.04.27  4 A. From early January until we got a bid on 14.04:28  5 the 8th or 9th of March. 14:04:31  6 Q. During that process, were you personally 14:04:33  7 asked for information by either of the groups? 14:04:36  8 A. I participated in these interactions both 14:04:41  9 by phone, we had teleconferences, we had meetings, 14:04:45  10 and I was one of the participants during that 14.04:48  11 process, yes. 14:04:53  12 Q. What sort of things were you asked? 14.04.54  13 A. The majority of the questions were to the 14:04:59  14 op -- to the people who were operating the 14:05:01  15 business. I would clarify when I thought 14:05:03  16 clarification needed -- was needed 14.05.05  17 I remember a few questions on me of the 14.05:14  18 risks because we had talked about that in the 14.05.16  19 presentation. They wanted to know a little bit 14:05:19  20 about the organization of me. They wanted to know 14:05:20  21 what I felt of the assumptions behind our 14.05.24  22 projections with Alpha and our ability with the 14.05.27  23 current team we had to execute Alpha. 14:05:30  24 Q. What did you tell them? 14:05:37  25 A. I told them I thought -- with only a 14.05.38</p>	<p style="text-align: right;">Page 161</p> <p>1 Q. Now, when he told you that he had gotten a 14:07:06  2 bid in, did you inquire as to why there was only 14.07.09  3 one or -- 14:07:12  4 A. I did. 14:07:13  5 Q. And what did he tell you? 14:07:13  6 A. And the response was, well, they just 14.07:15  7 hadn't heard, they hadn't gotten a bid from the 14.07.17  8 other side; that he had information that TPG had 14:07:20  9 backed away from the consortium with KKR, so this 14.07:23  10 was KKR's bid alone; and that we did not get a bid 14:07:25  11 from the other side. 14:07:31  12 Q. Is that all of the information that you 14:07:32  13 had at that point, at that stage? 14:07:33  14 A. That's correct. 14.07.36  15 Q. All right. And then the next day or the 14:07:37  16 day after or sometime very close was there a full 14.07.42  17 board meeting to consider? 14.07.46  18 A. There was. We pulled together the board I 14:07:47  19 believe it was the next day actually in New York, 14:07:51  20 the evening of that Saturday, whatever date that 14.07:54  21 was 14:07:58  22 Q. Okay. Would that have been March 10? 14.07.59  23 A. I think it was the 10th, yeah. 14:08:01  24 Q. Tell me about that meeting. 14:08:03  25 A. I opened the meeting. I turned it over to 14.08.06</p>

41 (Pages 158 to 161)



<p style="text-align: right;">Page 162</p> <p>1 David Wilds, who reiterated the process. He -- he 14:08:12  2 explained why we were here. Turned it over to 14:08:14  3 Denny Bottorff who gave an update again of the 14:08:18  4 process of what we had gone through, the bidding 14:08:21  5 process of how we had done that, and that we had a 14:08:23  6 bid on the table. He explained that we did not 14:08:27  7 get a bid from the other side and that the bid was 14:08:30  8 \$22 14:08:33  9 In that meeting, Wachtell, Lipton was 14:08:35  10 there as were Lehman and Lazard. Lazard gave 14:08:41  11 their perspective on the valuation that we -- we 14:08:45  12 reviewed, again, how they came to a present value, 14:08:50  13 a risk adjusted present value of the company, that 14:08:53  14 range. Lehman did the same thing. They were very 14:08:57  15 careful -- and -- and we -- we pushed them on 14:09:00  16 this. They did not give us their, quote, fairness 14:09:02  17 opinion during that meeting, but you can imagine 14:09:04  18 we -- we asked questions, well, what do you think 14:09:06  19 of -- of this and so forth 14:09:10  20 That's the conversation -- general 14:09:10  21 conversation that I recall. 14:09:11  22 Q. Throughout this period of time, had either 14:09:12  23 Lehman or Lazard had access not necessarily to 14:09:16  24 the -- to the data room but had access to the -- 14:09:20  25 the information that the company had in terms of 14:09:26</p>	<p style="text-align: right;">Page 164</p> <p>1 THE WITNESS. Let me look at the 14:10:46  2 numbers that are in here 14:10:47  3 BY MR. JOHNSTON:  4 Q. Sure. 14:10:48  5 A. Yes, at that point in time, I think this 14:11:11  6 was the -- our best thinking 14:11:13  7 Q. Okay. Trying to move this thing along a 14:11:34  8 little bit, being mindful of time and -- yours and 14:11:36  9 everybody else's. Ultimately at the meeting, is 14:11:40  10 it fair to say that the board voted to accept the 14:11:43  11 KKR offer at \$22 a share? 14:11:48  12 A. Well, I think -- the way I remember it was 14:11:51  13 that the board -- the wording was that we would -- 14:11:54  14 we voted to take it to the shareholders. So if 14:12:00  15 that means accepting the 22 offer, yes. 14:12:02  16 Q. Right. Of course, it would require 14:12:05  17 shareholder approval? 14:12:07  18 A. Right. 14:12:08  19 Q. Sure. Perhaps the better question would 14:12:09  20 be, did the -- did the board vote to recommend -- 14:12:13  21 A. Yes. 14:12:16  22 Q. -- to the shareholders to accept this 14:12:16  23 offer? 14:12:20  24 A. That's correct. 14:12:20  25 Q. So is it fair to say, then, that as of 14:12:20</p>
<p style="text-align: right;">Page 163</p> <p>1 how Project Alpha was progressing in its 14:09:29  2 implementation? 14:09:31  3 A. Yes, that came up actually in the board 14:09:37  4 meeting, in that board meeting, and as I recall in 14:09:41  5 one earlier board meeting. 14:09:43  6 Q. Okay. Let's see. Since you talked about 14:09:47  7 this or mentioned it, let me just briefly show you 14:09:54  8 this document that was marked as Exhibit -- I only 14:10:02  9 have two. I'm sorry. 14:10:06  10 A. That's okay. We'll share. 14:10:08  11 Q. I don't know what the -- I don't know why 14:10:09  12 I only have two, but I only have two. 14:10:11  13 This was previously marked as Exhibit 20 14:10:13  14 to Mr. Bottorff's deposition, and it appears to be 14:10:15  15 the presentation to the board by Lazard at that 14:10:19  16 March 10 -- 14:10:26  17 A. Right. 14:10:27  18 Q. And you mentioned the -- you mentioned the 14:10:27  19 numbers in here. Let me just assert to you that I 14:10:31  20 already asked Mr. Bottorff if he believed that 14:10:38  21 these were the most accurate and up-to-date, and 14:10:40  22 he said yes. Do you agree with Mr. Bottorff on 14:10:42  23 that? 14:10:44  24 MR. DIETZ. Objection. 14:10:45  25 MR. McEVROY. Objection. 14:10:46</p>	<p style="text-align: right;">Page 165</p> <p>1 March 10 of 2007 the company was for sale? 14:12:22  2 A. Yes 14:12:25  3 Q. I want to ask you a couple of questions -- 14:12:36  4 a few questions about some information in the 14:12:38  5 proxy that came out, however, I don't have but one 14:12:40  6 copy of the proxy. I've got several copies of 14:12:45  7 this page with numbers on it, but I want to look 14:12:48  8 at that. 14:12:51  9 MR. JOHNSTON: Do you guys have a 14:12:53  10 copy of the proxy with you? 14:12:54  11 MR. SAVITT: Do you have a copy for 14:12:57  12 the witness? 14:12:58  13 MR. JOHNSTON: Like I say, all I've 14:13:00  14 got is the pages that I want to ask him from. But 14:13:01  15 I'm just -- I'm telling you up-front all I'm going 14:13:03  16 to do is show him one page. If you want the whole 14:13:06  17 thing... 14:13:11  18 MR. SAVITT: What pages? 14:13:12  19 MR. JOHNSTON. 27. 14:13:13  20 MR. DIETZ. I would like to have the 14:13:16  21 whole document. 14:13:16  22 MR. JOHNSTON: Yeah, I -- I thought 14:13:17  23 you might want to have the whole thing in front of 14:13:18  24 you, just -- do you want to take a break for a 14:13:20  25 second and -- oh, you've got it? Okay, okay 14:13:23</p>

<p style="text-align: right;">Page 166</p> <p>1 That's fine. For some reason, I've only got two 14:13:27  2 of these too. I don't know why 14:13:38  3 MR. DIETZ: Mr. Johnston, let me ask 14:14:09  4 you, are you representing that this is the 14:14:10  5 definitive proxy statement? 14:14:12  6 MR. JOHNSTON: This is the one I got 14:14:13  7 off the Internet from file 5-21-07. Is there one 14:14:14  8 after that? 14:14:18  9 MR. DIETZ: Okay. You can proceed. 14:14:36  10 MR. JOHNSTON: Is -- is there some 14:14:38  11 difference? 14:14:39  12 MR. DIETZ: It's just in the 14:14:49  13 pagination. You got yours from the Internet 14:14:50  14 I've got mine from the printed. I just wanted to 14:14:53  15 make sure we're talking about the same document 14:14:56  16 because the pagination is not exactly the same 14:14:58  17 MR. SAVITT: If you could, just off 14:15:01  18 the record for a second. 14:15:02  19 MR. JOHNSTON: Sure. 14:15:03  20 THE VIDEOGRAPHER: Going off the 14:15:05  21 record at 2:15. 14:15:05  22 (Brief recess observed.) 14:15:08  23 THE VIDEOGRAPHER: We're back on the 14:16:11  24 record at 2:16. 14:16:12  25</p>	<p style="text-align: right;">Page 168</p> <p>1 and then I might be able to answer -- 14:17:14  2 Q. What is it about these numbers that -- I 14:17:16  3 mean, this is from the proxy. 14:17:18  4 A. Right. 14:17:20  5 Q. What is it that gives you concern about -- 14:17:20  6 A. I have no concern about these numbers. 14:17:23  7 These are our numbers 14:17:25  8 Q. Okay. 14:17:27  9 A. There may be a little difference between 14:17:27  10 this and some other forecast that was used. These 14:17:29  11 are the numbers that we felt were most appropriate 14:17:32  12 to take to shareholders with which to make a 14:17:34  13 decision 14:17:38  14 Q. Okay. Okay. So your -- you don't know 14:17:38  15 whether or not these were the numbers that were 14:17:42  16 used to do the DCF analysis -- 14:17:43  17 A. I see two numbers on here. 14:17:49  18 MR. DIETZ: Hang on a second. 14:17:51  19 MR. SAVITT: Hang on a second. 14:17:52  20 THE WITNESS: I apologize. I'm sorry 14:17:54  21 to interrupt. I thought you were finished 14:17:55  22 MR. DIETZ: I'll ask the witness to 14:18:10  23 let Mr. Johnston finish his question. 14:18:11  24 THE WITNESS: Thank you. 14:18:14  25 MR. DIETZ: Then I may or may not 14:18:15</p>
<p style="text-align: right;">Page 167</p> <p>1 BY MR. JOHNSTON: 09:59:57  2 Q. Mr. Perdue, do you know whether or not the 14:16:20  3 numbers that are reflected on Page 27 of the 14:16:22  4 Dollar General Corp proxy were those that were 14:16:27  5 used in the discounted cash flow analysis in the 14:16:31  6 fairness opinion? 14:16:38  7 A. No, not without comparing the two pages 14:16:39  8 side by side, I don't recall. 14:16:44  9 Q. Let me ask you to go ahead and do that, if 14:16:46  10 you would. I'm glad you've got the whole thing in 14:16:49  11 front of you. 14:16:52  12 MR. DIETZ: Which exhibit are you 14:16:53  13 referring to? 14:16:54  14 BY MR. JOHNSTON: 23:59:57  15 Q. Well, you -- you wanted to look at the 14:16:55  16 fairness opinion? Is that what you are -- 14:16:56  17 A. No. 14:16:59  18 Q. I'm sorry, what did you want to look at? 14:16:59  19 A. I just said -- I didn't want to look at 14:17:01  20 anything. I just said, looking at this, I don't 14:17:02  21 know if this is the same set of numbers that were 14:17:03  22 presented in March. 14:17:05  23 Q. All right. What do you mean? I'm 14:17:09  24 confused. 14:17:10  25 A. I'm sorry, could you repeat the question, 14:17:12</p>	<p style="text-align: right;">Page 169</p> <p>1 have an objection. 14:18:16  2 THE WITNESS: Okay. 14:18:18  3 MR. DIETZ: And then the witness may 14:18:18  4 answer 14:18:19  5 BY MR. JOHNSTON. 14:18:19  6 Q. That's right. The court reporter would 14:18:20  7 like you a whole lot better too if you do that. 14:18:21  8 Let -- let me do -- let me do this. Have 14:18:25  9 you got a copy of -- you've got a copy of the 14:18:28  10 whole thing. Can you turn to Page 22? 14:18:30  11 MR. McEVROY: Can I just clarify 14:18:43  12 whether this page or the proxy or anything has 14:18:45  13 been marked as an exhibit yet or -- 14:18:47  14 MR. JOHNSTON: It hasn't yet, but 14:18:50  15 we're going to mark this page as an exhibit. 14:18:51  16 MR. McEVROY: We're going to mark this 14:18:56  17 Page 27? 14:18:58  18 MR. JOHNSTON: Yeah. 14:18:59  19 MR. McEVROY: Okay. 14:19:00  20 BY MR. JOHNSTON. 14:19:00  21 Q. Okay. You see on Page 22 where it 14:19:00  22 discusses the discounted cash flow analysis? 14:19:02  23 A. Right. 14:19:05  24 Q. Why don't you just take a moment to read 14:19:07  25 that. 14:19:09</p>

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1 MR. DIETZ All right I'm going to 14:19:11  
 2 instruct the witness to read the entire discussion 14:19:13  
 3 of the valuation of the document so that he can 14:19:15  
 4 put it in context and understand what he's 14:19:19  
 5 reading 14:19:21  
 6 MR. JOHNSTON. That's fine. You 14:19:21  
 7 want -- do you want to go off the record and take 14:19:22  
 8 a break and let him do that? 14:19:25  
 9 MR. DIETZ: Sure. 14:19:27  
 10 MR. JOHNSTON. Let's do that. No 14:19:27  
 11 reason to -- 14:19:28  
 12 THE VIDEOGRAPHER. We're going off 14:19:30  
 13 the record at 2:19. 14:19:31  
 14 (Brief recess observed.) 14:19:34  
 15 THE VIDEOGRAPHER. We're back on the 14:30:17  
 16 record at 2:30. 14:30:18  
 17 BY MR. JOHNSTON: 14:30:22  
 18 Q. Have you had an opportunity to read 14:30:23  
 19 through all of the materials -- 14:30:25  
 20 A. I have. 14:30:27  
 21 Q. -- that you wanted to read through? 14:30:28  
 22 A. I have. Thank you. 14:30:30  
 23 Q. Okay. Let's just reset the stage here so 14:30:31  
 24 that we -- we know what we're asking. I was 14:30:34  
 25 asking you if the numbers on Page 27 were the 14:30:38

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1 numbers that were used to generate the discounted 14:30:42  
 2 cash flow analysis in the fairness opinion, and 14:30:46  
 3 you wanted to look at some of the other 14:30:50  
 4 information. I directed you to Page 22, where it 14:30:53  
 5 discusses what they did and I think states that 14:30:56  
 6 these were the numbers that were used 14:31:03  
 7 And your counsel wanted you to read the -- 14:31:06  
 8 the entire thing so that you would get a -- get 14:31:09  
 9 all of this in context. Is that where we are 14:31:11  
 10 right now? 14:31:14  
 11 A. It is 14:31:15  
 12 Q. All right. So getting back to my 14:31:15  
 13 question, is it your understanding that the 14:31:17  
 14 numbers on Page 27 are the numbers that were used 14:31:22  
 15 in -- to generate the discounted cash flow 14:31:27  
 16 analysis? 14:31:30  
 17 A. Other than what's stated on -- on Page 22 14:31:32  
 18 here, I don't know what Lazard used. 14:31:35  
 19 Q. All right. And as you read this, does it 14:31:39  
 20 tell you that the numbers on Page 27 are the 14:31:42  
 21 numbers that were used? 14:31:45  
 22 MR. McEVROY: I'm going to object and 14:32:08  
 23 say the document speaks for itself. But obviously 14:32:09  
 24 the witness can answer 14:32:11  
 25 THE WITNESS: I would -- I don't see 14:32:13

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1 anything in -- in that paragraph on 22 that would 14:32:14  
 2 say they didn't use these numbers, no 14:32:17  
 3 BY MR. JOHNSTON. 14:32:19  
 4 Q. All right. In looking at these numbers 14:32:23  
 5 that are included on Page 27, or any others you 14:32:25  
 6 want to look at, is there enough information on 14:32:28  
 7 that page to re-create the discounted cash flow 14:32:31  
 8 analysis? 14:32:36  
 9 MR. DIETZ: Objection. 14:32:37  
 10 THE WITNESS. I don't know what's 14:32:37  
 11 needed to -- to generate a discounted cash flow 14:32:38  
 12 analysis. 14:32:41  
 13 BY MR. JOHNSTON 14:32:41  
 14 Q. Now, management's projections, at least 14:32:52  
 15 the ones that I've seen, and I think that we've 14:32:54  
 16 all seen as we've gone through these -- at least 14:32:57  
 17 these two depositions that we've done here so far, 14:33:00  
 18 only go through 2009? 14:33:04  
 19 A. That's correct 14:33:06  
 20 Q. And yet they -- they, Lazard, in doing the 14:33:06  
 21 fairness opinion and preparing these numbers, 14:33:09  
 22 extrapolated that through 2011. Tell us what you 14:33:13  
 23 know about that. How did they do that? What did 14:33:18  
 24 they do? Are those numbers valid, et cetera? 14:33:21  
 25 MR. DIETZ: Objection. 14:33:28

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1 MR. McEVROY: Object to form 14:33:29  
 2 THE WITNESS: I'm not privy to how 14:33:30  
 3 they did that, and I think this is a fair 14:33:32  
 4 representation on Page 27 of those outlying years, 14:33:36  
 5 2010 and '11, based on the projections from '07 to 14:33:40  
 6 '09. 14:33:44  
 7 BY MR. JOHNSTON. 14:33:44  
 8 Q. Why do you say that? 14:33:44  
 9 A. Because when I look at the reasonability 14:33:46  
 10 of -- of those outlying years, if you will notice, 14:33:48  
 11 there are some NAs throughout because we did not 14:33:50  
 12 forecast those years as you just said. When I 14:33:52  
 13 look at a 9 percent growth rate in 2010 and '11 14:33:56  
 14 compared to an -- a 4.2, a 5.6, and a 9.6, you 14:34:01  
 15 know, that -- that seems reasonable. It looks a 14:34:06  
 16 little bit on the high side, but that seems fairly 14:34:09  
 17 representative 14:34:11  
 18 The alternative case at 9-1/2, again, is 14:34:11  
 19 based on our projection in 2009 of having 14:34:14  
 20 5 percent comp sales which we -- this company 14:34:17  
 21 hasn't done in quite a number of years. 14:34:21  
 22 MR. JOHNSTON: Okay. Have we marked 14:34:58  
 23 this page as the next numbered exhibit yet? 14:35:00  
 24 (Marked Exhibit No. 8.) 14:35:04  
 25 MR. DIETZ: I would like that marked 14:35:05



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1 for identification purposes only. 14:35:06  
 2 BY MR. JOHNSTON:  
 3 Q. Before I leave that, let me ask you about 14:35:22  
 4 one or two things here. As best you can recall, 14:35:25  
 5 when was it that Lazard was retained specifically 14:35:32  
 6 to render a fairness opinion? 14:35:35  
 7 A. I don't -- I was never aware of that 14:35:42  
 8 information 14:35:44  
 9 Q. Okay. You don't know where along the 14:35:47  
 10 line? 14:35:49  
 11 A. No. 14:35:49  
 12 Q. I'll assert to you that it's in the record 14:35:54  
 13 in the proxy itself, and I believe that what it 14:35:56  
 14 says is they were retained on March the 10th I 14:36:00  
 15 think that's right. 14:36:06  
 16 A. Okay. 14:36:07  
 17 Q. Turning, again, to Page 22. 14:36:11  
 18 A. Uh-huh 14:36:14  
 19 Q. Just so you can look at this, the proxy, 14:36:16  
 20 they -- they tell you in the fifth line down 14:36:20  
 21 after -- in the discounted cash flow analysis 14:36:23  
 22 section -- 14:36:25  
 23 A. Right. 14:36:28  
 24 Q. -- that they've performed the analysis of 14:36:28  
 25 present value as of January 31, 2007. Why would 14:36:30

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1 they have done that? 14:36:38  
 2 MR. DIETZ: Objection. 14:36:39  
 3 THE WITNESS: I -- I don't know. 14:36:40  
 4 BY MR. JOHNSTON: 14:36:40  
 5 Q. Why would that be fair? 14:36:41  
 6 MR. DIETZ: Objection 14:36:43  
 7 THE WITNESS: I don't -- I don't have 14:36:44  
 8 any input about -- about that. 14:36:44  
 9 BY MR. JOHNSTON.  
 10 Q. Why would that be an accurate reflection 14:36:50  
 11 of the fair value of the company as of March the 14:36:52  
 12 10th? 14:36:55  
 13 MR. DIETZ: Objection. 14:36:57  
 14 THE WITNESS: I -- I didn't 14:37:00  
 15 participate in Lazard's -- I mean, I don't know. 14:37:01  
 16 BY MR. JOHNSTON: 14:37:03  
 17 Q. I understand that. And -- and that -- 14:37:03  
 18 that last question didn't have anything to do with 14:37:04  
 19 that. 14:37:06  
 20 A. Right. 14:37:07  
 21 Q. I'm asking you specifically why -- why 14:37:07  
 22 that would be a fair representation of the value 14:37:11  
 23 of the company as of March 10? 14:37:15  
 24 A. Well, it's -- 14:37:18  
 25 MR. DIETZ: Objection. This witness 14:37:20

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1 is not an expert on this. 14:37:24  
 2 MR. SAVITT. Unless you want to pay 14:37:27  
 3 him like an expert 14:37:28  
 4 BY MR. JOHNSTON: 14:37:29  
 5 Q. You're the chair of the board, and you're 14:37:30  
 6 making a recommendation to the shareholders. 14:37:32  
 7 A. Right. 14:37:35  
 8 Q. At least in part based on this fairness 14:37:35  
 9 opinion; are you not? 14:37:40  
 10 MR. SAVITT: He's here as a 14:37:44  
 11 peripient witness, and the record ought to be 14:37:45  
 12 clear on that 14:37:48  
 13 BY MR. JOHNSTON: 14:37:48  
 14 Q. The record is clear that you're a 14:37:52  
 15 peripient witness. You're the chairman of the 14:37:53  
 16 board. You, as a member of the board, are making 14:37:59  
 17 a recommendation to the shareholders that they 14:37:59  
 18 should accept \$22, in part based on the fairness 14:38:01  
 19 opinion. The fairness opinion tells you that this 14:38:05  
 20 discounted cash flow analysis, which is a major 14:38:09  
 21 part of that, is -- is done as of January 31. 14:38:13  
 22 In exercising your fiduciary duty as a 14:38:18  
 23 member of the board, do you not need to have a 14:38:21  
 24 clear understanding as to why that represents a 14:38:24  
 25 fair value for the company as of March 10? 14:38:28

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1 MR. DIETZ: Objection, calls for a 14:38:33  
 2 legal conclusion. Objection, this is not an 14:38:34  
 3 expert witness. 14:38:38  
 4 THE WITNESS: Can I answer that? 14:38:46  
 5 BY MR. JOHNSTON: 14:38:46  
 6 Q. Yes. 14:38:53  
 7 A. In my view, when you use information, you 14:38:54  
 8 have to talk in complete years because this is a 14:38:56  
 9 very cyclical business. And any attempt to throw 14:38:57  
 10 pieces of a year together to extrapolate 14:39:02  
 11 projections can be anecdotal and incorrect. 14:39:07  
 12 Q. Lazard was -- I think you told us earlier, 14:39:18  
 13 had access to numbers that were coming in, as you 14:39:23  
 14 told us earlier, not only monthly but weekly, 14:39:25  
 15 daily and even hourly in regard to the 14:39:30  
 16 implementation of Project Alpha, correct? 14:39:33  
 17 MR. DIETZ: Objection. 14:39:37  
 18 THE WITNESS: I'm not sure I stated 14:39:37  
 19 it quite that generally. I said they were getting 14:39:39  
 20 input as to Project Alpha. They were conducting 14:39:42  
 21 the due diligence and were managing the data in 14:39:45  
 22 the data room, and I'm not privy to all of what 14:39:49  
 23 was in the data room. 14:39:53  
 24 BY MR. JOHNSTON.  
 25 Q. Okay. Let's go back and look at the 14:39:54

<p style="text-align: right;">Page 178</p> <p>1 Exhibit 20 from the Bottorff deposition. Let me 14:40:06  2 ask you to turn to Page 4, not four pages down but 14:40:28  3 the page that is marked 4 at the bottom 14:40:34  4 A. Okay. 14:40:42  5 Q. Okay. And let's -- let's take a look at 14:40:42  6 just some of these numbers that are contained 14:40:44  7 here. And -- and I tell you what, before we do 14:40:48  8 the numbers, let's go through the comments and the 14:40:51  9 assumptions that went into this. Take just a 14:40:57  10 moment, if you would, and look through the various 14:41:04  11 comments, because I'm going to ask you some 14:41:07  12 questions about those. 14:41:09  13 A. Okay. 14:41:37  14 Q. Okay. What I'm going to do is just go 14:41:38  15 straight down these various bullet points, the 14:41:44  16 comments, and let me tell you, Mr. Bottorff told 14:41:47  17 us on Saturday that -- that these were the 14:41:51  18 principal assumptions that went into the creation 14:41:55  19 of these numbers. First of all, would you agree 14:41:59  20 with that? 14:42:04  21 MR. DIETZ: Objection. 14:42:05  22 THE WITNESS. I don't know if these 14:42:06  23 are the assumptions or not. 14:42:09  24 BY MR. JOHNSTON: 14:42:11  25 Q. Okay. The first bullet point, FY06 14:42:11</p>	<p style="text-align: right;">Page 180</p> <p>1 there's a difference. 14:43:34  2 BY MR. JOHNSTON: 01:59:57  3 Q. If the numbers contained in the 10 March, 14:43:36  4 2007, are the most up-to-date numbers, why would 14:43:41  5 they not have been included in the proxy? 14:43:44  6 MR. DIETZ: Objection. 14:43:48  7 THE WITNESS. I don't know that they 14:43:49  8 were. I mean, they may have been the most 14:43:49  9 up-to-date numbers here. I -- I don't -- I can't 14:43:51  10 speak to why they ended up in Lazard's report. 14:43:54  11 BY MR. JOHNSTON:  12 Q. Okay. Look at the next number down, the 14:43:57  13 gross profit 14:44:00  14 A. Right. 14:44:01  15 Q. And the gross profit in the March 10 14:44:02  16 Bottorff Exhibit No. 20. 14:44:06  17 A. Uh-huh. 14:44:09  18 Q. Those numbers are different. Do you know 14:44:09  19 why those are different? 14:44:11  20 A. No, I don't. 14:44:12  21 Q. Do you have any idea why they're 14:44:13  22 different? 14:44:15  23 A. No. 14:44:15  24 MR. DIETZ. Objection. 14:44:16  25</p>
<p style="text-align: right;">Page 179</p> <p>1 actual, it says, "Improved comp sales growth of 14:42:16  2 3.3 percent offset by lower number of store 14:42:19  3 openings (536)." Exactly what does that mean? 14:42:20  4 MR. DIETZ: Objection. 14:42:35  5 THE WITNESS. This is a -- this is 14:42:35  6 a -- a number that Lazard was presenting to the 14:42:36  7 board. I have no knowledge other than what we see 14:42:40  8 on paper here of -- of the adjustments that they 14:42:43  9 made or didn't make in these forecasts. 14:42:45  10 BY MR. JOHNSTON:  11 Q. Okay. You'll note there under sales for 14:42:53  12 FY07 under the Alpha case, that's identical with 14:42:54  13 what's contained in the proxy, correct? Page 27 14:42:59  14 A. The sales? 14:43:14  15 Q. Yes. 14:43:15  16 A. And the revenue number? 14:43:16  17 Q. Yes. 14:43:18  18 A. Yes. 14:43:18  19 Q. Look at the alternative case sales for 14:43:19  20 FY07. That's a different number that's contained 14:43:21  21 in the proxy, is that right? 14:43:28  22 A. That's correct. 14:43:29  23 Q. Why is that? 14:43:30  24 MR. SAVITT: Objection. 14:43:33  25 THE WITNESS. I -- I don't know why 14:43:33</p>	<p style="text-align: right;">Page 181</p> <p>1 BY MR. JOHNSTON.  2 Q. As we go through, there's several comments 14:44:23  3 that are next to the gross profit. Do you see 14:44:25  4 those in the Bottorff No. 20 exhibit? 14:44:31  5 A. Yes. 14:44:33  6 Q. Report -- excuse me, "Reported gross 14:44:35  7 margin of 25.8 percent versus 26.3 in previous 14:44:37  8 Alpha estimates due to a change in accounting for 14:44:41  9 markdowns." Do you know anything about that? 14:44:42  10 A. I -- no. I mean, I remember us having a 14:44:47  11 change in accounting for markdowns during this 14:44:50  12 period of time, but I couldn't speak to this. 14:44:53  13 Q. The next one is, "Pro forma gross margin, 14:45:02  14 27.5 percent for FY06 based on actual figures for 14:45:05  15 P1 to P10 and management's estimates of sales and 14:45:11  16 gross margin for P11 and P12 excluding Alpha." 14:45:14  17 What is that talking about? 14:45:22  18 MR. DIETZ: Objection. 14:45:22  19 THE WITNESS. Again, I -- I can read 14:45:22  20 it. I can't add anything to -- to what it's 14:45:22  21 saying. I wasn't part of this calculation. 14:45:25  22 BY MR. JOHNSTON: 14:45:27  23 Q. What is P1 to P10? 14:45:28  24 A. That's the first ten operating period -- 14:45:30  25 financial periods of the year. 14:45:33</p>

46 (Pages 178 to 181)

Page 182			Page 184			
1	Q.	Okay. P1 would be?	14:45:35	1	BY MR. JOHNSTON:	14:47:35
2	A.	February.	14:45:37	2	Q.	Again, do you have any idea or information
3	Q.	February?	14:45:38	3	3	as to why the proxy is reflecting 65 cents a share
4	A.	'06, correct.	14:45:39	4	4	for 2007 as opposed to the Bottorff 20 that's
5	Q.	Okay. In looking at any of those	14:45:43	5	5	showing 91 cents a share?
6	6	comments, are you going to be able to tell us	14:45:46	6	A.	No.
7	7	anything more about them other than what it says	14:45:49	7	7	MR. DIETZ. Objection to the form
8	8	on the paper?	14:45:51	8	8	THE WITNESS: No, I don't.
9	A.	No, I'm not.	14:45:52	9	9	BY MR. JOHNSTON:
10	Q.	All right. Let me call your attention	14:46:06	10	10	Q. Is that not something that would be of
11	11	down to the bottom -- before we get to that, where	14:46:07	11	11	importance to the average shareholder in
12	12	it says "Gap EPS" in Bottorff No. 20 --	14:46:10	12	12	attempting to make a determination as to whether
13	A.	Uh-huh.	14:46:15	13	13	he or she should surrender her shares --
14	Q.	-- and under Alpha revised FY06 and FY07,	14:46:15	14	14	MR. DIETZ. Objection
15	15	it says "NM" What does that stand for?	14:46:19	15	15	BY MR. JOHNSTON.
16	16	MR. DIETZ. Objection.	14:46:25	16	16	Q. -- for \$22 a share?
17	17	THE WITNESS. I'm sure I should know,	14:46:26	17	17	MR. DIETZ. Objection.
18	18	but I don't.	14:46:27	18	18	THE WITNESS. In my opinion, I think
19	19	BY MR. JOHNSTON	14:46:27	19	19	the numbers on Page 27 in the proxy are the best
20	20	Q. Is it -- does it mean not material?	14:46:37	20	20	statement that we as Dollar General, the
21	21	MR. DIETZ. Objection.	14:46:40	21	21	management team of Dollar General, have expressed
22	22	THE WITNESS: I -- I wouldn't -- I	14:46:40	22	22	in terms of our best guess, and that's all it is
23	23	wouldn't make that guess.	14:46:41	23	23	And the more important numbers are really in '08
24	24	BY MR. JOHNSTON.	14:46:43	24	24	and '09, as this thing takes off.
25	25	Q. All right. The earnings per share clean	14:46:43	25	25	Any minor adjustments in '07 may be
Page 183			Page 185			
1	1	EPS there shows 91 cents a share. That's	14:46:46	1	1	important, may not be. But the bigger issue in my
2	2	substantially different from what's contained in	14:46:51	2	2	mind has always been the longer term, '08 and '09,
3	3	the proxy; is it not?	14:46:53	3	3	and those numbers are principally the same.
4	4	A. The two numbers don't match.	14:46:55	4	4	BY MR. JOHNSTON:
5	5	MR. DIETZ. Objection.	14:46:58	5	5	Q. Okay. Well, let's -- let's talk about
6	6	THE WITNESS: But they're not -- I	14:46:59	6	6	that. If -- if the numbers are different here
7	7	don't know what clean EPS is, looking at this. We	14:47:01	7	7	for '07 between what's in the proxy and what's
8	8	deal with GAAP numbers.	14:47:03	8	8	contained in these March numbers that Lazard had,
9	9	BY MR. JOHNSTON:	14:47:06	9	9	why would they not -- for example, under Sales,
10	10	Q. Well, just look at the next page of	14:47:07	10	10	why would that not have an effect in 2008 and
11	11	Bottorff 20.	14:47:11	11	11	2009?
12	12	A. Uh-huh.	14:47:12	12	12	A. I --
13	13	Q. You see under Alternative Case, "Adjusted	14:47:13	13	13	MR. DIETZ. Objection.
14	14	EPS"?	14:47:15	14	14	THE WITNESS. I can't answer that.
15	15	A. Yes.	14:47:17	15	15	BY MR. JOHNSTON.
16	16	Q. '07, '08?	14:47:17	16	16	Q. Do you have any idea what went into the
17	17	A. Yes, I do.	14:47:19	17	17	assumption that altered one or the other of these
18	18	Q. '07, '08, and '09?	14:47:20	18	18	numbers?
19	19	A. Right.	14:47:23	19	19	A. No.
20	20	Q. They are identical except for '07. '07 is	14:47:23	20	20	Q. So you don't -- you don't know what has
21	21	identical to the one on the previous page, is that	14:47:27	21	21	gone into that?
22	22	right?	14:47:29	22	22	A. No.
23	23	MR. DIETZ. Objection.	14:47:32	23	23	Q. Do you know whether or not it would be on
24	24	THE WITNESS. That's correct.	14:47:35	24	24	the revenue side or the liability side that
25	25			25	25	created that difference?



<p style="text-align: right;">Page 186</p> <p>1 A. I really don't. 14:49:30</p> <p>2 Q. If we assume just for a moment that there 14:49:35</p> <p>3 was something on the liability side that created 14:49:39</p> <p>4 that difference in numbers, depending on what that 14:49:41</p> <p>5 liability was, would that not more likely than not 14:49:43</p> <p>6 have an impact beyond 2007? 14:49:48</p> <p>7 MR. DIETZ. Objection to form. 14:49:51</p> <p>8 Mr. Johnston, we're asking a hypothetical about 14:49:51</p> <p>9 a -- an expert calculation, and he's not an 14:49:55</p> <p>10 expert, so we're pretty far off track here. 14:49:59</p> <p>11 BY MR. JOHNSTON: 23:59:57</p> <p>12 Q. All right. Well, first of all, can you 14:50:03</p> <p>13 answer the question? 14:50:05</p> <p>14 A. Could you repeat it? I'm sorry, I 14:50:06</p> <p>15 apologize. 14:50:08</p> <p>16 MR. JOHNSTON: Can you read it back 14:50:09</p> <p>17 to him? 14:50:10</p> <p>18 THE WITNESS: Yeah, read it back to 14:50:10</p> <p>19 me I apologize. 14:50:11</p> <p>20 (Reporter read back requested 14:50:29</p> <p>21 maternal.) 14:50:29</p> <p>22 THE WITNESS: Not necessarily. You 14:50:30</p> <p>23 can have one time -- a change in estimates and 14:50:31</p> <p>24 one-time cost. There are a number of things that 14:50:34</p> <p>25 could be one-year oriented. 14:50:36</p>	<p style="text-align: right;">Page 188</p> <p>1 A. No. 14:51:53</p> <p>2 Q. -- on March 10 -- 14:51:53</p> <p>3 A. No. 14:51:54</p> <p>4 Q. -- by Lazard? 14:51:55</p> <p>5 A. No. 14:51:56</p> <p>6 Q. Do you remember whether or not Lazard 14:51:58</p> <p>7 explained the impact of the numbers that they were 14:51:59</p> <p>8 presenting to you in this document on March 10? 14:52:03</p> <p>9 A. No. 14:52:08</p> <p>10 Q. Do you remember anything about the 14:52:09</p> <p>11 assumptions that they told you that they took into 14:52:10</p> <p>12 account to pro- -- to provide these or present 14:52:14</p> <p>13 these numbers to you on March 10? 14:52:17</p> <p>14 A. No. 14:52:23</p> <p>15 Q. Do the -- do the numbers in the general 14:52:25</p> <p>16 overall presentation that Lazard was presenting on 14:52:28</p> <p>17 March 10 indicate to the board that Project Alpha 14:52:31</p> <p>18 was going at least as well as planned, if not 14:52:34</p> <p>19 better? 14:52:38</p> <p>20 MR. DIETZ. Objection. 14:52:40</p> <p>21 THE WITNESS: I don't remember that 14:52:41</p> <p>22 representation. 14:52:41</p> <p>23 BY MR. JOHNSTON: 14:52:41</p> <p>24 Q. Was it implied? 14:52:45</p> <p>25 MR. DIETZ. Objection. 14:52:46</p>
<p style="text-align: right;">Page 187</p> <p>1 BY MR. JOHNSTON: 23:59:57</p> <p>2 Q. Okay. As you sit here today, though, you 14:50:39</p> <p>3 don't know what those assumptions were that have 14:50:41</p> <p>4 created this difference in numbers? 14:50:43</p> <p>5 A. No, I don't -- I can't. 14:50:45</p> <p>6 Q. The Bottorff Exhibit 20 is a document that 14:50:46</p> <p>7 we've already identified and you've testified to 14:50:51</p> <p>8 was presented by Lazard at the board meeting on 14:50:55</p> <p>9 the 10th. What specifically did they tell you 14:50:58</p> <p>10 about the numbers that were being presented in 14:51:03</p> <p>11 this document? 14:51:05</p> <p>12 A. I don't recall specifically on any page 14:51:12</p> <p>13 what they talked about. I can tell you in general 14:51:14</p> <p>14 terms what they came to with regard to their -- 14:51:17</p> <p>15 not fairness opinion but their view of the 14:51:23</p> <p>16 relative perspective around \$22 a share based on 14:51:26</p> <p>17 their analysis. They didn't issue a fairness 14:51:29</p> <p>18 opinion that day, but they went through this 14:51:32</p> <p>19 analysis in not so much detail actually because a 14:51:34</p> <p>20 lot of these numbers had been wrestled with for 14:51:39</p> <p>21 quite a while. 14:51:42</p> <p>22 Q. So just to -- to clarify, you -- you 14:51:45</p> <p>23 cannot tell us that you remember what was said 14:51:48</p> <p>24 specifically about the numbers that were being 14:51:50</p> <p>25 presented -- 14:51:52</p>	<p style="text-align: right;">Page 189</p> <p>1 THE WITNESS: I just don't remember 14:52:46</p> <p>2 what Lazard had to say about that. 14:52:48</p> <p>3 BY MR. JOHNSTON.</p> <p>4 Q. Let's turn over in Bottorff 20 to Page 14, 14:53:27</p> <p>5 the -- the page that is marked 14 at the bottom. 14:53:31</p> <p>6 This -- this page is Summary DCF Analysis, and it 14:53:33</p> <p>7 lists a few things here. Let me call your 14:53:37</p> <p>8 attention to the -- the second bullet point under 14:53:59</p> <p>9 Free Cash Flows for FY07 to FY11. Do you see 14:54:03</p> <p>10 that? 14:54:11</p> <p>11 A. I do. 14:54:11</p> <p>12 Q. And -- and there is -- going through and 14:54:11</p> <p>13 explaining this, and then in parenthesis it says 14:54:13</p> <p>14 that these various figures are grossed up by 14:54:17</p> <p>15 inflation of three percent. That's telling you 14:54:20</p> <p>16 that they're taking into account inflation in the 14:54:23</p> <p>17 future being -- running at three percent per annum; 14:54:26</p> <p>18 is that right? 14:54:30</p> <p>19 MR. DIETZ. Objection. 14:54:31</p> <p>20 THE WITNESS. I would interpret it 14:54:31</p> <p>21 that way 14:54:32</p> <p>22 BY MR. JOHNSTON. 14:54:32</p> <p>23 Q. And then under the Alpha case and the 14:54:33</p> <p>24 alternative case on that page, there are -- 14:54:37</p> <p>25 reflecting various numbers at different growth 14:54:43</p>

<p style="text-align: right;">Page 190</p> <p>1 rates Do you see that? 2 percent, 2.25 percent, 14:54:46  2 and 2.5 percent under each scenario? 14:54:51  3 A. Right. 14:54:54  4 Q. Does -- does that mean that under this 14:54:55  5 analysis that what Lazard is doing is suggesting 14:54:58  6 that in real dollar terms Dollar General was going 14:55:05  7 to lose money over the upcoming years? 14:55:09  8 MR. DIETZ. Objection. 14:55:13  9 THE WITNESS. I can't -- I can't 14:55:15  10 interpret -- I can't interpret that. I don't -- I 14:55:19  11 don't see that. 14:55:21  12 BY MR. JOHNSTON.  13 Q. Well, if they're estimating Dollar General 14:55:22  14 growth at, say, 2 -- 2.5 percent per annum, but 14:55:25  15 they're estimating inflation to be at 3 percent, 14:55:30  16 is that -- is that not a loss in constant dollar 14:55:34  17 terms? 14:55:37  18 A. I'm not -- I'm not sure what this page is 14:55:38  19 in retrospect. I don't know if that's growth or 14:55:41  20 if that's same store sale growth. I don't -- I 14:55:45  21 don't know what that number is perpetual -- 14:55:49  22 MR. DIETZ. Continuing objection to 14:55:52  23 this line of questioning about an expert's expert 14:55:53  24 calculations. 14:55:56  25</p>	<p style="text-align: right;">Page 192</p> <p>1 Q. And I'm -- I apologize because I -- I'm -- 15:27:53  2 I may be mixing up what I -- what you said with 15:27:56  3 what I think you said, so I want to be -- I want 15:27:59  4 to clarify this point. 15:28:01  5 In regard to where the numbers came from 15:28:06  6 that are contained in this document, let me call 15:28:08  7 your attention to the disclaimer that's on the 15:28:11  8 second page. Just take a minute and look at that. 15:28:15  9 Okay. Based generally on your knowledge 15:28:54  10 of what's in the numbers and then looking at the 15:28:56  11 disclaimer, is it your understanding that the 15:28:58  12 numbers that Lazard has presented in this document 15:29:02  13 are numbers that came from Dollar General? 15:29:04  14 A. I'm aware that there are -- that the 15:29:11  15 company provided information. I don't know which 15:29:14  16 numbers were used in this document. 15:29:16  17 Q. Right. And -- and I appreciate the fact 15:29:18  18 that you can't say that specifically. 15:29:24  19 You have described to us the process that 15:29:26  20 is used to develop those numbers? 15:29:28  21 A. Correct. 15:29:30  22 Q. And is it reasonable for anyone to assume, 15:29:31  23 who's read this and who knows that process, that 15:29:35  24 the numbers reflected in this document are, in 15:29:36  25 fact, a result of that process -- 15:29:41</p>
<p style="text-align: right;">Page 191</p> <p>1 BY MR. JOHNSTON. 14:55:56  2 Q. When you say you don't know what that 14:55:57  3 number means, you're talking about the perpetual 14:55:58  4 growth rate number? 14:56:02  5 A. Correct, correct. 14:56:03  6 Q. Do you -- do you know what the other 14:56:04  7 numbers are -- 14:56:06  8 A. No. 14:56:07  9 Q. -- below that? 14:56:08  10 A. No. And I don't remember what WACC is. 14:56:09  11 MR. JOHNSTON: He's got to change the 14:56:20  12 tape in just a couple minutes. Do you want to 14:56:22  13 just let him do that? 14:56:24  14 THE VIDEOGRAPHER. Going off the 14:56:25  15 record at 2:56. 14:56:26  16 (Brief recess observed.) 15:03:42  17 THE VIDEOGRAPHER: We're back on the 15:27:32  18 record. This is Tape No. 3 in the deposition of 15:27:33  19 Mr. Perdue, and the time is 3:27. 15:27:36  20 BY MR. JOHNSTON. 23:59:57  21 Q. Mr. Perdue, I want to go back to the 15:27:42  22 Bottorff Exhibit 20 document for just a minute. 15:27:45  23 A. Right. 15:27:49  24 Q. We were talking about that earlier. 15:27:51  25 A. Uh-huh. 15:27:52</p>	<p style="text-align: right;">Page 193</p> <p>1 MR. DIETZ. Objection to the form. 15:29:44  2 BY MR. JOHNSTON. 15:29:46  3 Q. -- at least in part? 15:29:46  4 MR. SAVITT: Objection to the form. 15:29:47  5 THE WITNESS: I'm not sure I can 15:29:48  6 agree to that because I don't know what they did 15:29:49  7 with the numbers that came to them. 15:29:51  8 BY MR. JOHNSTON. 15:29:52  9 Q. Okay. Okay. What I thought I heard you 15:29:53  10 say in regard to some of the numbers, some of the 15:30:09  11 assumptions that are included in this document is 15:30:11  12 that you don't know what they are and don't know 15:30:13  13 where they came from. Is that a fair recitation 15:30:15  14 of what you told me earlier? 15:30:19  15 A. On the page that we were talking about? 15:30:20  16 Q. Yes. 15:30:22  17 A. That's correct. 15:30:26  18 Q. Okay. You are the CEO of Dollar General? 15:30:29  19 A. Correct. 15:30:31  20 Q. You are the chairman of the board. At 15:30:32  21 this board meeting where this document, Bottorff 15:30:36  22 No. 20, is being presented to you, the 15:30:39  23 recommendation is being made to the board to tell 15:30:43  24 the shareholders that \$22 a share is a fair value 15:30:47  25 and that they should accept this deal, correct? 15:30:52</p>

<p style="text-align: right;">Page 194</p> <p>1 That's correct? 15:30:55</p> <p>2 A. Yes. 15:30:55</p> <p>3 Q. And you had an opportunity to ask as many 15:30:58</p> <p>4 questions as you could have wanted, correct? 15:31:00</p> <p>5 A. Right. 15:31:04</p> <p>6 Q. Do you remember asking any questions? 15:31:05</p> <p>7 A. Personally? 15:31:06</p> <p>8 Q. Yes. 15:31:08</p> <p>9 A. No. 15:31:08</p> <p>10 Q. Do you remember whether or not anybody 15:31:09</p> <p>11 asked any questions regarding the numbers that 15:31:10</p> <p>12 were contained on either 4 or 5 or later on 15:31:12</p> <p>13 Page 14 that we've looked at? 15:31:17</p> <p>14 A. I don't remember any specific questions. 15:31:20</p> <p>15 There was a dialogue around the presentation. 15:31:22</p> <p>16 Q. Do you believe that it is a proper 15:31:27</p> <p>17 exercise of the fiduciary duty of a board member 15:31:30</p> <p>18 to make a recommendation to his or her 15:31:33</p> <p>19 shareholders to accept an offer based on documents 15:31:36</p> <p>20 that are being presented to you that you do not 15:31:40</p> <p>21 fully understand? 15:31:43</p> <p>22 MR. DIETZ. Objection. 15:31:44</p> <p>23 THE WITNESS. Look, we -- we made a 15:31:47</p> <p>24 decision -- from my perspective, \$22 was a 15:31:48</p> <p>25 great price for our shareholders, evidenced by the 15:31:53</p>	<p style="text-align: right;">Page 196</p> <p>1 here, you -- you did not know what it was and did 15:33:04</p> <p>2 not understand what these numbers reflect, is that 15:33:06</p> <p>3 right? 15:33:09</p> <p>4 A. I'm -- I'm relating to you today that 15:33:09</p> <p>5 sitting here today -- 15:33:11</p> <p>6 MR. DIETZ. Objection. 15:33:12</p> <p>7 THE WITNESS -- I don't recall what 15:33:13</p> <p>8 those numbers were. 15:33:14</p> <p>9 BY MR. JOHNSTON. 23:00:57</p> <p>10 Q. All right. Are you trying to tell us that 15:33:16</p> <p>11 you did know at the time but you've forgotten 15:33:17</p> <p>12 since then? 15:33:19</p> <p>13 A. I can't relate to that either. 15:33:20</p> <p>14 Q. You don't know that? 15:33:22</p> <p>15 A. I -- I don't know that sitting here. 15:33:23</p> <p>16 Q. So you don't know whether you knew at the 15:33:24</p> <p>17 time? 15:33:25</p> <p>18 A. No. 15:33:26</p> <p>19 Q. Or understood at the time? 15:33:27</p> <p>20 A. No. 15:33:30</p> <p>21 Q. All right. Again, my question to you is, 15:33:30</p> <p>22 do you believe that it is a proper exercise of a 15:33:32</p> <p>23 board member's fiduciary duty to make a 15:33:37</p> <p>24 recommendation to shareholders based at least in 15:33:39</p> <p>25 part on figures and numbers in a proposal or a -- 15:33:41</p>
<p style="text-align: right;">Page 195</p> <p>1 fact that we've gotten tremendous feedback from 15:31:56</p> <p>2 those shareholders post this public announcement. 15:31:59</p> <p>3 Having said that, there were a lot of 15:32:02</p> <p>4 pieces of information that I used to vote my 15:32:03</p> <p>5 position on the -- on the board as one member of 15:32:05</p> <p>6 that board, and those -- that information was 15:32:07</p> <p>7 certainly not limited to the Lazard presentation 15:32:11</p> <p>8 on March the 10th 15:32:13</p> <p>9 I run this company. I'm intimate 15:32:14</p> <p>10 with the risk and the -- the challenges to the 15:32:16</p> <p>11 company. I'm also intimate with the strategy 15:32:18</p> <p>12 before us, and I looked at all of that 15:32:22</p> <p>13 And when we did our own analysis in 15:32:26</p> <p>14 terms of how you would evaluate the prospective 15:32:28</p> <p>15 future of the company, and I look at taking a risk 15:32:35</p> <p>16 of -- a non-risk related price for our shareholders 15:32:38</p> <p>17 of \$22 a day versus the option of implementing 15:32:41</p> <p>18 Alpha over the next three years and knowing the 15:32:44</p> <p>19 risk attendant with that, my position was, by the 15:32:46</p> <p>20 March 10th meeting, was that \$22 was a tremendous 15:32:50</p> <p>21 price for our shareholders. 15:32:54</p> <p>22 BY MR. JOHNSTON 15:32:55</p> <p>23 Q. Okay. Let me go back to my question. 15:32:56</p> <p>24 You've -- you've told us that as to some of these 15:32:58</p> <p>25 numbers and some of the information contained in 15:33:02</p>	<p style="text-align: right;">Page 197</p> <p>1 an analysis that's being presented to you that you 15:33:46</p> <p>2 do not fully understand? 15:33:49</p> <p>3 A. Again -- 15:33:50</p> <p>4 MR. DIETZ: Objection 15:33:51</p> <p>5 THE WITNESS. Again, let me -- let me 15:33:51</p> <p>6 respond by saying that we viewed this 15:33:53</p> <p>7 recommendation. In the general terms, I 15:33:56</p> <p>8 understood their process, I understood our 15:33:58</p> <p>9 estimates in terms of our valuation of what the 15:33:59</p> <p>10 future forecast was. That's all it was were 15:34:02</p> <p>11 forecasts. And I looked at this valuation, the 15:34:06</p> <p>12 way they present valued all of that. In general 15:34:10</p> <p>13 terms, it made sense 15:34:12</p> <p>14 There were a lot of analyses done 15:34:14</p> <p>15 during this exercise that I didn't personally 15:34:15</p> <p>16 participate in, nor did I understand all of the 15:34:16</p> <p>17 details of how they got there 15:34:18</p> <p>18 In general terms, I understood all 15:34:20</p> <p>19 about how the process was undertaken and how this 15:34:22</p> <p>20 valuation was -- was taken. 15:34:25</p> <p>21 And, again, I'll reiterate, when I 15:34:28</p> <p>22 look at this in conjunction with all the other 15:34:30</p> <p>23 data that I had, my vote was voted on -- on the 15:34:32</p> <p>24 mere fact that I felt like \$22 was a price that I 15:34:36</p> <p>25 could not vote against taking to the shareholders. 15:34:39</p>



<p style="text-align: right;">Page 198</p> <p>1 BY MR. JOHNSTON: 15:34:42</p> <p>2 Q. All right. I think I know what your 15:34:43</p> <p>3 answer is to my question, but I'm not sure because 15:34:45</p> <p>4 you haven't really -- you've given me an 15:34:49</p> <p>5 explanation, but you haven't given me an answer. 15:34:52</p> <p>6 MR. DIETZ: Objection. 15:34:56</p> <p>7 BY MR. JOHNSTON: 15:34:56</p> <p>8 Q. Is the answer to my question, yes, you 15:34:56</p> <p>9 believe that it's the proper exercise of a board 15:34:59</p> <p>10 person's fiduciary duty, or, no, it is not and 15:35:01</p> <p>11 then with your explanation? 15:35:04</p> <p>12 MR. DIETZ: Objection to the form. 15:35:06</p> <p>13 Objection, asked and answered twice. 15:35:07</p> <p>14 THE WITNESS: You know, I don't know 15:35:13</p> <p>15 how to add to what I've already answered. We 15:35:14</p> <p>16 fulfilled, in my opinion, our fiduciary 15:35:16</p> <p>17 responsibility by being very deliberate in this 15:35:19</p> <p>18 process, by understanding we had an audit 15:35:21</p> <p>19 committee, we had a finance committee, we had a 15:35:23</p> <p>20 strategic planning committee, and the full board 15:35:27</p> <p>21 participated in these different investigations, 15:35:30</p> <p>22 these different analyses. 15:35:33</p> <p>23 And as far as you can expect any 15:35:34</p> <p>24 individual of a public company board to understand 15:35:34</p> <p>25 how the numbers were calculated, I'm very 15:35:35</p>	<p style="text-align: right;">Page 200</p> <p>1 THE WITNESS. I don't think -- 15:36:42</p> <p>2 MR. DIETZ. Objection because it 15:36:44</p> <p>3 calls for a legal conclusion Objection, asked 15:36:45</p> <p>4 and answered. 15:36:49</p> <p>5 BY MR. JOHNSTON. 15:36:49</p> <p>6 Q. Now you can answer. 15:36:50</p> <p>7 A. I've given you my answer. My answer is 15:36:51</p> <p>8 that we could pick any document that was presented 15:36:56</p> <p>9 to this board, and there are probably nuances in 15:36:58</p> <p>10 any one document. When it comes to the material 15:37:01</p> <p>11 aspects of the conclusions drawn from these 15:37:03</p> <p>12 documents, I fully understand what was involved in 15:37:05</p> <p>13 that. So the answer is yes. 15:37:08</p> <p>14 Q Well, I'm not sure that I'm understanding 15:37:11</p> <p>15 the -- the responses because, I mean, for example, 15:37:13</p> <p>16 one of the numbers that you didn't know where it 15:37:17</p> <p>17 came from was net sales for FY07 under the Alpha 15:37:19</p> <p>18 revised case. 15:37:27</p> <p>19 A. What page are you on? 15:37:28</p> <p>20 Q. On Page 4. You weren't sure about the 15:37:29</p> <p>21 clean EPS, and you weren't sure about any of the 15:37:33</p> <p>22 assumptions that were listed here under the 15:37:35</p> <p>23 comments. 15:37:38</p> <p>24 MR. DIETZ. Objection. 15:37:43</p> <p>25</p>
<p style="text-align: right;">Page 199</p> <p>1 comfortable that this board got to a very high 15:35:41</p> <p>2 level of proficiency with an under -- with a 15:35:41</p> <p>3 general understanding of what these conclusions 15:35:44</p> <p>4 meant. 15:35:46</p> <p>5 BY MR. JOHNSTON: 23:59:57</p> <p>6 Q. And I -- and I can certainly appreciate 15:35:46</p> <p>7 that. But my questions here are to you. You're 15:35:50</p> <p>8 both the CEO and the chairman of this board. And 15:35:53</p> <p>9 today you have told us that at least as to some of 15:35:57</p> <p>10 this information contained in this presentation by 15:36:00</p> <p>11 Lazard on March the 10th, the board meeting at 15:36:04</p> <p>12 which the decision was made, you don't -- you 15:36:08</p> <p>13 don't know and you don't understand 15:36:11</p> <p>14 A. In addition -- sorry. 15:36:14</p> <p>15 Q. What I'm -- what I'm asking, what I'm 15:36:16</p> <p>16 trying to find out from you -- and really you can 15:36:18</p> <p>17 explain, and I appreciate any explanation, but I 15:36:20</p> <p>18 would like either a yes or a no along with your 15:36:22</p> <p>19 explanation 15:36:26</p> <p>20 Do you believe that it is a proper 15:36:27</p> <p>21 exercise of fiduciary duty of a board member to 15:36:29</p> <p>22 make a recommendation to shareholders to sell on 15:36:33</p> <p>23 the basis, at least in part, of a presentation 15:36:36</p> <p>24 that you do not understand? 15:36:39</p> <p>25 MR. DIETZ. Objection to the form. 15:36:41</p>	<p style="text-align: right;">Page 201</p> <p>1 BY MR. JOHNSTON. 15:37:43</p> <p>2 Q. So how do you square that with your answer 15:37:43</p> <p>3 that you just gave me? 15:37:46</p> <p>4 A. I square that because I understood the 15:37:47</p> <p>5 general process. I understood the numbers that we 15:37:51</p> <p>6 had given them as our estimates and the general 15:37:53</p> <p>7 conclusion at the end of the day of that range of 15:37:56</p> <p>8 valuation, all right, that they had come up with 15:38:01</p> <p>9 And I looked at that difference. And then I 15:38:03</p> <p>10 looked at the risk. And I -- I, better than 15:38:04</p> <p>11 anybody else in the room, understood the risk 15:38:06</p> <p>12 involved of achieving what we had put on the 15:38:08</p> <p>13 board. And I concluded that \$22 was a number I 15:38:11</p> <p>14 could not vote against taking to the shareholders 15:38:13</p> <p>15 MR. DIETZ. Continuing objection to 15:38:15</p> <p>16 the question. It mischaracterizes his prior 15:38:16</p> <p>17 testimony. 15:38:18</p> <p>18 BY MR. JOHNSTON 15:38:18</p> <p>19 Q. Okay. Why do you say that you better than 15:38:19</p> <p>20 any other in the room understood the risk? 15:38:22</p> <p>21 A. Of everybody else in the room, I was the 15:38:24</p> <p>22 only one, besides David Beré who at that time was 15:38:27</p> <p>23 part of management, was management, so we lived 15:38:30</p> <p>24 through day to day as opposed to anecdotally being 15:38:33</p> <p>25 involved in it. 15:38:36</p>

51 (Pages 198 to 201)

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1 Q. As of March the 10th, 2007, Project Alpha 15:38:52  
 2 had been implemented, and you had received 15:38:58  
 3 information, as you indicated earlier, on -- in 15:39:01  
 4 some cases, hourly, on the results of that 15:39:09  
 5 implementation, is that -- is that a fair 15:39:12  
 6 characterization -- 15:39:15  
 7 A. That's fair, yes 15:39:16  
 8 Q. -- of what you've testified to? 15:39:17  
 9 A. That's correct. 15:39:19  
 10 Q. So as of March the 10th, 2007, you had an 15:39:20  
 11 idea of where that project was in terms of its 15:39:22  
 12 implementation, and you had an idea of what 15:39:24  
 13 aspects of it were on target and how that might 15:39:28  
 14 impact numbers such as these, such as sales and 15:39:33  
 15 EPS, is that fair? 15:39:37  
 16 A. That's fair. 15:39:39  
 17 Q. All right. I've asked you this generally, 15:39:46  
 18 but I'm not sure that I've asked you this 15:39:48  
 19 specifically as of March 10, so let me do so now. 15:39:50  
 20 As of March 10, give me as many specifics as you 15:39:53  
 21 can regarding what was on track and what was not 15:39:56  
 22 in terms of implementation of Project Alpha. 15:40:00  
 23 A. Closing of the first tranche of stores, 15:40:04  
 24 and, again, it was generally in the 130 to 140 15:40:06  
 25 number of stores, had -- we had started that 15:40:09

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1 process. We had started the process of selling 15:40:12  
 2 off and marking down some of the inventory -- not 15:40:16  
 3 all of it, but some of the inventory. And so the 15:40:18  
 4 characterization that it was implemented -- I 15:40:21  
 5 don't think you meant that it was complete. It 15:40:23  
 6 had been started. The implementation had been 15:40:25  
 7 started. 15:40:29  
 8 We were generally on track with the timing 15:40:31  
 9 of open -- closing those 400 -- 130 or --40 stores. 15:40:33  
 10 We were generally on track with the -- the overall 15:40:37  
 11 sale of the merchandise. We had spent a little 15:40:39  
 12 bit more money on marketing, advertising than we 15:40:41  
 13 thought. 15:40:44  
 14 But generally we were very close, within, 15:40:45  
 15 you know, a reasonable range of acceptability 15:40:48  
 16 around what we had forecast. 15:40:50  
 17 But I'll caution you, it was extremely 15:40:52  
 18 early in the process. And by the way, the biggest 15:40:55  
 19 risk to Alpha had not even started and wouldn't 15:40:58  
 20 even start until sometime in '08. And that is 15:41:01  
 21 when we would try to attack our first clean season 15:41:05  
 22 without having the burden of this -- this 15:41:10  
 23 noncurrent season inventory. So I had no 15:41:12  
 24 information about -- about that. 15:41:15  
 25 What I did have information on was the 15:41:16

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1 store closings and the -- and the inventory 15:41:21  
 2 We had, also, during that period of time, 15:41:22  
 3 talked about the slowdown in new store growth. So 15:41:24  
 4 we were getting evaluations done around how many 15:41:27  
 5 leases were in the pipeline, how many of them -- 15:41:31  
 6 and how did that fit in with this current plan 15:41:34  
 7 for '07, and what that would mean to the plan 15:41:36  
 8 for '08. So those are the three things that were 15:41:39  
 9 underway by that March 10th. 15:41:42  
 10 But, again, we had basically February and 15:41:45  
 11 to some degree a little bit in January, so we're 15:41:48  
 12 talking about four to five or six weeks worth 15:41:51  
 13 of -- of involvement here in terms of actual hard 15:41:53  
 14 core implementation. 15:41:56  
 15 Q. Right. I understand. 15:41:58  
 16 Before we conclude, I may want to come 15:42:34  
 17 back to what we are talking about here. 15:42:36  
 18 A. Sure. 15:42:39  
 19 Q. But -- but for the moment, just for a 15:42:39  
 20 minute anyway, I want to switch gears and ask you 15:42:41  
 21 about something completely different. 15:42:45  
 22 (Marked Exhibit No. 9 ) 15:43:08  
 23 BY MR. JOHNSTON: 23:59:57  
 24 Q. This is an e-mail -- and I'm not sure why 15:43:12  
 25 Tammy Moseley's name is at the top, but it appears 15:43:17

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1 to be from Mike Calbert to you. 15:43:20  
 2 Who is Tammy Moseley? 15:43:26  
 3 A. She's my assistant. 15:43:28  
 4 Q. Okay. So she would be the person who 15:43:29  
 5 keeps this file? Is that why her name is there? 15:43:31  
 6 A. Generally. If she copies something like 15:43:34  
 7 this, sometimes she'll copy it and put it in a 15:43:35  
 8 file just to make sure that -- and it's just a 15:43:41  
 9 routine way of handling e-mails. 15:43:44  
 10 Q. Sure. Very short e-mail, "David, we are 15:43:51  
 11 fine with the 2007 long-term equity grants as 15:43:54  
 12 proposed." 15:43:56  
 13 A. Right. 15:43:57  
 14 Q. What is he making reference to there? 15:43:57  
 15 A. Again, in the spirit of collaboration, 15:44:00  
 16 during this period of time -- this was March 23 -- 15:44:03  
 17 Dollar General normally in this period of time 15:44:07  
 18 goes through its long-term incentive part of its 15:44:08  
 19 compensation plan with the executives that 15:44:13  
 20 participate. 15:44:17  
 21 We generally have several pieces of 15:44:17  
 22 compensation. One is base, one is bonus based on 15:44:19  
 23 actual performance in a given year. It's an 15:44:22  
 24 annual bonus, not quarterly, for most executive. 15:44:25  
 25 And then this long-term incentive plan. 15:44:26

<p style="text-align: right;">Page 206</p> <p>1 That long-term incentive plan is normally done in 15:44:29  2 the March time frame each year. There had been 15:44:32  3 some diversions from that in the past, but for the 15:44:35  4 last couple of years, March was the time frame to 15:44:38  5 do that 15:44:40  6 In the light of the transition and so 15:44:42  7 forth, the question came up, what do we do about 15:44:43  8 these grants? 15:44:46  9 The decision was taken by the compensation 15:44:48  10 committee and the board to make these grants this 15:44:51  11 year, but they wanted me to seek approval from KKR 15:44:53  12 that they didn't have something else in mind 15:44:56  13 postclosing that would -- that this would be a 15:44:58  14 problem. 15:45:02  15 And so that's all I did was -- was seek 15:45:02  16 out their approval in this. 15:45:06  17 Q. Okay. So this -- this doesn't have 15:45:09  18 anything to do with discussions of equity in -- 15:45:11  19 A. No 15:45:14  20 Q. -- the -- the new deal? 15:45:14  21 A. Not at all. 15:45:16  22 Q. I think we've pretty much talked about 15:45:24  23 that aspect of this earlier. I just want to be 15:45:26  24 sure that I've crossed every T and dotted every I 15:45:33  25 on that -- 15:45:36</p>	<p style="text-align: right;">Page 208</p> <p>1 BY MR. JOHNSTON.  2 Q. You know -- 15:46:52  3 A. I'm sorry, prior -- third is, prior to any 15:46:52  4 conversation -- any -- prior to March 10, there 15:46:55  5 was absolutely no conversation between -- to my 15:46:57  6 knowledge of any management person or group with 15:47:00  7 any of these people about what the potential 15:47:03  8 management deal would be postclosing. 15:47:05  9 Q. Well, but -- would you assume, as you did, 15:47:11  10 you testified earlier that you went into this with 15:47:14  11 your eyes open. I mean, anybody that can read the 15:47:16  12 newspaper can know that management has an 15:47:19  13 opportunity to participate in a lot of these. 15:47:22  14 And so would you assume that most of 15:47:24  15 senior management would at least have understood 15:47:26  16 that that was the possibility? 15:47:28  17 A. That was a conclusion -- 15:47:29  18 MR. DIETZ: Objection to form. 15:47:32  19 MR. McEVROY: Objection to form. 15:47:33  20 THE WITNESS: Okay. I'm -- my 15:47:34  21 understanding was based on what KKR had said was 15:47:35  22 that they would like to keep the team in place. I 15:47:37  23 knew -- this is a fact. I knew that they would 15:47:40  24 have to come up with some sort of substitution for 15:47:43  25 the long-term incentive plan that existed as a 15:47:47</p>
<p style="text-align: right;">Page 207</p> <p>1 A. Sure. 15:45:37  2 Q. -- that I can think of 15:45:37  3 In regard to future equity positions in 15:45:41  4 the new entity once it is taken private, you told 15:45:47  5 us earlier that you believed that the senior 15:45:51  6 management team not only would be retained but 15:45:55  7 would be invited to participate in that. Is 15:45:58  8 that -- is that correct that you told us that? 15:46:01  9 MR. McEVROY: Objection to form. 15:46:05  10 THE WITNESS: You know, the first 15:46:06  11 time I had -- I have two inputs. One I've 15:46:07  12 testified -- I think I've testified in both of 15:46:10  13 these. One is that Mike Calbert on one of his 15:46:14  14 visits or one of -- his first visit in made a 15:46:17  15 comment internally to different groups in the 15:46:18  16 building that they had reviewed the management 15:46:19  17 team and wanted to keep the broader team intact. 15:46:22  18 The second one was a piece of 15:46:25  19 information as I know that Mike has engaged a 15:46:29  20 dialogue with just recently, just in the last few 15:46:31  21 weeks, with the management team other than me 15:46:36  22 regarding what their potential proposal is for an 15:46:38  23 equity situation postclosing. And those are the 15:46:41  24 two pieces -- the two facts I -- I can speak to 15:46:46  25</p>	<p style="text-align: right;">Page 209</p> <p>1 public company. 15:47:53  2 BY MR. JOHNSTON: 15:47:53  3 Q. Going back for just a minute to the 15:48:18  4 March 10 meeting and your knowledge of 15:48:20  5 Project Alpha's implementation as of March 10. 15:48:27  6 Can you -- can you tell us as of March 10 your 15:48:33  7 belief of the financial impact to date of that 15:48:36  8 implementation? 15:48:43  9 MR. DIETZ: To date meaning March 10? 15:48:48  10 MR. JOHNSTON: Yes. 15:48:50  11 MR. DIETZ: Okay. 15:48:51  12 THE WITNESS: I don't recollect that 15:48:57  13 I had any financial impact information at that 15:48:57  14 early date, given that the financial -- fiscal 15:49:00  15 year had just ended -- and -- and the fourth 15:49:04  16 quarter had just ended on January 31. We normally 15:49:05  17 don't get those until later in -- in March. 15:49:08  18 BY MR. JOHNSTON:  19 Q. Okay. Let me ask you for some 15:49:12  20 clarification on that last answer. Are you saying 15:49:16  21 that you personally did not have information as to 15:49:18  22 the financial impact of the implementation of 15:50:03  23 Project Alpha as of March 10? 15:50:07  24 A. That's correct. 15:50:13  25 Q. Is that what you're trying to -- 15:50:13</p>

53 (Pages 206 to 209)



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1 A. That's correct. 15:50:15  
 2 Q. Okay. It's not that the people involved 15:50:15  
 3 in the process of developing projections and 15:50:23  
 4 numbers and all of that wouldn't have had that 15:50:26  
 5 basic information? You personally didn't have it? 15:50:27  
 6 A. I personally didn't have it. I personally 15:50:30  
 7 didn't have it 15:50:32  
 8 Q. Okay. Do you believe that that 15:50:35  
 9 information was provided to Lazard? 15:50:36  
 10 MR. DIETZ: Objection. 15:50:42  
 11 THE WITNESS: I don't -- I don't know 15:50:42  
 12 what was provided to Lazard other than what we've 15:50:44  
 13 already talked about. 15:50:47  
 14 BY MR. JOHNSTON: 15:50:48  
 15 Q. And -- and you don't know why the Lazard 15:50:54  
 16 numbers in the March 10 presentation book are -- 15:50:58  
 17 are different from those in the proxy? 15:51:00  
 18 MR. DIETZ: Objection. 15:51:04  
 19 THE WITNESS: No. 15:51:05  
 20 MR. DIETZ: Again. 15:51:06  
 21 MR. JOHNSTON: I think that's all the 15:51:14  
 22 questions I have. 15:51:15  
 23 THE WITNESS: Okay. 15:51:16  
 24 MR. SAVITT: I want to -- actually, I 15:51:18  
 25 think we should talk. 15:51:19

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1 MR. DIETZ: Take a little break. 15:51:21  
 2 THE VIDEOGRAPHER: Going off the 15:51:23  
 3 record at 3:51. 15:51:23  
 4 (Brief recess observed.) 15:51:26  
 5 THE VIDEOGRAPHER: We're back on the 16:03:06  
 6 record at 4:03. 16:03:07  
 7 MR. DIETZ: We have no questions. 16:03:11  
 8 Thank you. 16:03:12  
 9 MR. McEVROY: Before we go off the 16:03:14  
 10 record, are we -- we are designating this 16:03:15  
 11 transcript as confidential? 16:03:19  
 12 MR. DIETZ: As confidential under the 16:03:22  
 13 terms of the protective order that has been 16:03:23  
 14 submitted to the court. And we would ask that 16:03:25  
 15 every page of the transcript be marked as 16:03:28  
 16 confidential. 16:03:32  
 17 MR. SAVITT: Reserving the right to 16:03:33  
 18 designate portions as highly confidential as 16:03:35  
 19 accordingly. 16:03:37  
 20 THE VIDEOGRAPHER: This will conclude 16:03:40  
 21 the deposition. The time is 4:03. 16:03:41  
 22 FURTHER DEPONENT SAITH NOT. 16:03:44  
 23 16:03:44  
 24 16:03:44  
 25

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1 SWORN to before me when taken,  
 2 June 4, 2007.  
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 4  
 5 \_\_\_\_\_  
 6 ELISABETH A. MILLER, RPR, CRR  
 7 Notary Public, Tennessee  
 8 My Commission Expires: 3/11/2011  
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1 REPORTER'S CERTIFICATE  
 2  
 3 I, Elisabeth A. Miller, Notary  
 4 Public, Registered Professional Reporter, and  
 5 Certified Realtime Reporter, do hereby certify  
 6 that I recorded to the best of my skill and  
 7 ability by machine shorthand all the proceedings  
 8 in the foregoing transcript, and that said  
 9 transcript is a true, accurate, and complete  
 10 transcript to the best of my ability.  
 11 I further certify that I am not an  
 12 attorney or counsel of any of the parties, nor a  
 13 relative or employee of any attorney or counsel  
 14 connected with the action, nor financially  
 15 interested in the action.  
 16 Signed this 5th day of June, 2007.  
 17  
 18  
 19 \_\_\_\_\_  
 20 Elisabeth A. Miller, RPR, CRR  
 21  
 22 My commission expires: 3/11/2011  
 23  
 24  
 25

ERRATA

1  
2  
3 I, DAVID PERDUE, having read the  
4 foregoing deposition, Pages 1 through 214, taken  
5 June 4, 2007, do hereby certify said testimony is  
6 a true and accurate transcript, with the following  
7 changes, if any:

8	9	10
PAGE	LINE	SHOULD HAVE BEEN
11	_____	_____
12	_____	_____
13	_____	_____
14	_____	_____
15	_____	_____
16	_____	_____
17	_____	_____

18  
19 \_\_\_\_\_  
20 DAVID PERDUE

21  
22 \_\_\_\_\_  
23 Notary Public  
24 My commission expires. \_\_\_\_\_  
25