

In The Matter Of:

In re: Dollar General Corp. Shareholder Litigation

*David Bere
June 6, 2008*

*Vowell & Jennings, Inc.
214 Second Avenue North
Suite 207
Nashville, Tennessee 37201
615-256-1935*

VJ V O W E L L
AND
J E N N I N G S

IN THE SIXTH CIRCUIT COURT OF DAVIDSON COUNTY,
TENNESSEE

In Re: DOLLAR GENERAL CORPORATION SHAREHOLDER LITIGATION,	}
	}
	} Master Docket No
	} 07MR-1
	} (Consolidated
	} Action)
	} Class Action
	}
	} Judge Thomas
	} Brothers

****EXPEDITE****

ORAL VIDEOTAPED DEPOSITION

DAVID BERE

June 6, 2008

 VOWELL & JENNINGS
 Court Reporting Services
 214 2nd Avenue North
 Suite 207
 Nashville, Tennessee 37201
 (615) 256-1935

1 The ORAL VIDEOTAPED DEPOSITION of
 2 DAVID BERE, taken on behalf of the Plaintiff,
 3 pursuant to Notice, on June 6, 2008, beginning
 4 at approximately 9:00 a.m. to 5:30 p.m., before
 5 Leila Zupkus, Shorthand Reporter in and for the
 6 State of Tennessee, reported by computerized
 7 stenotype machine at the offices of Riley,
 8 Warnock & Jacobson, 906 West End Avenue,
 9 Nashville, Tennessee.

10 This deposition is taken in accordance
 11 with the terms and provisions of the Tennessee
 12 Rules of Civil Procedure.

13 All forms and formalities are waived,
 14 and objections as to relevancy, materiality and
 15 competency are reserved, to be presented at or
 16 before the trial. Objections as to the form of
 17 the question must be made at the time of the
 18 taking of the deposition. The signature of the
 19 witness is not waived.

APPEARANCES

FOR PLAINTIFF

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1 VIDEOGRAPHER: Here begins Volume
 2 1, Videotape Number 1, in the deposition of
 3 David Bere in the matter of In Regard Dollar
 4 General Corporation Shareholder Litigation in
 5 the Sixth Circuit Court for Davidson County,
 6 Tennessee
 7 The Docket Number is 07MB-1
 8 Today's date is June 6, 2008 Time on the video
 9 monitor is 9.03 The video operator today is
 10 Heather Parris of Vowell & Jennings, 214 Second
 11 Avenue North, Nashville, Tennessee This video
 12 deposition is taking place at 1906 West End
 13 Avenue, Nashville, Tennessee.
 14 Counsel, please identify yourselves
 15 and state whom you represent.
 16 MR. CURLEY: Mathew Curley of Bass,
 17 Berry & Sims representing Mr. Bere and the
 18 individual defendants in the case
 19 MR. RILEY: And I'm Steve Riley,
 20 and I represent Dollar General and KKR, and with
 21 me is my colleague Trey McGee and also Susan
 22 Lanigan, who is the general counsel of Dollar
 23 General.
 24 MR. BARON: Randall Baron with
 25 Coughlin & Stoa representing plaintiffs.

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1 MR. ATWOOD: Rick Atwood also with
 2 Coughlin & Stoa also representing plaintiffs
 3 VIDEOGRAPHER: Would the court
 4 reporter please swear in the witness?
 5 DAVID BERE,
 6 called as a witness, having been first duly
 7 sworn, was examined and testified as follows.
 8 DIRECT EXAMINATION
 9 MR. BARON: I would like mark as
 10 Exhibit 1, if I could, the following documents,
 11 Bere Exhibit 1
 12 (WHEREUPON, EXHIBIT NO. 1 WAS
 13 MARKED)
 14 BY MR. BARON:
 15 Q. I'm showing you what has been marked
 16 Bere Exhibit 1, which is an article written by
 17 SpencerStuart dated Positioning the Private
 18 Equity Portfolio Company CEO for Success
 19 Have you ever read this article before?
 20 A. I have
 21 Q. When was the last time you read it?
 22 A. It would be sometime ago. I believe
 23 this was in response to a panel that I was on.
 24 I think there was an article written on that
 25 Q. Tell me about the panel that you are on

<p style="text-align: right;">Page 9</p> <p>1 A The panel I believe was -- the purpose 2 of the panel was to talk about what are the 3 differences from a CEO perspective between 4 private -- running a private equity company 5 versus a public company 6 Q Why were you on the panel? 7 A I served as -- in a public company at 8 Quaker Oats, and I also had served in a private 9 equity backed company called Bakery Chef And I 10 was the CEO of that company So I think 11 SpencerStuart felt that I -- had some 12 relationship to SpencerStuart and they felt that 13 I had a perspective on both those 14 Q. And your role as a CEO of a private 15 equity company, did you roll into that during it 16 going private, or were you hired -- 17 A No. I was brought in -- I was 18 approached by a -- I had left Quaker Oats, and I 19 was actually approached by a former colleague of 20 mine at Quaker Oats, who informed that there 21 were a lot of businesses being sold to Quaker 22 Oats. There was one great business there called 23 Liquid Dned Foods. He asked me if I would be 24 interested in that 25 I was actually working at McCain Foods</p>	<p style="text-align: right;">Page 10</p> <p>1 at the time I said I would have an interest 2 I had never worked with private equity before 3 He had had some contacts with private equity, 4 and he knew that there was a firm or two that 5 may be interested in this, and it was through 6 that process that I created a partnership with 7 One Point Partners to buy -- potentially try to 8 buy this division of Quaker Oats 9 Q One structural thing, you need to wait 10 until I finish my question before you answer. 11 I'll try to finish -- wait for your answer 12 before I question It makes it easier on the 13 court reporter -- 14 A Fair enough 15 Q -- both of us will mess up throughout, 16 but I'm going to remind you a couple of times? 17 A. (Moving head up and down) 18 Q. Okay. And the other thing I'm going to 19 remind you of is shaking your head doesn't 20 really work too well on the record So you are 21 going to have to answer audibly -- 22 A Okay 23 Q. -- yes or no, or whatever you think is 24 the appropriate answer 25 Now, in your role as -- in the private</p>
<p style="text-align: right;">Page 11</p> <p>1 equity world, was your foundation for your 2 participation on this panel at SpencerStuart, 3 did that company go public or sell while you 4 were there? 5 A The company went -- we were there for 6 five years, and from the moment that we bought 7 the company and we ended up selling it to 8 Walcorp, a corporation in St. Louis 9 MR. RILEY: Randy, could we have an 10 agreement that one objection -- if one of us 11 objects, that that objection will apply to all 12 of us, so that we don't have to have multiple 13 objections? 14 MR. BARON: Please. 15 MR RILEY. Great. Thanks 16 MR BARON So, yes Although 17 senal objections is fine at this point 18 MR. RILEY: Right. 19 BY MR BARON 20 Q Now, in that resell of that private 21 equity, did you have an equity interest in the 22 private equity company that -- you were the CEO 23 after that? 24 A Yes 25 Q. Did you have some equity ownership</p>	<p style="text-align: right;">Page 12</p> <p>1 interest? 2 A. I did. I invested in the company myself 3 and as well as received what you called sweat 4 equity into the company. 5 Q How much equity did you invest in that 6 company? 7 A The -- the dollars amount? 8 Q Yes 9 A It was -- I think it was around 10 \$500,000. 11 Q. And how much did you take out of it when 12 it was sold? 13 A It was approximately -- I think about 14 \$13 million 15 Q. That's in a five-year time period? 16 A Yes 17 Q And how much of that was what you say, 18 the sweat equity, as opposed to the acquisition 19 equity? 20 A. I'm testing my recollection here, but we 21 had a -- what I do remember is we had six times 22 cash on cash So if I put 500,000 on, that 23 would suggest that, you know, probably two and a 24 half to 3 million was due to the investment, and 25 the rest was due to the equity -- the sweat</p>

Page 13

1 equity piece.
 2 Q Are you -- were you familiar with
 3 SpencerStuart before you agreed to do this
 4 panel?
 5 A Yes I had worked with SpencerStuart at
 6 Quaker Oats and in other positions as far as
 7 using -- they're a recruiting firm and, you
 8 know, had used them to recruit people
 9 Q Do you remember when that panel was?
 10 A We sold Bakery Chef in 2003 I left, I
 11 think, Bakery Chef in 2005, and I think right
 12 after that, so my guess would be around the 2005
 13 period, but I'm not quite sure That would be
 14 my guess
 15 Q. If you take a look on to Page 2, it
 16 talks about U.S. based venture capital and
 17 private equity firms in 2006 as part of this
 18 article.
 19 Does that help refresh your recollection
 20 at all?
 21 A I'm sorry, what page?
 22 Q. Page 2 talks about -- as you can see at
 23 the very bottom, there's a chart talking about
 24 private equity firms 2006?
 25 MR. CURLEY: And you want to know

Page 15

1 A There were two things, and I'm not sure
 2 where most of the result of this article came
 3 from. I participated in a private panel with
 4 SpencerStuart, and I also presented in a public
 5 panel, a luncheon. And I'm not sure if this
 6 article -- this paper came out of that or the
 7 public one or some combination thereof
 8 BY MR. BARON:
 9 Q Were they at the same time?
 10 A. No
 11 Q. Okay How far apart were those two?
 12 A. I don't recollect
 13 Q When do you believe that the public
 14 panel was? Was that the one in 2005 that you
 15 were talking about?
 16 MR. RILEY: I think he's already
 17 said he doesn't remember.
 18 MR. BARON: I understand that --
 19 A I -- I really --
 20 MR. CURLEY. Do you have a
 21 question?
 22 BY MR. BARON
 23 Q Yeah. When was the private panel?
 24 A My guess is sometime in this 2005, '6,
 25 but I really don't recollect

Page 14

1 whether that refreshes the recollection of what?
 2 MR. BARON As to whether he
 3 believes that the panel was in 2005
 4 A I don't know when the -- the panel -- I
 5 just don't remember, and I'm not sure how long
 6 after the panel this article was written.
 7 BY MR. BARON:
 8 Q Do you believe it was more than a year?
 9 A I don't know
 10 Q Now, so the quotes -- you realize
 11 there's some quotes in this article from you,
 12 correct?
 13 A. Yes. I need to refresh my memory what
 14 those quotes were
 15 Q We will talk about those
 16 A Okay
 17 Q Just as a foundational question, you
 18 will recall be quoted in this article, correct?
 19 A Yes
 20 Q And those quotes came from what you said
 21 at the panel Is that fair, or were the quotes
 22 from some different source?
 23 A You know --
 24 MR. CURLEY Object to the form.
 25 Go ahead.

Page 16

1 Q. Were you -- were either of these panels
 2 taking place during the times that you were
 3 discussing the going private transaction of
 4 Dollar General?
 5 A. No
 6 Q. It was before that?
 7 A. Definitely before that
 8 Q How long before that, a couple of
 9 months --
 10 MR. CURLEY: Object to the form.
 11 BY MR. BARON:
 12 Q -- a year?
 13 A You know, again, my recollection is that
 14 I was either about to leave Bakery Chef or close
 15 to leaving Bakery Chef when I did the panel, so
 16 would have been, again, 2005, 2006, but, again,
 17 I'm not sure
 18 BY MR. BARON:
 19 Q Now, I will point you to the last page
 20 of this This says that it was copyrighted in
 21 2006 Do you see that, if you turn to, I guess,
 22 the second to the last page?
 23 A Yes, I see it.
 24 Q. Can you give me some idea -- I'm
 25 assuming, you didn't see a draft of this article

<p style="text-align: right;">Page 17</p> <p>1 before it was published; is that fair?</p> <p>2 A No, I don't think so</p> <p>3 Q So the first time you read this article</p> <p>4 was sometime in 2006, correct?</p> <p>5 A Yes</p> <p>6 Q Okay When you read this article, was</p> <p>7 it -- were you in the midst of going private at</p> <p>8 Dollar General, or was it before that?</p> <p>9 A I'm sure it was before that</p> <p>10 Q Okay Now, at the public panel that you</p> <p>11 were on, can you tell me who else was there?</p> <p>12 A You know, I don't recollect who else was</p> <p>13 on that -- on that panel.</p> <p>14 Q Okay How about the private panel, can</p> <p>15 you tell me who was on that?</p> <p>16 A I don't recollect that either. The</p> <p>17 reason I was invited is there was Gil Stenholm</p> <p>18 here is -- I've known for years, and he invited</p> <p>19 myself as well as some other people on the</p> <p>20 panel</p> <p>21 Q Okay. Let's talk about sort of the</p> <p>22 purpose of the panel and the purpose of the</p> <p>23 article for a moment. If you turn to what is</p> <p>24 probably Page 3 of the article?</p> <p>25 A (Witness complies.)</p>	<p style="text-align: right;">Page 18</p> <p>1 Q. Do you see the private Equity</p> <p>2 Challenges High debt, high risk, fewer</p> <p>3 resources?</p> <p>4 A Uh-huh</p> <p>5 Q Now, if you take a look at that first</p> <p>6 paragraph under there, there's a quote from you</p> <p>7 that says, I can't think of anything more</p> <p>8 exciting than being with a company that's doing</p> <p>9 well in the private equity situations, and for</p> <p>10 the contrary, can't think of anything worse than</p> <p>11 getting close to bankruptcy</p> <p>12 Do you see that quote?</p> <p>13 A Yes</p> <p>14 Q. What -- what was the purpose of -- what</p> <p>15 were you intending to convey with that quote?</p> <p>16 A Bakery Chef was a very small company</p> <p>17 So when we took on Bakery Chef the -- you know,</p> <p>18 we obviously took on a lot of debt, like a lot</p> <p>19 of private equity pieces, and I knew that if</p> <p>20 things did not go well, you know, you are</p> <p>21 worried about whether you run out of cash</p> <p>22 And so in a big company where I was at,</p> <p>23 Quaker Oats, I never thought -- I never worried</p> <p>24 about that. In Bakery Chef's case, the exciting</p> <p>25 part was the fact that it was a small company</p>
<p style="text-align: right;">Page 19</p> <p>1 and we could quantum leap -- we could quantum</p> <p>2 leap, grow -- grow the company</p> <p>3 But on the other side, if we did not</p> <p>4 grow the company, it could potentially get into</p> <p>5 a cash-flow situation. It was the first time in</p> <p>6 my career that I have always worked for a big</p> <p>7 company before And I never even worried about,</p> <p>8 you know, where the cash came from In a</p> <p>9 private equity situation, especially in a small</p> <p>10 company private equity situation, you know, when</p> <p>11 you have to go to bed and worry whether you are</p> <p>12 going to meet the payroll, that brings a whole</p> <p>13 other sense of pressure That's what I was</p> <p>14 referring to there, I think</p> <p>15 Q Is part of what you were conveying to</p> <p>16 people on the panel, either the public or the</p> <p>17 private was sort of a risk-high high-reward</p> <p>18 situation, meaning that a lot of the risk, you</p> <p>19 have got to be careful, you got to know what you</p> <p>20 are doing, but the rewards are greater than they</p> <p>21 would be in a public company?</p> <p>22 A. I think in this quote, I was referring</p> <p>23 to, you know, when I say, anything more</p> <p>24 exciting, the thrill of growing a small company,</p> <p>25 you know, is very exciting But the fact is,</p>	<p style="text-align: right;">Page 20</p> <p>1 the downside risks are you have to worry about</p> <p>2 the cash flow, so that's what I was referring to</p> <p>3 here.</p> <p>4 I wasn't thinking of any risk/reward I</p> <p>5 was just thinking of, you know, from a very</p> <p>6 personal standpoint, what does it feel like to</p> <p>7 run a company that you had to worry about cash</p> <p>8 Q Do you agree with the concept that a</p> <p>9 private equity situation is a high-risk,</p> <p>10 high-reward situation, opposed to a public</p> <p>11 company?</p> <p>12 MR CURLEY: Object to the form</p> <p>13 BY MR. BARON:</p> <p>14 Q I'm going to ignore his objections,</p> <p>15 unless he actually tells you not to answer</p> <p>16 A Okay</p> <p>17 Q So you will hear. I'm not going to say</p> <p>18 anything I just expect you to answer</p> <p>19 A I think that really depends on the</p> <p>20 situation Every private equity deal is</p> <p>21 different, and in our case, in the Bakery Chef</p> <p>22 case, the risk was high very -- the very first</p> <p>23 year, but we got off to a good start So I</p> <p>24 guess I wouldn't agree with that -- I guess it</p> <p>25 just depends on the private equity situation</p>

<p style="text-align: right;">Page 21</p> <p>1 Q Okay Well, so if you turn to Page 4 of 2 this article -- 3 A (Witness complies) 4 Q -- if you look at, Freedom and greater 5 reward potential, you can see that first 6 sentence under that, it says, Despite the 7 challenges and risks, many entrepreneurial 8 minded executives are drawn to portfolio 9 companies for the freedom from the constraints 10 and the potential of much greater rewards 11 So do you disagree with the concept 12 that's in this article that along with the 13 freedom that you were just talking about, 14 there's also a potential for much greater 15 rewards? 16 MR CURLEY: Yeah. Go ahead, 17 Steve. 18 MR. RILEY: I'm going to object to 19 the form of the question that -- 20 MR BARON: You know, you can just 21 object to form or tell me the form of the 22 objection You don't have -- I'm not asking for 23 an explanation. If you want to give me the 24 grounds, that's fine. 25 MR CURLEY: Go ahead, Steve, but</p>	<p style="text-align: right;">Page 22</p> <p>1 I'm also going to add that if you are going to 2 take pieces out of this article and ask him 3 whether he agrees with a particular sentence, I 4 would like him to read the entire article -- 5 MR BARON: He's welcome -- he's 6 welcome to do whatever -- 7 MR CURLEY -- so that he's got 8 the context of the question 9 MR RILEY. Your question, Randy, 10 asked him whether he agreed with a concept 11 within this -- that is set forth in this 12 article And so I suspect that we would 13 disagree with your view of that concept. And I 14 view that question, therefore, as one that is 15 unfair to the witness 16 MR BARON I understand. And I'm 17 going to ask that -- I understand that these are 18 objections for the record, so I would ask that 19 you state the objection You can tell me form 20 You can even say calls for speculation, some 21 evidence code, but I prefer you not to do 22 speaking objections with regard to those. 23 Do you think we can do that? 24 MR RILEY I think the way you 25 described that, I doubt it because I don't agree</p>
<p style="text-align: right;">Page 23</p> <p>1 with way you described it, but I think the point 2 that you are making is -- if I understand it, 3 yes, I can concur in that -- 4 MR BARON: But if I need -- 5 (Interruption by court reporter) 6 MR. CURLEY I'm trying to follow 7 your rule here, one at a time So if I think 8 you are trying to mislead the witness, then I'm 9 going -- then I think it's my obligation to stop 10 you, but here, I'm -- it's the question and it's 11 form that I think is misleading I think you 12 can fix it 13 MR BARON Then I'm going to say 14 this once, and then I will suspend the 15 deposition and go to Judge Brothers if we 16 continue I'm going to request that you object, 17 you state the grounds for your objection 18 Unless I ask why you believe that 19 it is a misleading question or an improper 20 question, I'm going to ask you not to give that 21 explanation because in my view, that's coaching 22 So we are -- I'm going to proceed and ask you to 23 please act that way, and otherwise we can stop 24 the deposition We will go to Judge Brothers, 25 and then we'll suspend it and we'll start it</p>	<p style="text-align: right;">Page 24</p> <p>1 over again. 2 BY MR. BARON. 3 Q So my question, again, is. If you look 4 at the -- look at the concept that was stated 5 here in this sentence It says: Despite the 6 challenges and risks, many entrepreneurial 7 minded executives are drawn to portfolio 8 companies for the freedom from the constraints 9 of the corporation world and the potential of 10 much greater rewards 11 Do you agree with that concept? 12 A I think -- 13 MR RILEY. Hold on one second 14 Object to the form 15 Allow me a second to object or 16 Steve a second to object, and then go ahead and 17 answer after that 18 A. Again, as I said before, I think it 19 depends on the private equity situation or 20 whether I would agree with that statement. In a 21 smaller company, like Bakery Chef, I do believe 22 that there's less constraints because of the -- 23 of the corporate world, and the reward is being 24 able to grow the company at quantum leaps 25 I'm not sure that's totally true in a</p>

<p style="text-align: right;">Page 25</p> <p>1 large company So I would again say it 2 depends -- whether I agree or disagree with that 3 statement would depend on the situation 4 BY MR. BARON 5 Q. What about Dollar General, do you 6 believe that there was a balancing of risks 7 versus rewards in order to determine whether or 8 not one would want to invest in a private 9 equity -- become a CEO of a private equity 10 company? 11 MR. CURLEY: Object to the form 12 A. I think that anytime you invest in 13 anything, there's risk and rewards. I think in 14 the Dollar General situation, I think it's 15 closer to the corporate model than the Bakery 16 Chef You know, Dollar General is \$10 billion 17 company Bakery Chef was \$180 million company 18 BY MR. BARON: 19 Q Now, do you agree with the concept with 20 regard to Dollar General that entrepreneurially 21 minded executives would be drawn to Dollar 22 General as -- in the private equity for the 23 freedom of constraints of the corporate world 24 and the potential of much greater rewards -- 25 MR. CURLEY. Object to the form.</p>	<p style="text-align: right;">Page 25</p> <p>1 BY MR. BARON 2 Q -- would you agree or disagree with that 3 concept? Does it apply to Dollar General? 4 A. Can you repeat the question one more 5 time 6 Q Sure As it applies to Dollar General, 7 do you agree or disagree with the concept that 8 entrepreneurial minded executives might be drawn 9 to it for the freedom from the constraints of 10 the corporate world and the potential of much 11 greater rewards? 12 A. Again, I think that when I read the word 13 "entrepreneurial minded," I make a distinction 14 between small versus big So I think in Dollar 15 General's case, I think it's actually closer to 16 the corporate model than the entrepreneurial 17 model 18 Q Is that because Dollar General was, as 19 you said, a \$10 billion entity with stores in 20 place, operations in place, et cetera So for 21 the most part, it wasn't going to be able to 22 change course dramatically. Is that a fair 23 statement? 24 A I think in Bakery Chef's case, you can 25 make quantum leaps, so I could dramatically</p>
<p style="text-align: right;">Page 27</p> <p>1 change the company. Whereas in a \$10 billion 2 company, like Dollar General, I think you can 3 improve a -- it's a continuous improvement-type 4 thing, versus a quantum-leap-type thing 5 Q. It's improving margins and improving 6 specific stores -- 7 A Exactly 8 Q -- improving -- you know, replacing 9 certain management that are not well performing 10 The same kind of thing you could do on a large 11 corporation going forward, correct? 12 A Yes 13 Q But so the improvement part -- or what 14 we talk about here for the freedom portion of 15 the statement is less likely -- or less possible 16 in a large \$10 billion corporation than it is in 17 a small corporation, correct? 18 MR. CURLEY: Object to the form 19 A. Again, my experience at Bakery Chef was 20 that I felt it was an entrepreneurial-type 21 thing, that you can make the quantum leaps. 22 My -- at Dollar General, the world's at lot more 23 like my Quaker Oats life then it was my Bakery 24 Chef life 25 Q. That first aspect of this phrase, right</p>	<p style="text-align: right;">Page 28</p> <p>1 here, that we are talking about as far as the 2 freedom from constraints, probably not -- were 3 not what you were expecting at Dollar General, 4 correct? 5 A. I had more freedom at a Bakery Chef-type 6 environment than I would at a Dollar 7 General-type 8 Q But the second portion of the potential, 9 for much greater rewards, that is true, correct? 10 MR. CURLEY: Object to the form 11 A The -- certainly in the Bakery Chef 12 situation where I took a significant reduction 13 in salary and took it in stock, yes I had an 14 opportunity to take less in salary and make more 15 than I probably would have been in the corporate 16 situation. 17 Again, at Dollar General, it's a lot 18 closer to the corporate model I did not have 19 to take a cut in salary and as far as the 20 long-term compensation. It -- again, everyone 21 has different models. The -- Quaker Oats 22 standpoint, it was all stock options And they 23 were all-time vested In the Dollar General 24 situation, you have to hit certain performance 25 targets If you don't hit those certain</p>

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1 performance targets, you don't get the equity
 2 So I think you have to look at the risk and
 3 reward, but certainly from Bakery Chef's
 4 standpoint, that was the case
 5 BY MR. BARON:
 6 Q. But I'm talking Dollar General. Dollar
 7 General also was a situation by which if you
 8 achieved the goals that you believed you could
 9 achieve, there would be greater rewards than if
 10 you stayed at a public company, correct?
 11 MR. RILEY: Object
 12 MR. CURLEY: Object to the form
 13 A. Let me just break down the compensation
 14 where I think on the salary piece, it's the
 15 same, whether public or not
 16 BY MR. BARON
 17 Q. Fair enough.
 18 A. On the bonus piece, it was going to be
 19 the same, whether public or not. That was not
 20 changed from a public to a private company. I
 21 think on the incentive piece, it's hard to
 22 measure between the two, but I suppose if we
 23 absolutely hit our targets at -- in the private
 24 equity situation, and if we had hit the same
 25 targets in the public situation -- so if we had

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1 the officers to both roll over their stock
 2 options and some of them invest additional money
 3 of their own cash, what you used to convince
 4 them to do so was that they would do better in a
 5 private -- in the private equity world than they
 6 would in a public world, correct?
 7 MR. CURLEY: Object to the form
 8 BY MR. BARON:
 9 Q. You either did that or you didn't?
 10 A. If we met the target --
 11 MR. CURLEY: Randy, he can
 12 certainly explain his answer
 13 MR. BARON: And I can ask my
 14 question the way I want.
 15 MR. CURLEY: Well, yeah, but you
 16 can't tell him how to answer it
 17 MR. BARON: And you're right. If
 18 he chooses not to be responsive, then that's
 19 fine, but, again, the -- the question -- point
 20 was, you told them that in the private equity
 21 world, that you believed they could do better
 22 than they could in the public world, correct?
 23 MR. CURLEY: Object to the form
 24 A. Again, the question is the -- way you
 25 are asking the question, when I'm -- given the

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1 just stayed public and kept going -- I actually
 2 haven't done the math, but I suspect that we
 3 would do a little better in the private equity
 4 situation
 5 Q. That's what you were telling the
 6 officers to get them to roll into in the equity,
 7 wasn't it, they would do better in this company
 8 as a private company than they would have as a
 9 public company, correct?
 10 MR. CURLEY: Object to the form
 11 A. Of course they had to make an investment
 12 in the company, but, yes, if the -- if the -- if
 13 we hit all our plans, that, again, KKR put plans
 14 way out here that -- to make -- so, yeah, if we
 15 hit those stretch plans, yeah, we would probably
 16 make more money. What I don't know --
 17 BY MR. BARON
 18 Q. We'll talk about --
 19 MR. RILEY: Wait a minute. Let him
 20 finish
 21 A. What I don't know, if we hit those type
 22 of plans as a public company what that would
 23 have looked like
 24 BY MR. BARON
 25 Q. But my question was. When you would ask

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1 very specific equity program that KKR put out
 2 and given the targets that they put out, yes,
 3 they would make more -- if we achieved these
 4 targets were way out here, yes, you could do
 5 better in the KKR piece, but the key was hitting
 6 the targets
 7 MR. BARON: Can I see Exhibit 2,
 8 please?
 9 Can you mark as Bere Exhibit 2
 10 this?
 11 (WHEREUPON, EXHIBIT NO. 2 WAS
 12 MARKED)
 13 BY MR. BARON:
 14 Q. Showing you what has been marked --
 15 MR. RILEY: Hold on, do you have a
 16 copy? Do you have some for us?
 17 MR. BARON: No
 18 MR. RILEY: I didn't think so
 19 Just one?
 20 MR. BARON: There's two.
 21 MR. RILEY: Could we have a minute
 22 to look at it, just a second?
 23 BY MR. BARON
 24 Q. Do you recognize this document?
 25 MR. RILEY: I'm not quite through

<p style="text-align: right;">Page 33</p> <p>1 looking at it. I may have an objection. Just 2 wait just a second. 3 A. Can I read it? 4 BY MR. BARON. 5 Q. Of course. 6 A. (Witness reviews document.) 7 MR. CURLEY: Is all one – two 8 documents? 9 MR. BARON: They are consecutive 10 and they came with a slip sheet on both sides, 11 so assuming that you guys produced them 12 correctly, they are one document. 13 MR. RILEY: My eyes are not what 14 they used to be. 15 MR. BARON: Nor mine. 16 MR. RILEY: The second page is 17 pretty hard to read. 18 A. I'm definitely familiar with the second 19 page. 20 MR. RILEY: You must have scrunched 21 down when you copied it, Randy. 22 MR. BARON: I do that. It was my 23 plan. Can I go on? 24 MR. RILEY: When the witness is 25 ready.</p>	<p style="text-align: right;">Page 34</p> <p>1 MR. BARON: He doesn't even know 2 what the question is. 3 MR. RILEY: But he's looking at the 4 document. He will be ready to take on your 5 question -- 6 THE WITNESS: I'm ready. 7 BY MR. BARON. 8 Q. This was a Dollar General-produced 9 document. Do you see the Bates Stamp down on 10 the right side that says GD0151485? 11 A. Yes. 12 Q. That means that it came from the files 13 at Dollar General. Do you understand that to be 14 true? 15 A. If it says Dollar General, I assume 16 that's true. 17 Q. Okay. This document talks about 18 Management Option Plan Analysis. Do you see at 19 the bottom it says that they can anticipate 2.82 20 times their investment? 21 A. Yes, I see that -- 22 MR. RILEY: Object -- I'm going to 23 object to the form -- 24 BY MR. BARON. 25 Q. Is that the number you understood to be</p>
<p style="text-align: right;">Page 35</p> <p>1 an anticipated benefit, that those investing 2 money could achieve from their -- management 3 investment in the going private entity? 4 MR. RILEY: Object to the form. 5 A. I don't know. On this first -- on the 6 first page, I don't know if this is referring to 7 an individual. I don't know if this is 8 referring to the whole pool. Certainly, on the 9 second page, I clearly understood the -- the 10 absolute dollars that people could make if we 11 hit certain targets. 12 BY MR. BARON. 13 Q. Okay. What was that? Do you know what 14 the actual dollars they could make? 15 MR. RILEY: Are you referring to a 16 particular person? 17 BY MR. BARON. 18 Q. I'm asking, is there a particular number 19 that you are referencing to -- 20 A. No. I just know that when we went 21 through this, a person by person -- or actually 22 level by level, you know, we talked about the 23 investment that would be required. We talked 24 about the options, both performance and 25 time-based options, and we did a formula that</p>	<p style="text-align: right;">Page 36</p> <p>1 said, okay, if we hit our objectives, this is 2 the amount of money that you could make. 3 Q. And what was the total amount invested 4 by the officers? 5 A. I don't remember the total amount by the 6 total officers. 7 Q. 27 million, more than that? 8 A. I don't remember. 9 Q. Okay. Do you remember ever telling -- 10 what you told the officers that you believed 11 they could get on the return or their investment 12 in -- approximately five-year window? 13 MR. RILEY: Object to the form. 14 A. I remember walking through this chart 15 with each manager and going through with the 16 investment, with the -- the shares, if certain 17 things happened, this is the potential money you 18 can make, yes, I do remember. 19 MR. RILEY: You are referring to 20 the second page. 21 THE WITNESS: I'm referring to the 22 second page. 23 BY MR. BARON. 24 Q. What line was it that showed the 25 potential money that you thought they could</p>

<p style="text-align: right;">Page 37</p> <p>1 make?</p> <p>2 A Well, I think if you go -- and, again, I</p> <p>3 can't read this -- I can't read the -- the</p> <p>4 numbers on this chart, but if you go to the -- I</p> <p>5 believe this is the sheet that -- if you go to</p> <p>6 the right-hand side -- so take Mr. Tehle, for</p> <p>7 example, the second one, so what Mr. Tehle -- if</p> <p>8 you go all the way across, I think the -- the</p> <p>9 total amount, that if we hit all our targets</p> <p>10 would be \$12 million, I think that says</p> <p>11 And part of that would be gained from</p> <p>12 his investment, and part of it would be gained</p> <p>13 from the -- I assume from the stock options. So</p> <p>14 what I did is I would sit down with each</p> <p>15 manager, and I would walk through this whole</p> <p>16 chart</p> <p>17 Q. Okay. And then for you, it would work</p> <p>18 best above, that says somewhere 26-plus million,</p> <p>19 correct?</p> <p>20 A I don't believe. I believe it's</p> <p>21 20 million.</p> <p>22 Q Twenty what?</p> <p>23 A Oh, I see the --</p> <p>24 Q. Right above</p> <p>25 A. Yeah. That -- does that say 26?</p>	<p style="text-align: right;">Page 38</p> <p>1 Q Something like that.</p> <p>2 MR CURLEY: Object to the form.</p> <p>3 BY MR BARON</p> <p>4 Q The next column -- and, again, I'm sorry</p> <p>5 it's very small, but that -- that talks about</p> <p>6 for you -- about 11 95 times and Mr Tehle 15 3</p> <p>7 times. Do you see that?</p> <p>8 MR RILEY Where are you referring</p> <p>9 to now?</p> <p>10 MR BARON The next number in the</p> <p>11 same column</p> <p>12 A I'm not sure what that's referring to</p> <p>13 BY MR BARON</p> <p>14 Q Okay</p> <p>15 A Again, I went through this sheet with</p> <p>16 everybody So I would sit down with Mr Tehle</p> <p>17 and say that here -- you know, again, all this</p> <p>18 is contingent on hitting the objectives.</p> <p>19 Q. So if you were to end up hitting the</p> <p>20 objectives in a five-year period, making</p> <p>21 26-something million, how much of your own cash</p> <p>22 did you invest to begin with?</p> <p>23 A. I believe I invested 2 2 million</p> <p>24 Q Was that rollovers, or was that rollover</p> <p>25 and your own cash?</p>
<p style="text-align: right;">Page 39</p> <p>1 A It was a combination of rollover that I</p> <p>2 had from getting from \$22 a share, as well as, I</p> <p>3 believe, I put somewhere in the \$600,000 range</p> <p>4 into it</p> <p>5 MR BARON: Just show you -- can I</p> <p>6 have Exhibit 3, please?</p> <p>7 (WHEREUPON, EXHIBIT NO 3 WAS</p> <p>8 MARKED)</p> <p>9 BY MR. BARON.</p> <p>10 Q. I'm showing you what's been marked</p> <p>11 Exhibit 3 Do you recognize this document?</p> <p>12 A. (Witness reviews document)</p> <p>13 Actually, I do not recognize this</p> <p>14 document.</p> <p>15 Q Okay. This is, again, a Dollar</p> <p>16 General-produced document, what appears to be</p> <p>17 the summary of the officer's investments. Would</p> <p>18 you agree with that as the description of what</p> <p>19 this document is?</p> <p>20 MR CURLEY: Object to the form.</p> <p>21 Just let him look at the document for a second,</p> <p>22 Randy It's got multiple pages on it.</p> <p>23 BY MR. BARON.</p> <p>24 Q That's what I'm asking -- just spend as</p> <p>25 much time -- but my questions is: Does it</p>	<p style="text-align: right;">Page 40</p> <p>1 appear to be a summary of the means by which the</p> <p>2 executives at Dollar General invested into the</p> <p>3 private Dollar General?</p> <p>4 A If I could read it, then I would be able</p> <p>5 to answer your question so -- yes, it does</p> <p>6 appear to be the summary of the equity plan</p> <p>7 I'm not quite sure I fully understand it, but</p> <p>8 that's what it appears to be</p> <p>9 Q Let's talk -- you can see your name</p> <p>10 there This is a little easier to read than the</p> <p>11 last document?</p> <p>12 A Yep</p> <p>13 Q. That's why I pulled it out, mostly for</p> <p>14 our eyes This says that your minimum</p> <p>15 investment requirement was 2 25 million. Do you</p> <p>16 see that?</p> <p>17 A Yep.</p> <p>18 Q. It says that you actually invested</p> <p>19 2.24995, something like that Do you see that?</p> <p>20 A. Yep</p> <p>21 Q. Okay Then it says of your rollover</p> <p>22 options, you rolled over 136,000 --</p> <p>23 A Yep</p> <p>24 Q -- and something?</p> <p>25 A Yes</p>

<p style="text-align: right;">Page 41</p> <p>1 Q All right. The reason that -- the 2 reason that you didn't have more options is that 3 you were fairly recent -- you fairly recently 4 came to Dollar General, correct? 5 A Yes And a lot of those options would 6 have been from as a board -- 7 Q Exactly? 8 A -- member 9 Q You got a small amount as a board 10 member When you came on as COO, then you got a 11 bigger bump like the rest of the officers, 12 correct? Well, you got an officer-size increase 13 as opposed to a board -- 14 A Right I'm not quite sure after I 15 came -- after I became president when I got 16 those options 17 Q But unlike some of those other officers, 18 you didn't have -- 19 A Right Yes. 20 Q -- years and years of service to roll 21 over? 22 A Yes 23 Q And then -- so then it says the rollover 24 value of those options, so that's just the 136 25 times the rollover rate, correct?</p>	<p style="text-align: right;">Page 42</p> <p>1 A Say that one more time. 2 Q The rollover options and then the 3 value -- rollover option value was just the 136 4 times -- 5 A Times the 22 6 Q And then new -- new rollover options are 7 options that you bought, is that correct? 8 MR. CURLEY Object to the form. 9 BY MR. BARON 10 Q Is that what new rollover options meant? 11 A I'm not sure what new rollover options 12 means. 13 Q Okay And then keep going over, then, 14 fractional shares, that was -- if you had 15 fractional shares, they had to -- they bought 16 them out from you You couldn't roll those 17 over, correct? Is that your understanding of 18 what the fractional shares is? 19 A Could you ask the question again? 20 Q Yes The fractional shares is money 21 that they paid you for fractional ownership 22 interest of shares because they didn't let you 23 roll over fractions? 24 A I'm not sure that's the case but ... 25 Q Okay And then it talks here, Shares</p>
<p style="text-align: right;">Page 43</p> <p>1 purchased, so this next column is the number of 2 shares that you paid cash for in order to 3 invest, correct? 4 A Yes But where I'm a little bit 5 confused here is -- and I can't recollect, but 6 part of the -- part of the share -- in the end, 7 my recollection is as far as an actual check I 8 wrote, I believe it was in the 6- to \$700,000 9 range So there was a piece of this that I 10 think we are allowed to purchase our shares with 11 some of the restricted stock that we rolled 12 over But I would have to go back and look at 13 the math on all that, but certainly the end 14 result of 2250 is correct -- 15 Q Okay 16 A -- new options granted. 17 Q It looks like 325 -- is it 22 or 3250? 18 A The total investment I made was 2250 or 19 2,249,905. 20 Q Your total investment? 21 A Yes 22 Q Okay And of that according to this -- 23 there was 182,000 of options, and would it be 24 fair to say the rest was cash or something else 25 that was an equivalent of cash?</p>	<p style="text-align: right;">Page 44</p> <p>1 MR. CURLEY Object to the form. 2 BY MR. BARON 3 Q I'm just trying to understand the math 4 here because this document seems to indicate you 5 paid 1.627 million for your rollover interest? 6 A Yeah -- 7 MR. CURLEY Hold on Do you have 8 a question 9 BY MR. BARON 10 Q I'm just trying to understand what were 11 the components of that 1.62 million, or if you 12 are just telling me this document is wrong 13 MR. CURLEY: Object to the form 14 He's already answered that question 15 MR. RILEY He said he doesn't 16 recognize the document. 17 BY MR. BARON. 18 Q I have a question pending I don't care 19 what they say 20 A. What was the question? 21 Q Is it your view that that 1.627.325 -- 22 325 million-dollar investment number there is 23 inaccuracy or that there is some other component 24 of it other than just cash? 25 MR. CURLEY Object to the form.</p>

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1 A My recollection is that total basis, I
2 put in 2.250 My second recollection is actual
3 check that I wrote that was above and beyond any
4 carryover, my recollection was the 6-, 700,000
5 So I'm not sure -- so where does the extra piece
6 of your 1 627 come from, I'm not quite sure. I
7 would have to go back, but my guess is it's some
8 type of restricted stock or something of that
9 nature
10 Q So now -- so your understanding as far
11 as -- for you had you met the goals within the
12 five-year period, that you would be able to turn
13 what would be a \$2.2 million investment into a
14 \$26 million investment -- \$26 million benefit,
15 correct?
16 MR. CURLEY: Object to the form.
17 BY MR. BARON:
18 Q Is that a fair way of characterizing it?
19 A. Are we back to Exhibit 2?
20 Q Yes, sir
21 A If that's what that sheet says, the
22 answer is yes
23 Q Would you agree with me, that would
24 qualify as a reward for a five-year period?
25 MR. CURLEY: Object to the form

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1 it, is they leverage out the company so there's
2 less margin of error for the company to miss
3 their numbers or not have the cash flow they
4 need, correct?
5 MR. CURLEY: Object to the form
6 A Any comments that I made in here refer
7 to Bakery Chef, and in Bakery Chef's case, yes,
8 you have to do extraordinary due diligence --
9 and I would argue you have to do due diligence
10 in any acquisition, but because in our case, the
11 company was small, there was little margin of
12 error, so the advice that I was giving here was
13 if you go from a big company and you go to a
14 small company and a private equity situation,
15 you really need to do your homework to
16 understand what the potential and the risks of
17 that company are.
18 Q Okay. Well, your quote -- and you know,
19 they have it sort of out of context on Page 8,
20 but they also on Page 9, Setting up for success,
21 you can see if you start at the second full
22 sentence there --
23 MR. RILEY: What page now, Page 9
24 under, Setting up for success
25

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1 A Yes I would say that would be a high
2 reward, again, if we hit the targets that were
3 set for those
4 BY MR. BARON:
5 Q Okay. And that's the kind of reward
6 that you were telling other employees of Dollar
7 General that they had the potential to achieve,
8 whether they achieved it or not, but they had
9 the potential to achieve?
10 A They had the potential to achieve.
11 Q Okay. Going back to Bare Number 1, one
12 of other things that you are quoted in this
13 document as saying is really sort of the
14 emphasis on due diligence to become involved
15 with a private equity company, correct?
16 A Yes.
17 MR. RILEY: Object to the form
18 Are you referring to a specific page?
19 MR. BARON. I will eventually
20 BY MR. BARON.
21 Q And as -- is your concept about due
22 diligence really -- is it founded in what you
23 said earlier, which is, you know, the way a
24 private equity company works is, you know, as a
25 name -- or as a leveraged buyout comes with

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1 BY MR. BARON:
2 Q Second sentence says, CEO candidates can
3 improve their odds for success by conducting
4 careful due diligence on the company and the
5 private equity form for which they would be
6 working. And then your quote is, Due diligence
7 is so critical because for the most part,
8 private equity companies, you don't have much
9 room for errors. A few hick-ups and you get
10 yourself into trouble in a hurry
11 Do you see that?
12 A Yes
13 Q Okay. Did you mean that statement when
14 you made it?
15 A I was referring to, again, Bakery Chef,
16 and, yes, in Bakery Chef the due diligence was
17 critical because a few hick-ups would have
18 gotten us in trouble, so yes
19 Q Okay. In that you said, For the most
20 part in private equity companies. So your quote
21 wasn't limited to Bakery Chef, but what you are
22 telling me now is you were only talking about a
23 company the size and business practice of Bakery
24 Chef. Is that a fair statement?
25 MR. CURLEY. Object to the form

<p style="text-align: right;">Page 49</p> <p>1 A. The reason that I was asked to sit on 2 this panel because of my experience with Bakery 3 Chef, and at the time, that was the only 4 experience I had ever had with private equity. 5 BY MR. BARON 6 Q. So you don't believe that your comments 7 you made here have any applicability to any 8 larger private equity deal, any other CEO 9 thinking about becoming a private equity CEO in 10 anything bigger than the Bakery Chef concept? 11 MR. CURLEY: Object to the form. 12 BY MR. BARON 13 Q. I just want to make sure I understand 14 you're limiting what you said here to just 15 really something that is in that small window of 16 Bakery Chef? 17 A. When I spoke here, I spoke within the 18 that context of Bakery Chef. If you are asking 19 me -- 20 Q. I'm asking you. 21 A. What are you asking me again? 22 Q. I'm asking whether or not your comments 23 that you made here are only applicable to the 24 Bakery Chef concept, or whether you believe they 25 are applicable to private equity acquisitions in</p>	<p style="text-align: right;">Page 50</p> <p>1 general? 2 MR. CURLEY. Object to the form. 3 Are you talking about the comments in this 4 article or the comment's he's made today in 5 response to your -- 6 MR. BARON. Comments in this 7 article 8 MR. CURLEY. -- questions? And 9 particularly this one sentence? 10 A. I believe due diligence is important in 11 any acquisition, yes 12 BY MR. BARON. 13 Q. And that is looking -- and due 14 diligence, what you are talking about, is 15 looking at what they are -- how much they are 16 going to leverage the company for example, 17 correct, is that -- you say yes? 18 A. Yes. 19 Q. Thank you. I wasn't tell you to say -- 20 you were shaking your, for the record? 21 A. Yes 22 MR. CURLEY: He's not instructing 23 my witness you how to answer the question 24 MR. BARON. If I could do that, 25 that would make things go so much faster</p>
<p style="text-align: right;">Page 51</p> <p>1 BY MR. BARON. 2 Q. And it has to do with looking at the 3 potential business plan going forward, correct? 4 A. Yes 5 Q. Has to do with who the management might 6 be, correct? 7 A. Yes 8 Q. Has to do with whether -- what the 9 growth potential is and the end of the growth 10 potential, correct? 11 A. Yes 12 Q. Has to do with the potential exist 13 strategy, how you are going to sell or go IPO, 14 you know, spinoff, something to that effect at 15 the end of an investment period, correct? 16 A. Yes 17 Q. Those -- you look into all of those 18 before you make your own decision, as you would 19 make -- look into those before you make your own 20 decision to become an equity participant as a 21 CEO in one of these companies, correct -- any 22 private equity company? 23 A. I think in a general statement, that's 24 true. In the Bakery Chef, that was certainly 25 true. I know we are going to talk about Dollar</p>	<p style="text-align: right;">Page 52</p> <p>1 General a little later, so we will -- I wait for 2 your questions there. 3 Q. No, no. I think that's true. And then 4 your final -- your final comment on that 5 question, you learned a long time ago that I'm a 6 lot smarter running good companies than troubled 7 company? 8 A. Yes 9 Q. Now, is that statement only applicable 10 to the Bakery Chef concept, or do you apply that 11 to yourself overall? 12 A. Again, I think I was referring back -- 13 not only Bakery Chef, at Quakers, when you have 14 good market conditions, companies tend to do 15 well, and people think that you are really doing 16 well. So that was kind of a flippant comment 17 that says, you know, running good companies 18 is -- you are considered a lot smarter than 19 troubled companies 20 Q. But you are talking in the concept of 21 due diligence, so when you are giving advice to 22 people -- CEOs about whether they want to join 23 private equity, is it a fair statement to say 24 what you are saying, do your due diligence 25 because it's much easier if you become a CEO of</p>

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<p>1 a company that is well positioned to do well 2 than one that is likely to fail?</p> <p>3 MR RILEY: Object to the form.</p> <p>4 A. I will always argue that you need to do 5 due diligence before you make an investment, 6 yes.</p> <p>7 Q. And I'm assuming that when you invested, 8 you know, some -- you know, what is tantamount 9 to 2.25 million, what was basically cash for 10 you, that you did that before you chose to 11 invest in this private equity deal?</p> <p>12 A. I think the Dollar General situation was 13 a little different. You have to look at the 14 context of the times there. When I was asked to 15 make that investment, you had a few things going 16 on. First of all, the company was about to lose 17 its CEO, David Perdue, and Dollar General had 18 asked me to come in as the interim CEO.</p> <p>19 The reason I agreed on the interim CEO 20 job is I really felt that this company is going 21 through a major transition. And I felt an 22 obligation and a sense of duty to be able to 23 take this company through the transition. So 24 the primary reason that I agreed to stay on at 25 the -- as the interim CEO and invest in the</p>	<p>1 company was primarily because I wanted to make 2 sure that we could bring the management team 3 together, and you have 60-some thousand 4 employees. And if this management team was 5 going to stay in place, that would have put that 6 all at risk.</p> <p>7 The second piece is the \$2.2 million -- 8 I know that's a lot of money, but in the context 9 of my net worth was not a significant piece, and 10 number 3, is I also had a contingency that I was 11 able to -- after a year or after six months, 12 after a new CEO started, I would be able to walk 13 away. So the context of Dollar General was 14 quite a bit different than Bakery Chef.</p> <p>15 I felt all along when we -- when KKR 16 bought us, that I didn't actually expect to be 17 staying -- when they asked me to stay, when Dave 18 Perdue asked, I said I would stay through the 19 transition. Then I would make, you know, a 20 decision after the transition what to do. And 21 part of that agreement was to be able to 22 withdraw my investment.</p> <p>23 Q. Okay. So are you telling me you didn't 24 do due diligence before you invested 2.25 25 million?</p>
Page 55	Page 56
<p>1 MR CURLEY: Object to the form. 2 BY MR BARON.</p> <p>3 Q. That was my question -- my question was 4 in the context of your decision to invest 5 2.25 million, did you undertake the due 6 diligence that you recommend people take in this 7 SpencerStuart?</p> <p>8 A. I think in that particular instance -- I 9 obviously knew the company very well, but in 10 that particular instance, the reason I invested 11 the 2.2 was to get the company through this 12 transitional period.</p> <p>13 Q. Okay. Again, my question is: Does that 14 mean, you don't think you conducted the same 15 kind of due diligence that you would for an 16 investment as the CEO in some other private 17 equity deal?</p> <p>18 MR CURLEY: Object to the form.</p> <p>19 A. I think that I did a lot more due 20 diligence on the Bakery Chef piece in that 21 investment because I knew I was committed long 22 term there than I did at the immediate piece. 23 The other thing you have to remember, I had -- I 24 had the -- the opportunity of time. 25 I had up to six months after the new CEO</p>	<p>1 was able to withdraw the investment. So I had a 2 year, depending on when they brought in the new 3 CEO, a potential year to make that decision.</p> <p>4 Q. Did all those management people that are 5 on Exhibit 3 know -- did all those management 6 people that are an Exhibit 3 have that, you 7 know, out six months after the CEO?</p> <p>8 A. The senior -- the -- did have that out 9 as well, the executive vice presidents.</p> <p>10 Q. That would be all of those people that 11 were on --</p> <p>12 A. No. It was just -- I would be the 13 top -- it would be -- I can go through them. It 14 would have been David Tehle, Kathy -- it was all 15 any direct reports, so David Tehle, Kathy Guion, 16 Susan Lanigan -- who else is on the list?</p> <p>17 (Witness reviews document.) 18 Beryl Buley and Challis Lowe.</p> <p>19 Q. Well, it's fair to say that you did 20 recommend to all of the officers -- in fact, you 21 tried to -- you know, I think the words that KKR 22 used was "selling." You actually did try to 23 sell all the officers an equity investment, is 24 that correct?</p> <p>25 A. Let me give you context --</p>

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1 Q You can, but – and I'm going to let you
2 answer, but the question was – that's a
3 foundational question, first, Is did you try to
4 sell all the other officers on an equity
5 investment?
6 MR RILEY: I'm going to object to
7 the form of question. He doesn't have to answer
8 it the way you want him to. He can answer it
9 however he wants to.
10 MR BARON: He can be
11 nonresponsive, and I'll just start all over
12 again.
13 A Can I give you the context, and then can
14 I answer the question?
15 BY MR. BARON
16 Q. If you would like
17 A I think the context was that it took –
18 this management team was pretty stunned in the
19 fact they learned that they would have to invest
20 money into the new deal. We had just gotten \$22
21 a share. They were anticipating moving that to,
22 you know, take it for their own personal
23 well-being.
24 And being from the private equity world,
25 I knew that there would be some requirement of

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1 their own decision of whether they wanted to
2 invest or not. So they could do their own due
3 diligence how they felt from a very personal
4 standpoint, but, again, you have to realize that
5 these are people that just – even though we
6 never said it was a condition of employment,
7 there were a lot of these people that just
8 couldn't walk away from their job.
9 So I did not sell – in fact, I was
10 guided to make sure I didn't sell, that every
11 person had to make their own personal decision
12 of whether to invest in the company or not.
13 MR CURLEY: Object to the form of
14 the question.
15 BY MR. BARON:
16 Q What – weren't the employees told that
17 you and Mr. Tehle were investing your own money
18 because you believed that it was a good deal?
19 A I told the employees that I invested my
20 own money in the deal and that the – not only
21 Mr. Tehle but the senior management had invested
22 in the deal, but they had to make their own
23 decisions or whether it made sense for them.
24 Q But didn't you tell -- wasn't it said
25 that, you know, one of the reasons that you were

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1 investment. The fact is KKR came back and
2 wanted, originally, a 70 percent rollover, and I
3 made it very clear to them that that just wasn't
4 going to fly with this management team, and we
5 had to keep this management team in place,
6 especially through the transition, until a new
7 CEO was found.
8 So I negotiated with them down to the
9 40 percent, which was an average of everything
10 that we had, from the 70 percent. So once I
11 negotiated that down to the 70 percent to the
12 40 percent, yes, I did then meet with each one
13 of them and urged them to invest in the company.
14 And at the same time, they, too, had that out,
15 that once a new CEO was selected, that they
16 could withdraw.
17 Q And did you tell those people that –
18 particularly those people that didn't have that
19 right to withdraw in the six months after a new
20 CEO was brought in, did you tell those people
21 that you didn't do the level of due diligence
22 that you would normally due in a private equity
23 deal?
24 A What I told everybody – and we were
25 very clear on this, that everybody had to make

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1 convincing them is that you believe in the deal
2 and that you believe – that you believe in the
3 deal, and you believe in the plan? Did you tell
4 them that?
5 MR RILEY: I'm going to object --
6 A I said --
7 MR RILEY: Whoa, whoa, I'm going
8 to object to the form -- I don't understand what
9 the question is.
10 BY MR. BARON:
11 Q That's fine. Do you understand the
12 question?
13 A Why don't you repeat it again?
14 Q Sure. Didn't you tell the officers that
15 you were suggesting rollover that 40 percent
16 number, that in doing so, you said you believe
17 in the plan and you believe that it's a good
18 investment?
19 A What I said is that I invested in the
20 company. We put the plan out there that KKR had
21 put out and that everyone had to evaluate
22 whether they felt that this was worth it.
23 Everyone knew that this was a high-risk
24 situation and so -- again, I was very careful
25 with my words, is that, Number 1, yes, I did

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1 invest in the company Number 2, here's the
2 plan, and number 3, it's up to you to decide
3 whether you want to invest in the company
4 Q Okay. Can I have -- okay Did you tell
5 them that, however, you and the other top
6 management people had an out so if it didn't
7 work for you, you could get out in six months?
8 A I don't think -- recollect whether we
9 shared that or not
10 Q Okay And just as a word on that -- on
11 your ability to walk in -- walk away in six
12 months, would you have been able to get your
13 whole 2 2 million out, you believe?
14 A Yes.
15 Q Okay. At what price?
16 A. 2 250, no interest Whatever the amount
17 you put in, you could take out.
18 Q. Okay That was for the top executives?
19 A That was for my direct reports, and it
20 was six months after the CEO was named
21 Q. Okay That time has run now, correct?
22 A I don't think the time has run yet. I
23 think we are getting pretty close So the CEO
24 started -- I would have to get the date. We
25 have got to be close because he started, I

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1 left yet, but she's leaving, has announced she's
2 leaving
3 Q And did they retire, or were they asked
4 to leave?
5 A They were asked to leave.
6 Q. Okay. So was the deal -- wasn't there a
7 deal in the rollover equity plan, that if you
8 are terminated without cause, that you actually
9 get fair market value for your equity interest?
10 A Yeah, but the -- again, I don't know
11 what the compensation committee did, but, yes,
12 that is true, and I believe that is a true part
13 of the contract, yes
14 Q. So these three people probably didn't
15 just get their money back. They got something
16 equivalent -- whatever fair market value is
17 A. Yeah. I don't know --
18 MR RILEY. Object to the form
19 BY MR BARON.
20 Q. You negotiated -- you helped negotiate
21 that deal, so under the deal that you helped
22 negotiate the type of termination that these
23 three were -- the basis for their termination,
24 under your view, they would have -- they would
25 get some fair market value for their ownership

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1 think, in mid-January or late January. So it
2 would be June, so February, March, April, May,
3 June So we probably have three or four weeks
4 here
5 Q Are you going to pull your money out?
6 A. No
7 Q Has anybody on the senior management
8 pulled their money out?
9 A Well, part of senior management is gone
10 so --
11 Q Did they just get their money back that
12 they invested, or did they get some fair market
13 value for it?
14 A No They have got -- the people -- I'm
15 actually not sure. I am not privy to those type
16 of discussions anymore with the compensation
17 committee, but there are three members of senior
18 management that are not with the -- the company,
19 and I assume that they got their money back, but
20 I'm not part of the compensation committee, so
21 I'm not sure what deal they could -- what they
22 got out the compensation committee
23 Q. Who are they?
24 A. Beryl Buley has left, Wayne Gibson has
25 left and Chalks Lowe is leaving She hasn't

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1 interest?
2 A. Yeah, but also part of the contract --
3 and, again, I don't know what the compensation
4 committee -- you only value the company at
5 certain times, and you tend to value the
6 companies after year one So my guess is the
7 company has not been revalued at this point,
8 but, again, I was not part of the discussions
9 there
10 Q Who's on the compensation committee? Do
11 you know?
12 A That would be Michael Calbert, I
13 believe I knew Raj Agrawal is on the
14 compensation, and I think Adnan Jones is
15 but .
16 Q Okay. Let me show you, again, sort of
17 staying with the idea of selling, the phrase I'm
18 using -- I know you don't want to adopt it, but
19 the phrase I'm using about selling the
20 management --
21 MR CURLEY. Randy, before we go to
22 the next exhibit, should we take a break? We've
23 been going a little bit over an hour
24 MR BARON: Sure I can take a
25 break anytime you would like

<p style="text-align: right;">Page 65</p> <p>1 MR CURLEY All right 2 MR RILEY Good 3 VIDEOGRAPHER: Going off the record 4 the time is 10:07 5 (WHEREUPON, A SHORT BREAK WAS 6 TAKEN, THE PROCEEDING RESUMED AS 7 FOLLOWS:) 8 VIDEOGRAPHER Back on record 9 Here marks the beginning of Tape Number 2 in the 10 deposition of David Bere, Volume 1. The time is 11 10:25. 12 BY MR. BARON: 13 Q I was able to do a little bit of math, 14 and without a calculator, but with your 15 \$225 million investment and approximately 16 26 million a -- little over 26 million return, 17 that is somewhere about 11.5 times your 18 investment Does that seem about right? I'm 19 not asking you to do the math 20 A. (Moving head up and down) 21 Q If you take a look at Exhibit B2 and 22 that number that I was after -- again, that's 23 the second page and that very small number, but 24 I think that says something like 11.55 or -95. 25 Do you see that, following your 26?</p>	<p style="text-align: right;">Page 66</p> <p>1 A. (Witness reviews document) 2 Twenty-six, okay Then where are you 3 going? 4 Q Right next to it, what looks like the 5 times? 6 A Yep 7 Q. So see you that -- all -- I guess that 8 would be consistent -- that would be consistent 9 So you don't know -- does it appear if you look 10 down the rest of the percentages which are not 11 talking, you know, 15, 17, 18, you know, 21, 12 those kind of percentages, are those the types 13 of percentages that you were telling the 14 employees -- or the multiples you were telling 15 the employees that they could get from their 16 investment? 17 MR CURLEY Object to the form. 18 A Again, when I went through this with 19 employees, what I really focused on is that I 20 just went through the chart, all the way around, 21 but what I really focused was at the end, that 22 if these things -- if we had our targets, if few 23 were able to go public, if, if, if, then that's 24 the numbers they would get. So my recollection 25 is just going across the whole chart, didn't</p>
<p style="text-align: right;">Page 67</p> <p>1 concentrate on any area, just walked right 2 through the chart. 3 BY MR. BARON: 4 Q. So you don't really remember talking to 5 them about multiples on their investment? 6 A. Multiples, no 7 Q I want to ask you -- I don't think we 8 finished our question on the first page of 9 this -- is it your testimony you've never 10 actually seen this page before? 11 A I don't recollect seeing it I spent a 12 lot of time on the second page here, and can I 13 spend some with what is the page so maybe I can 14 look at it 15 Q Sure, take a look at it. 16 A (Witness reviews document) 17 I recognize the top of the page as 18 our -- the KKR plan 19 Q. Yes 20 A And I'm not quite sure what the rest of 21 it means. I understand that if all those things 22 happened, we would be at \$14 a share and that we 23 are at \$5 So I assume 14 divided by 5 is 2.83 24 so . 25 Q Now, and -- when you were telling the --</p>	<p style="text-align: right;">Page 68</p> <p>1 your employees about their investment 2 opportunities, did you discuss with them any of 3 the -- you know, any of these concepts 4 there, the assumed share price, total equity 5 value dollars invested, the assumption of exit 6 multiple, IPO size, debt after IPO? 7 A Again, I went through the sheet on this, 8 and then, you know, you always the caveat that a 9 few things have to happen Number 1, you have 10 hit the target, and there's certain assumptions 11 on whether you can go public, what the 12 marketplace was -- was there. 13 So, you know, there was no way this was 14 a commitment This was just a model for them to 15 think about it as they made their decisions on 16 whether to invest or not. 17 Q Okay So some of those -- those are 18 what these assumptions are that you were talking 19 about where it says, Other assumptions like one, 20 is exit, you know, multiple at the end of the 21 five-year period that the -- you know, the 22 terminal value or you will be able to sell it 23 off on an exit multiple of nine times EBITDA 24 dollar or something like that, correct. 25 MR. CURLEY, Object to the form</p>

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1 A Yeah Again, I went through the sheet,
2 and I don't remember getting into specificity
3 here I just said that, you know, what we can
4 control is -- is that trying to hit our targets
5 and there's a lot of unknowns about what type of
6 multiple you can get, when you can go public, if
7 you can go public, and things of that nature
8 MR RILEY: What sheet are we
9 talking about now?
10 MR. BARON: B2 or A2
11 BY MR. BARON.
12 Q With this, did you have some
13 understanding of the need for it to be a nine
14 times exit multiple as an assumption in order to
15 make the return that you thought you would
16 get -- was that a concept you even thought
17 about?
18 A Certainly, the concept I thought about
19 Whether the specificity of this -- again, I
20 don't remember this page per se
21 Q Okay So -- but you understood the
22 concept that there needed to be an IPO, the IP
23 would go out at a certain price For the IPO to
24 go out at this certain price, you would have to
25 have achieve -- have an exit multiple of a

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1 Q But, I mean, you did sort of take on the
2 responsibility for the officers -- you know, in
3 order to convince them to invest that, you know
4 this was an investment that they should do,
5 correct?
6 MR CURLEY: Object to the form.
7 BY MR BARON
8 Q I mean, you explained to them the risks,
9 but you did take it on for yourself to do -- do
10 some analysis to determine whether or not it was
11 even it was a -- it was achievable or not that
12 they could get that that kind of return that you
13 are talking --
14 MR CURLEY: Object to the form
15 A Again, the analysis I did was trying to
16 figure out what percentage people would invest,
17 and number 2, what should be the -- how many
18 options should we get in these things, and then
19 I walked through the -- the chart and basically
20 said, okay, now that we have settled on how many
21 options, people, and the plan is set up, now,
22 here's how you have to think about it We have
23 to hit the plan. You have to -- has to go
24 public at some certain type of multiple
25 So, again, my recollection is we talked

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1 certain number for it to be a valuable IPO?
2 A Yes, I understand the concept
3 Q And I'm assuming that while you don't
4 remember today, you talked -- at least part of
5 the conversations you were having with KKR and
6 negotiating the plan was negotiating whether or
7 not each of those assumptions were achievable?
8 A Quite frankly, negotiating the plan, the
9 big focus was -- there were two major focuses.
10 Number 1, how much investment did the management
11 have to make, and number 2, I was trying to get
12 some sense of the marketplace They had just
13 done a deal with Toys R Us, so I wasn't actually
14 going through the math. I was -- the way I
15 think about some compensation is what is the
16 marketplace doing. So in a similar situation
17 like Dollar General, what would the senior
18 executives be getting
19 So what I was trying to do is -- I
20 wasn't going through the math at the end What
21 I was trying to do was focus on lowering the
22 investment of the senior management and trying
23 the understand what the benchmarks were outside
24 That's where the focus on my stuff was with
25 them.

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1 conceptually. I don't think I actually
2 physically sat down and did the math and, you
3 know, checked it out because the math was going
4 to work no matter what The issue was trying to
5 get a -- trying to get a fair plan that other
6 people that worked in a private-equity situation
7 in a \$10 billion company
8 Q What do you mean the math would have
9 worked out no matter what?
10 A Well, the issues -- I wasn't focusing on
11 the end number I was focusing on the amount of
12 investment and the number of shares that people
13 certainly get at this -- at this level in this
14 situation There's marketplace for -- for that
15 That's how compensation is worked Once you
16 decide those, then you say, okay, what could
17 that potentially be worth at the end
18 I didn't sit there and say, you know, I
19 want David Tehle to make X million dollars
20 What I wanted was to make sure to whatever the
21 CFO got comparable to other companies, that he
22 would get the same number of options
23 Q Did you involve compensation consultants
24 or anybody else in that decision-making process?
25 A In the -- the person that I relied

<p style="text-align: right;">Page 73</p> <p>1 heavily on was Challis Lowe, who was our senior 2 head of human resources 3 Q Challis -- Challis wasn't just a 4 complete repository of documents. Challis also 5 was actually negotiating, talking, understanding 6 the details of the plan? 7 A Yes. She was my right-hand person on 8 this. 9 Q. Okay Now, I'm -- when you say the 10 numbers work, I'm assuming that if the IPO that 11 was ultimately contemplated in that five-year 12 period was going to come out to where these 13 people weren't going to make even the time value 14 of money, it would have been something that you 15 wouldn't have pushed on management Is that a 16 fair statement -- 17 MR CURLEY: Object -- 18 BY MR BARON 19 Q I mean, without -- maybe I can -- need 20 to -- 21 A Ask that question, again Yeah 22 BY MR BARON 23 Q I'm sort of focused on the question of 24 you weren't focusing on the numbers per se, but 25 you were looking at what, ultimately, if they</p>	<p style="text-align: right;">Page 74</p> <p>1 achieved the numbers, each of the individuals 2 could make as a return on their individual 3 investment, correct? 4 MR. RILEY: Object to the form 5 A Yes, I think if you look at the second 6 page on this, that was the objective of that 7 BY MR BARON 8 Q So as part of that, there is an 9 assumption that you talked about, which is that 10 you will be able -- the company will be worth 11 something, some multiple at the end of the 12 period that will justify an IPO of a certain 13 number, correct? 14 A When we went through that the -- that 15 sheet, yes, you had to -- potentially these are 16 certain assumptions that could happen 17 Q Now, if your discussions with KKR and 18 everybody else demonstrated that was not 19 achievable -- let me -- maybe I need to ask -- 20 nobody told you that those assumptions that you 21 were basing that discussion on were not 22 achievable as far as the exit multiple and IPO, 23 et cetera, if you meet your goal? 24 MR CURLEY Object to the form 25 A Could you ask that question again?</p>
<p style="text-align: right;">Page 75</p> <p>1 BY MR. BARON: 2 Q If you met your interim, your earnings 3 goals throughout your period of the benchmarks, 4 nobody told you that it was not achievable to be 5 able to exit at the five years, at the multiple 6 needed, and the IPO price needed, correct? 7 MR CURLEY: Object to the form 8 A. If I understand -- one more time, I'm 9 sorry 10 BY MR BARON 11 Q Sure Assuming the benchmarks were 12 met -- 13 A Yes, sir. 14 Q -- nobody that you talked to about this 15 plan told you that the other assumptions of the 16 IPO price and the exit multiple, and, you know, 17 the net debt after IPO, those concepts were not 18 achievable. is that fair? 19 MR. CURLEY: Object to the form 20 A I don't think they framed whether it was 21 achievable or not All they said was, if we go 22 through these things, are some -- you know, 23 here's a range of things that can happen 24 Q And in that range was an IPO at a price 25 range that would get people the result they</p>	<p style="text-align: right;">Page 76</p> <p>1 wanted 2 A With certain assumptions, yes. 3 MR. CURLEY. Object to the form. 4 VIDEOGRAPHER: Going off the 5 record. The time is 10:38 6 (WHEREUPON, A SHORT BREAK WAS 7 TAKEN, THE PROCEEDING RESUMED AS 8 FOLLOWS) 9 VIDEOGRAPHER. Going back on the 10 record The time is 10:48. 11 BY MR BARON 12 Q That is fine What we were talking 13 about overall was that the assumptions that we 14 are talking about here -- what your -- your 15 discussions with the officers that you were 16 talking about rolling over was, assuming these, 17 you know, these type of things, the exit 18 multiple, the IPO, the net debt after equity, 19 assuming those happened and we meet -- you meet 20 the benchmarks, they would get a certain 21 multiple on their investment, correct? 22 MR CURLEY Object to the form. 23 A Correct. And back to Page 2 of -- that 24 you know, I did that through on, you know, 25 DG0511485, not only did we go through those type</p>

<p style="text-align: right;">Page 77</p> <p>1 of assumptions, we certainly went through the 2 risks as well 3 BY MR. BARON: 4 Q Okay. Now, when talking about that, you 5 clearly went through the risks of achieving the 6 benchmarks, correct? 7 A We talking about the risks of changing 8 the benchmarks, the high leverage on the 9 company, not sure what the stock market would 10 be, and, you know, we used five years here 11 But, you know, that's just a model So the 12 timing, all those types of things 13 Q. Did you talk about the risks of 14 achieving the assumptions, the exit multiple, 15 the IPO sites, the debt after IPO? 16 A Yes We went through the -- 17 Q Okay 18 A -- the risks of everything, you know, 19 not only the business plan, the public markets 20 Q Okay What did you tell them about the 21 risk of achieving a nine times exit multiple? 22 A I think that any time that a number 23 was -- again -- I kept it broader and went 24 through this the second page of GD0151486, and, 25 again, I broadly said that if certain multiples</p>	<p style="text-align: right;">Page 78</p> <p>1 go up, if certain multiples could go down, 2 depending on the marketplace At that time, we 3 still had a lot of risks at Project Alpha, so 4 there was business plan risks There was market 5 risks And then, I would call leverage risk 6 Q Okay Is exit multiple a market risk or 7 a business plan risk or the leverage risk? 8 A That would be a market risk, so -- if 9 you look over time -- I'm not a stock expert, 10 but multiples go up and down 11 Q The multiples that this was based on 12 that you were assuming, for the most part, did 13 you believe that it was achievable? 14 MR CURLEY Object to the form 15 A. Again, I didn't get into whether it was 16 achievable or not. I just went through the -- 17 you know, the -- the ups and the potential, you 18 know, strengths and risks of that. 19 BY MR. BARON: 20 Q Okay -- 21 A. What I did look at is, you know, the 22 business plan and the risks of the business 23 plan 24 Q Clearly, if the exit plan was wholly 25 unachievable, then you wouldn't have recommended</p>
<p style="text-align: right;">Page 79</p> <p>1 that the officers rollover, correct? 2 A Again, you used the word "recommended" 3 I did not recommend What I did is I made the 4 investment myself I went through, you know, 5 the second page of this document, and we talked 6 about the assumptions that went in there and the 7 risks 8 Q Well, look at the letter that's at the 9 end of this -- 10 MR RILEY. Are we on Exhibit 2 11 again? 12 BY MR. BARON 13 Q Still Exhibit 2, where it's a draft 14 letter from you. Did you draft this? 15 A I suspected it was drafted for me, but I 16 don't know. 17 Q Did you approve its existence and the 18 language of it? 19 A. Can I read it here? 20 Q. Of course 21 A (Witness reviews document) 22 I don't remember the specific letter, 23 but if I signed it -- I'm sure -- this or a 24 similar letter went out. 25 Q The language in this says, I'm very</p>	<p style="text-align: right;">Page 80</p> <p>1 excited about this opportunity Do you see 2 that? 3 A Yes 4 Q Now, while not a recommendation, it does 5 show -- you would agree with me that a phrase 6 like that does show your support for an equity 7 investment by officers, correct? 8 MR CURLEY Object to the form 9 A Again, I think that in any -- I think 10 what I'm saying here, is yes, I'm excited about 11 the broad opportunity of working for Dollar 12 General doing this and that and -- but, you 13 know, I always made it clear that there was risk 14 of all of this 15 BY MR. BARON. 16 Q I'm not asking that. Are you telling me 17 that when your -- in this letter that it is 18 specifically talking about an equity investment 19 by management that your phrase, I'm excited about 20 this opportunity, is not specifically targeted 21 towards the investment opportunity? 22 MR CURLEY Object to the form. 23 BY MR. BARON. 24 Q. I want to make sure that's not what you 25 are telling me</p>

<p style="text-align: right;">Page 81</p> <p>1 A. I don't recollect what I was meaning 2 here. What -- in my normal course of events, 3 I'm excited to work with you to build a company 4 Q Okay I'm assuming that had someone 5 told you that the -- you know, some of these 6 assumptions were not achievable, you would have 7 shared that information with the employee 8 that -- as you went through that, correct? 9 A Ask that one more time 10 Q If somebody told you that the 11 assumptions were not achievable, you would have 12 shared that with employees as you are going 13 through their earnings potential? 14 MR. CURLEY. Objection to form 15 A I don't know what I would have shared 16 with the employees, but, certainly, if I totally 17 felt this was outrageous, and all of that -- I'm 18 not sure I would have been invested in the long 19 term 20 BY MR. BARON: 21 Q Okay. That has to do each of these, the 22 exit multiple, the IPO size, and the net debt, 23 correct? 24 MR. CURLEY Object to the form 25 A Again, there's a lot of assumptions that</p>	<p style="text-align: right;">Page 82</p> <p>1 go into this but, includes those, yes 2 BY MR. BARON: 3 Q. Okay Now, I would like to show you a 4 series of e-mails, again, talking about your 5 role in getting officers signed up The first 6 e-mail I would like to be next in order 7 (WHEREUPON, EXHIBIT NO 4 WAS 8 MARKED) 9 BY MR. BARON: 10 Q This is an e-mail -- this short -- this 11 is an e-mail from Challis to you regarding 12 questions about the equity plan Do you see 13 that? 14 A. Yes Can I read it? 15 Q Sure 16 MR. RILEY: May I object to the 17 form and really reference -- preface of your 18 question Thank you. 19 MR. BARON: What was that? My 20 preface was, it was an e-mail from Challis Lowe 21 to Dave Bere talking about the K -- the equity 22 plan. 23 MR. RILEY: Actually, you began 24 with a statement of, I want to show you an 25 e-mail that has to do with your trying to get</p>
<p style="text-align: right;">Page 83</p> <p>1 people to sign up to the equity plan -- 2 MR. BARON. Okay. That's fair 3 MR. RILEY: -- other 4 characterizations that I don't think he would 5 sign onto 6 BY MR. BARON: 7 Q. Okay. Do you recognize this e-mail? 8 A (Witness reviews document) 9 Can I spend some time reading it? You 10 guys were talking, so give me a second here 11 (Witness reviews document.) 12 Dollar General -- okay, I see the 13 e-mail 14 Q Do you recall this e-mail? 15 A You know, I had so many e-mails during 16 that time, I don't specifically, but I'm 17 comfortable that it was from Challis to me 18 Q. Do you recall the circumstances 19 surrounding this e-mail? 20 A I know there was -- yes, I know there 21 was a lot of angst of people having to invest in 22 the company This was a new concept because in 23 the publicly held company, you don't do that. 24 So because I do remember there was quite a bit 25 of angst around investments and what did that</p>	<p style="text-align: right;">Page 84</p> <p>1 mean and the risk and all those things. 2 Q. And do you remember this being a 3 precursor to some -- some meeting with a number 4 of the officers other than your -- sort of your 5 core executive team because you were dealing 6 with these people individually, about what they 7 wanted to roll into the -- whether they were 8 going to roll their own money into the equity 9 investment? 10 A There were many meetings I don't, 11 again, remember the specific, but I trust the 12 e-mail here that it refers to next Thursday's 13 meeting 14 Q Okay. And were you involved in -- do 15 you have some recollection of being involved in 16 the preparation of people who were going to 17 participate in that meeting? 18 A Again, I don't know about the specific 19 of this meeting, but, yes, I did participate in 20 some of the meeting with management 21 describing -- with Challis describing the equity 22 plan. 23 Q So you were in meetings, yourself, 24 describing the equity plan beyond just going 25 through line by line?</p>

<p style="text-align: right;">Page 85</p> <p>1 A Yes There was some group meetings that 2 basically described the concept before we met 3 with them line by line 4 Q. Okay. Okay And, again, with the 5 regard to the concept, did you again describe 6 what we talked about there being benchmarks to 7 achieve, if you achieve those benchmarks, the 8 other assumptions, you know, are also met, then 9 therefore, they will get a return on their 10 investment of some amount? 11 MR CURLEY: Object to the form 12 A The two things I remember about the 13 meetings are number 1, the huge angst of 14 investing, and number 2, what did the plan look 15 like, you know, the number of options, and what 16 are the requirements and number of options, 17 things like that, so consistently, you know, 18 angst of investment and helping to explain the 19 plan 20 BY MR. BARON. 21 Q. Okay. Now, you recall the shareholder 22 vote was on approximately the same day as this 23 meeting was scheduled, correct? 24 A. When was the shareholder vote? 25 MR. BARON. What was the day, the</p>	<p style="text-align: right;">Page 86</p> <p>1 exact date? I think it was June 21st 2 A I don't remember when the shareholder 3 vote was 4 BY MR BARON. 5 Q. Okay Do you remember this angst that 6 you are talking about happening concurrently 7 with the time period when the shareholder vote 8 was to take place? 9 A The angst really began – it was between 10 somewhere after we, you know, announced the 11 deal, there was a period of time, and then we 12 got into this big time and before the – I'm not 13 quite sure what got done before the shareholder 14 vote or not, but it was – the process started, 15 you know, I don't know if it was 4, 6, 8, 16 weeks – it was sometime after the announcement, 17 but I'm pretty sure it started before the 18 process started, before the shareholder vote 19 MR BARON Okay Let me mark next 20 in order, would be Exhibit 5; is that correct? 21 (WHEREUPON, EXHIBIT NO 5 WAS 22 MARKED.) 23 BY MR BARON. 24 Q. Bere 5 is an e-mail from Raj Agrawal to 25 you, which has – a chain of e-mails including</p>
<p style="text-align: right;">Page 87</p> <p>1 an e-mail between Raj, Challis, and dated 2 June 22? 3 MR CURLEY: My Exhibit is only one 4 page, is that correct? 5 MR BARON: Yeah, one page 6 MR CURLEY: The balance of this 7 e-mail is cut off 8 MR BARON: It wasn't there, it 9 wasn't produced that I know of 10 A Can I read the e-mail? 11 BY MR BARON 12 Q. Sure? 13 A Give me a second 14 (Witness reviews document) 15 (WHEREUPON, A SOTTO VOCE DISCUSSION 16 WAS HELD, AND THE PROCEEDINGS 17 RESUMED AS FOLLOWS:) 18 MR CURLEY It's an incomplete 19 exhibit 20 MR BARON: Okay. 21 MR CURLEY: So I will object to 22 the questions about this exhibit on that basis 23 MR. BARON The e-mail is complete. 24 MR CURLEY. It's not. 25 MR BARON: The e-mail is, the ones</p>	<p style="text-align: right;">Page 88</p> <p>1 that we are talking about 2 MR CURLEY: Yeah, but there's an 3 e-mail at the bottom that's cuff off, and I 4 don't know how many pages this goes on after 5 that 6 MR BARON You are free – you are 7 free to put that into evidence if you would 8 like. 9 MR CURLEY: Well, I'm just stating 10 my objection for the record. This is an 11 incomplete exhibit that you are about to 12 question the witness on, so I object to the 13 questions that you are about to ask for that 14 reason, and I'm sure probably some others down 15 the line 16 MR BARON: Okay 17 MR RILEY: I didn't think you 18 cared what we said anyway 19 MR. BARON I don't. I'm just 20 waiting for the witness to read But I have 21 eaten today, so I'm much happier 22 MR. RILEY. I can tell. 23 MR. BARON: If you want to print up 24 the full document, we're here and you guys have 25 it --</p>

<p style="text-align: right;">Page 89</p> <p>1 MR CURLEY: This is your 2 deposition, Randy 3 MR. BARON All right 4 A It's hard for me to read. Can I 5 (Witness reviews document.) 6 I have read it 7 BY MR BARON 8 Q Now, starting with the e-mail from Raj 9 to you and Challis, do you recognize that? 10 A Again, I got tons of e-mails, but I 11 certainly recognize that it was from Raj to me 12 Q Okay. And in this e-mail specifically, 13 is anyone from -- the question was: Is anyone 14 from executive management or executive 15 management's counsel, quote, unquote, selling 16 the rest of the officers group on the plan. Do 17 you see that? 18 A Yep 19 Q And in response to that question, you 20 respond -- in response to his overall e-mail, 21 your response was to give a suggestion as to how 22 to start off the meeting 23 Do you see that? 24 A. Yep 25 MR RILEY: Object to the form</p>	<p style="text-align: right;">Page 90</p> <p>1 BY MR BARON 2 Q Your suggestion as to how to start off 3 the meeting was by saying that Dave T, that 4 would be David Tehle, correct? 5 MR CURLEY. Object to the form 6 A. David Tehle, yes 7 BY MR BARON. 8 Q Yes, Tehle, and you -- to start off 9 saying that you two are representing the company 10 well and that investors are receptive 11 Do you see that? 12 A Yes 13 Q. And so what was your -- how did you 14 believe that it was responsive to Raj's concerns 15 about responding to some questions by management 16 that they should start off by saying you and 17 Dave are representing the company well, and 18 investors are receptive? 19 MR CURLEY: Objection to the form 20 It's mischaracterizing what portion of the 21 document you have provided to us 22 A. Can you repeat the question? 23 BY MR. BARON 24 Q Sure Do you consider -- I will ask the 25 foundation Do you consider your response,</p>
<p style="text-align: right;">Page 91</p> <p>1 which is, Another thought, I would start off the 2 meeting by saying that Dave T and I are 3 representing the company well and investors are 4 repetitive 5 Now, do you believe that is a response 6 to Raj Agrawal's stated concern about needing to 7 sell the rest of the officer group? 8 A The one I think I absolutely remember is 9 I resisted doing any selling, as he described it 10 here And so there was just no way I was going 11 to stand in front of everybody, again, counsel 12 on that and that everybody -- you know, I could 13 give the facts and have everybody respond 14 accordingly 15 There was another issue that I don't 16 know if that note above is suggesting, and that 17 is your strong faith in the management team 18 Another big question that people had is, Before 19 I invest, you know, is the management team going 20 to be here And so it very well could be here 21 was that when, you know, when he's saying that 22 we are representing to company well, it was 23 insinuation that the -- Dave Tehle and David 24 Bere were going to be a part of the management 25 team.</p>	<p style="text-align: right;">Page 92</p> <p>1 Q Okay Well, do you believe that your 2 e-mail at 3:48 on June 22 responds what Raj was 3 saying were his questions or concerns regarding 4 the equity plan questions? 5 A Again, I -- I was probably trying to get 6 around Raj that I -- I was not going to be in a 7 position of selling this plan. So I was -- it 8 seems to me that I say another -- is it from me, 9 another thought was, you know, I am not going to 10 sell the plan. That's a KKR role That's not a 11 management role to -- to sell the plan 12 Q. What is the investor -- what was your 13 point of saying that investors are receptive? 14 That's what you're talking about, other equity 15 investors that you were on road shows about, 16 correct? 17 A. I assume that's what that means 18 Q. Okay And your point of saying that 19 those other people are investing, why do you 20 believe it would be helpful to tell the 21 employees that other people are investing? 22 A I think I was just stating the fact that 23 we have been on the road show, and there were 24 investors that was interested in this. 25 Q. Okay Well, the point of telling people</p>

<p style="text-align: right;">Page 93</p> <p>1 that other people are interested is to say that 2 this is good plan -- 3 MR CURLEY Object -- 4 BY MR BARON: 5 Q -- is that not true -- 6 MR. CURLEY Object -- 7 BY MR BARON: 8 Q -- you don't agree with the whole point 9 of saying, Other people -- other investors 10 receptive -- we are out there selling this 11 company -- I'm sorry, let me withdraw 12 You agree with that me on road shows, 13 you are selling an investment, correct? 14 A KKR wrote a presentation for us to 15 present, so in that particular case, KKR is -- 16 is the author of this And I felt strongly all 17 along that KKR should need to sell this, and so 18 what I'm saying here is that the -- the KKR 19 group that -- the presentations we were making 20 to investors are receptive to it. 21 Q Well, my question is. When you are on 22 the road shows, you are talking to investors and 23 you're telling them about the company, you 24 understand that the purpose of you doing that is 25 sell an investment in the private equity</p>	<p style="text-align: right;">Page 94</p> <p>1 company, correct? 2 MR. CURLEY. Object to the form 3 BY MR BARON 4 Q That was why you were there? 5 MR CURLEY: Object to the form 6 A. Yes Again, I was presenting KKR's 7 plan, and, yes, they are trying to get people to 8 invest in the company 9 BY MR BARON: 10 Q And you are presenting the plan with the 11 intent of the presentation to be designed to 12 cause people to invest, correct, that's why they 13 did it? 14 MR CURLEY Object to the form 15 BY MR BARON: 16 Q That's why they spend all of the time 17 and the money going to these road shows? 18 MR CURLEY: Object to the form 19 A Ask the questions one more time. 20 BY MR BARON 21 Q. They spent all the time and money 22 setting up these road shows with you as a Dollar 23 General manager -- or Dollar General employee, 24 talking about this company past, present, and 25 future in order to sell the company, sell --</p>
<p style="text-align: right;">Page 95</p> <p>1 A. In order to get people to invest in the 2 company? 3 Q Yes. 4 A. Yes. 5 Q. Okay When you are telling -- when you 6 are telling people that you are representing the 7 company well, you are talking about representing 8 the company well in the road shows, correct? 9 MR CURLEY: Object to the form. 10 A I'm not quite sure what that meant, but 11 I can see where you can conclude that Yeah 12 I'll go with that. 13 BY MR. BARON: 14 Q So you're out on these road shows 15 representing the company, telling them about how 16 the company was past, present, and future, and 17 as a result of that, you said investors are 18 receptive, and by repetitive you meant showing 19 interest, correct? 20 MR. CURLEY: Object to the form. 21 A Yes 22 BY MR BARON 23 Q Okay. Would you agree with me that by 24 suggesting that they tell them that, that you 25 are at least implying that it was -- if it's a</p>	<p style="text-align: right;">Page 96</p> <p>1 good deal for investors, it's probably a good 2 deal for employees? 3 A Yes -- 4 MR RILEY Object to the form 5 Sorry 6 A. -- the -- again, this was a fact, and 7 instead of him pushing me to sell this, I felt 8 it was okay just to give a fact of where we are 9 BY MR BARON 10 Q Okay And that fact you believed 11 would -- at least would not require you to out 12 and out sell, would at least give the inference 13 that you were the favor -- 14 A It was another piece of information 15 MR. CURLEY Hold on one second. 16 Let's let Randy finish his question, and then 17 I'll object. 18 MR BARON. There we go because we 19 know that will happen 20 MR CURLEY So finish your 21 question so I can object to it, and then we will 22 let Mr Bere answer it. 23 BY MR BARON 24 Q The reason you suggested that they 25 provide this piece of information is that you</p>

<p style="text-align: right;">Page 97</p> <p>1 understood that this piece of information would 2 provide the other managers with at least the 3 implication that you are in favor of and 4 supporting their decision to invest, correct? 5 MR. CURLEY: Object to the form 6 A I don't like the words saying I 7 supported it. What I was doing was standing in 8 front of the group evidently from this -- or 9 suggesting in this e-mail, and that I would say 10 that the -- my -- this is from me, that I would, 11 you know, mention that the -- the investors are 12 receptive 13 BY MR. BARON: 14 Q. Okay. Well, let me show you what I 15 would -- another e-mail that you wrote 16 (WHEREUPON, EXHIBIT NO. 6 WAS 17 MARKED.) 18 BY MR. BARON: 19 Q. This is also an e-mail chain, starts off 20 with the same initial e-mail from Raj to Challis 21 and yourself, and then this is a -- a subsequent 22 response or a prior response -- actually, it may 23 be a prior response to this e-mail. 24 Do you recognize this? 25 MR. CURLEY: I will state for the</p>	<p style="text-align: right;">Page 98</p> <p>1 record my objection to your questioning the 2 witness on this document, as it's clearly a 3 multiple-page document, and you have given him 4 one page 5 A Yeah. I need to spend time with this, 6 and I don't understand the context that this is 7 in. So where do these e-mails start? 8 BY MR. BARON: 9 Q. You recognize that -- the e-mail from 10 Raj regarding selling as the same e-mail as in 11 Exhibit 5? You can compare the two 12 A (Witness reviews document.) 13 Q. Now that I look at it, it looks like you 14 had a thought, and then you had another thought, 15 which is Exhibit 5, so this may have been your 16 first thought in response 17 (Witness reviews document.) 18 MR. RILEY. Is there a question 19 pending? 20 MR. BARON. No, I was giving you 21 guys the time -- 22 MR. RILEY. Fine. I just wanted to 23 make sure. 24 A. All right 25</p>
<p style="text-align: right;">Page 99</p> <p>1 BY MR. BARON. 2 Q. All right. Do you recollect -- do you 3 recollect -- recognize or recall giving the 4 response to -- either the prior or subsequent 5 response to Raj's comments regarding the equity 6 plan questions in which you said you suspect the 7 majority will be fine 8 Do you see that? 9 A. I do see that. I don't -- again, I got 10 tons of e-mails during that period of time 11 Again, I trust what the e-mail says. 12 Q. Do you recall why it is you believed the 13 majority of the officers would be fine with the 14 investment? 15 A. I suspect that when we went through 16 this, that -- went I through the thing, that -- 17 excuse me, Page 2 of -- 18 Q. Exhibit 2? 19 A. Exhibit 2, Page 2, when I went -- went 20 through that, a lot of the officers thought that 21 this was -- were fine with it 22 Q. Did you do that before or after -- 23 before this meeting that's discussed on this 24 e-mail, Exhibit 6, or after? 25 A. I don't know.</p>	<p style="text-align: right;">Page 100</p> <p>1 Q. So only if you had gone through it 2 before this -- this meeting would that have been 3 your basis for determining the majority would be 4 fine, correct? 5 A. Yeah. Again, the big angst at the time 6 were people investing in the company. That was 7 the big issue that I was dealing with, so I 8 don't know if I was referring to that there or 9 if I'm referring to other documents 10 Q. All right. Now, you said you left an 11 e-mail for Challis to read at the meeting and 12 strongly suggested other senior members of the 13 team are there 14 Do you see that? 15 A. Where are you. Same -- 16 Q. Same e-mail 17 A. Yes, I see it. 18 Q. Why do you suggest the other senior 19 members of the team be there? 20 A. I assume for information proposes. You 21 know, a lot of people had not gone through this 22 before -- most people had not been through 23 There are some other senior managers that had 24 been through this before, so, you know, getting 25 everybody together to talk about this just</p>

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1 probably seemed prudent to me
 2 Q By this point, you had had your --
 3 had -- you were successful in getting all your
 4 senior members to sign on, correct?
 5 A I'm not sure of the dates
 6 Q I will show you an e-mail that -- by
 7 that point in time, you hadn't gotten all of
 8 your senior members to sign up Do you know one
 9 way or the other?
 10 A I really don't know
 11 Q Do you remember who -- who was the last
 12 holdout on the senior members of your team?
 13 A I don't have a recollection on that
 14 either
 15 Q Was it Wade?
 16 A I do remember Wade having some issues,
 17 whether he was the last one, I don't know
 18 (WHEREUPON, EXHIBIT NO 7 WAS
 19 MARKED)
 20 BY MR. BARON:
 21 Q Do you recognize this e-mail?
 22 A I need to read it first
 23 (Witness reviews document)
 24 Again, I don't remember the e-mails per
 25 se, but I take it for what it says.

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1 him for his help. What was he helping you do?
 2 A I think that KKR wanted to have all the
 3 management team signed up And that Mike,
 4 obviously, here spent some time with Wade and
 5 probably with some other management team members
 6 and so
 7 Q Is it fair to say that he helped you get
 8 the entire team signed up?
 9 A I would say he was accountable for
 10 getting the entire team signed up
 11 Q All right. At least -- at least getting
 12 Wade Smith signed up from this e-mail anyway?
 13 MR CURLEY Object to the form
 14 A Yes He helped sign Wade Smith up, yes
 15 MR BARON. What we are going to
 16 do, Steve, if possible we have just had the full
 17 documents e-mailed to us, so can I forward them
 18 to your secretary, and then have a full
 19 document, and then we will replace them?
 20 MR RILEY Sure
 21 MR BARON To make sure I'm not
 22 being tcnky and forgetting the key aspects of
 23 the e-mail that I forgot
 24 MR RILEY Yes.
 25

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1 Q Would you agree with me that KKR charged
 2 you with getting the senior management of the
 3 team signed up?
 4 A I think they charged me with the --
 5 getting the -- the beginning process going to --
 6 explaining the -- the program. In the end, it
 7 was going to be their accountability to sign
 8 people up
 9 Q Okay. Well, you see the top where
 10 Michael Calbert congratulated you for getting
 11 your entire team signed up.
 12 You see that, correct?
 13 A. Yep.
 14 Q. All right You didn't respond to him,
 15 it wasn't my job, it was yours?
 16 MR CURLEY. Object to the form
 17 A Yeah, again, I think I was the point
 18 person to communicate the -- the plan, Mike
 19 Calbert, you know, explained the plan at some
 20 point So I don't know that really means
 21 anything there
 22 BY MR BARON.
 23 Q. By the way, when you said -- do you see
 24 that from the one below, which is an e-mail from
 25 you to Mike Calbert, in which you are thanking

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1 BY MR BARON
 2 Q Now, going back to B6, which is your
 3 response, now, the first thing you said, you
 4 made an e-mail to her, one of the things that
 5 was suggested that the senior managements of the
 6 team be there --
 7 A. Excuse me, I need to get to B6 here
 8 (WHEREUPON, A SOTTO VOCE DISCUSSION
 9 WAS HELD, AND THE PROCEEDINGS
 10 RESUMED AS FOLLOWS:)
 11 BY MR BARON.
 12 Q Do you see that one of -- you sent an
 13 e-mail to Challis, one strongly suggesting that
 14 the other senior members of the team be at the
 15 meeting The other is you sent an e-mail for
 16 Challis to read at the meeting.
 17 Do you see that?
 18 A. Yep
 19 Q Do you remember off the top of your head
 20 what the e-mail said?
 21 A No
 22 Q Did it give her some sort of a speech to
 23 give the people as benefits and the risks and
 24 why they should be involved?
 25 MR CURLEY Object to the form.

<p style="text-align: right;">Page 105</p> <p>1 A I would have to see the e-mail I don't 2 have any recollection of that 3 BY MR. BARON. 4 Q Well, let me show a document that wasn't 5 attached to an e-mail, but is consistent with 6 the discussions anyway, at least partially 7 MR. BARON: Can you mark that 8 Exhibit 8? 9 (WHEREUPON, EXHIBIT NO. 8 WAS 10 MARKED) 11 MR. CURLEY Object to the form of 12 the characterization of it 13 BY MR. BARON. 14 Q. All right. Why don't you read Exhibit 8 15 and tell me whether or not you have a 16 recollection of this document? 17 A. Yep. 18 (Witness reviews document) 19 Okay 20 Q. This is a Dollar General-produced 21 document Have you ever seen it before? 22 A I don't recollect it 23 Q Does this -- is this the -- the e-mail 24 that you sent to Challis to read? 25 A. (Witness reviews document)</p>	<p style="text-align: right;">Page 106</p> <p>1 I don't have a recollection of that 2 Q Is it possible? 3 MR. CURLEY Object to the form. 4 A. I suppose anything's possible Until I 5 read it, I don't know The signature is from 6 Raj here 7 BY MR. BARON 8 Q I looked at that And my view of that 9 was that that was an introduction of Raj, but 10 that you think that was a Raj signature? 11 A I don't know 12 Q Okay Because the way that it said is 13 the way that it works is that Raj Agrawal was -- 14 if you look at the three paragraphs above, 15 there's a discussion of who he is, and, you 16 know, the statement that appears that he will be 17 there to answer any questions, so it's possible 18 that just means it's an introduction of Raj 19 takeover, correct? 20 A It's possible, sure. 21 Q Are there any phrases in here that make 22 you say, no, this is definitely not something I 23 would write because -- I have written a lot and, 24 you know, generally I can be sure -- can't be 25 sure what I have written, but I can usually be</p>
<p style="text-align: right;">Page 107</p> <p>1 sure what I haven't? 2 MR. CURLEY Object to the form 3 Other than the statement on your writing -- 4 A Yeah, could you just walk me 5 through some of these phrases -- 6 BY MR. BARON. 7 Q No I'm just wondering whether there's 8 anything -- you just read the document. Is 9 there something about it that gives you some 10 indication whether you did or did not write 11 this? 12 A. No There's nothing in here to suggest 13 that I did or did not write this. 14 Q Okay Now, looking at a couple of 15 things from this document -- perhaps Challis 16 will know where this came from -- do see in the 17 second -- 18 MR. RILEY As the repository of 19 information? 20 MR. BARON Or the right-hand 21 person, either way 22 BY MR. BARON. 23 Q Do you see the first few words about the 24 process, Only the officers are being allowed to 25 invest in the deal preclosing</p>	<p style="text-align: right;">Page 108</p> <p>1 Do you see that? 2 A. Yes. 3 Q Okay Now, the officers did not have to 4 invest, correct, there was -- it was not a 5 precondition to their continued employment, is 6 that true? 7 A That's true 8 Q And that was made clear to them 9 throughout? 10 A It was made clear, I believe. 11 Q Okay Now, then going down to the fifth 12 paragraph, Of course, that -- there was a 13 discussion of great upside potential and 14 considerable risks 15 Do you see that? 16 A Yes 17 Q Okay Do you remember being involved in 18 any conversations that you or anyone else told 19 the officers about the great upside potential 20 and considerable risks? 21 A I don't remember this specific piece 22 here, but, again, as we went through that 23 Exhibit 2 and went through the second page 24 there, I would always talk about the -- here's 25 what would happen if we hit that plan, and here</p>

<p style="text-align: right;">Page 109</p> <p>1 are the risks that go with it So in that 2 context, yes. 3 Q Okay. Now, the next paragraph, this 4 is -- this is the paragraph from which they 5 quote -- they basically say that you 6 specifically told whoever's giving this speech, 7 that you wish you could be there and that you 8 said to stay, that the road show is going well, 9 and the investors seemed excited 10 Do you see that? 11 A Yes 12 Q You agree with me that you did, in 13 fact, tell someone to tell that to the people at 14 the meeting? 15 A Again, I have to trust what the document 16 says, I don't have any recollection that -- that 17 I gave that instruction, but I will trust what 18 the document says 19 Q No reason to believe you didn't give 20 that instruction? 21 A If that's what it says 22 Q Okay. Were you aware that the equity 23 offering was oversubscribed? 24 A I don't think -- I don't know I don't 25 think so. I don't recollect that</p>	<p style="text-align: right;">Page 110</p> <p>1 Q Okay Now, going to the last paragraph 2 on this, you know, do you see where there's a 3 discussion about 70 million goal for 2007 is 4 comparable to the 570 in the annual bonus plan 5 Do you see that? 6 A Uh-huh 7 Q Do you understand that math? 8 A Yes 9 Q Can you explain it to me? 10 A Yes The 570 plan includes Project 11 Alpha. Project Alpha, had \$130 million at one 12 time, expense -- but what they tried to do is 13 take that out and say, okay, if you took that 14 out, what would the EBITDA be, and that's where 15 you get the word "adjusted" 16 Q And the purpose of explaining -- did you 17 have to explain that to any of the officers, 18 yourself, personally? 19 A The -- I don't remember within this 20 context, but, yes, I think we had a lot of 21 discussion on the bonus plan because there was 22 bit -- people never -- seen the word "adjusted 23 EBITDA" before -- in fact, many of the officers 24 had never even seen the word "EBITDA" before. 25 So, yeah, we had a lot of education on the 700</p>
<p style="text-align: right;">Page 111</p> <p>1 versus 570 2 We had a lot of education on the -- what 3 EBITDA is, and the measurement it was because 4 that was a new measurement for us 5 Q Are you saying the officer didn't know 6 what EBITDA meant or what adjusted EBITDA meant? 7 MR CURLEY: Object to the form 8 A. Both. 9 BY MR BARON: 10 Q What officers didn't know what EBITDA 11 meant? 12 A Well, it was a new piece -- we had -- 13 this company, for years, had been operating from 14 income, and EBITDA actually is only used 15 primarily in the private equity world So if 16 you haven't been in the private equity world, 17 you know, it would have been a fairly new 18 concept for you 19 Q Did they know what EBIT was? 20 A. Yes 21 Q Okay They new what depreciation was 22 nght? 23 A. Yeah I mean, once you described it to 24 them, they clearly understood it But it was 25 not a measurement that we had used before</p>	<p style="text-align: right;">Page 112</p> <p>1 Q. Okay. Now, the next paragraph, this 2 specifically referenced what you want -- 3 theoretically wanted people to know. 4 Do you see that? 5 A. Yes. 6 Q. Okay. It says, David Bere wants you to 7 know that he believes the business plan is 8 doable if we deliver against the initiatives 9 that were -- we were already working on 10 Do you see that? 11 A. Yep 12 Q Did you want them to know that? 13 A Yeah. The business plan referred to 14 here is the -- our operating plan even before 15 KKR showed up. So we had a -- we had a business 16 plan, which was the 570 that was presented to 17 our -- that we presented to our board, and what 18 KKR basically said, that we were going to live 19 with that plan the first year. So the -- the 20 bonus thing was on the first year And that was 21 our plan that we presented to the board, so that 22 was consistent. 23 Q. So your statement here is only that the 24 business plan is doable in the first year? 25 MR CURLEY: Object to the form.</p>

<p style="text-align: right;">Page 113</p> <p>1 BY MR. BARON:</p> <p>2 Q Are you -- did you want the employees to</p> <p>3 think that the business plan was doable for the</p> <p>4 entirety of the period in which they were</p> <p>5 rolling over their equity or that it was just</p> <p>6 doable for one year?</p> <p>7 MR. CURLEY: Object to the form</p> <p>8 A. I don't know what I was referring to.</p> <p>9 The paragraph before was referring to the year</p> <p>10 If you look at the business plan that KKR</p> <p>11 accepted for us for the first three years, it</p> <p>12 was taking the business plan we had -- we had a</p> <p>13 base plan and we had an alternative plan, and so</p> <p>14 what KKR said is that we are going hold you</p> <p>15 accountable to that plan over the first few</p> <p>16 years, which is the plan that we developed, and</p> <p>17 they used a number in between the two so</p> <p>18 Q. Both were your plans?</p> <p>19 A. It was our plans that we presented to</p> <p>20 the public board; however, you know, down the</p> <p>21 road, that plan takes a pretty big increase, and</p> <p>22 you know, there are a lot of changes that needed</p> <p>23 to take place. But as far as the coming out of</p> <p>24 the gates, the plan that they accepted was the</p> <p>25 plan that we developed</p>	<p style="text-align: right;">Page 114</p> <p>1 Q. And the benchmark that is -- the</p> <p>2 benchmarks that you were saying that the people</p> <p>3 needed to achieve in order to get the -- reading</p> <p>4 through the line on Exhibit 2, those were</p> <p>5 benchmarks that were developed at least</p> <p>6 initially for the plan in place.</p> <p>7 A. For the first three years, yes</p> <p>8 Q. That's how far out that Dollar General</p> <p>9 had their plan?</p> <p>10 A. Exactly, correct</p> <p>11 Q. Just so I understand, so KKR said for</p> <p>12 the benchmarks you can achieve in order to get</p> <p>13 whatever your multiple of your investment, we</p> <p>14 are going to hold you to achieving the</p> <p>15 benchmarks of the plan as far as Dollar General</p> <p>16 had already done that, and then beyond that, we</p> <p>17 are going keep moving forward in a way that we</p> <p>18 think we can achieve?</p> <p>19 A. Yes</p> <p>20 Q. All right. And did you consult at all</p> <p>21 on the moving-forward plan?</p> <p>22 A. No, that was given to -- that was given</p> <p>23 to us.</p> <p>24 Q. Did you have any opportunity to say</p> <p>25 whether you agreed that it was doable or not</p>
<p style="text-align: right;">Page 115</p> <p>1 doable?</p> <p>2 A. They went through the plan with us, and</p> <p>3 they talked to a lot about, you know, the things</p> <p>4 that they could -- they could help with, you</p> <p>5 know, we -- they had a bunch of initiatives of</p> <p>6 what they felt with private label, what they</p> <p>7 felt we could do with foreign sourcing. They</p> <p>8 were going to bring a lot of resources against</p> <p>9 that, and so that was their justification for</p> <p>10 the plan.</p> <p>11 Q. Had you at Dollar General ever looked at</p> <p>12 what to do with the plan beyond the three-year</p> <p>13 period that you had already in those plans?</p> <p>14 A. We had -- my recollection is we only had</p> <p>15 three-year plans.</p> <p>16 Q. Were the kind of things that KKR was</p> <p>17 talking about in the three-plus year parts -- I</p> <p>18 guess it's only two years for their window,</p> <p>19 correct?</p> <p>20 A. That's correct.</p> <p>21 Q. They --</p> <p>22 A. The first.</p> <p>23 Q. Let me finish. The entire investment</p> <p>24 window from KKR's plan was a five -- was a</p> <p>25 five-year window, correct?</p>	<p style="text-align: right;">Page 116</p> <p>1 A. The model was based on five years</p> <p>2 Whether that's going to happen, that remains to</p> <p>3 be seen so -- but, yes, the model was based on</p> <p>4 five years. The first three years of that plan,</p> <p>5 my recollection is that took the in between</p> <p>6 the -- the two plans.</p> <p>7 Q. Were the initiatives that we are -- that</p> <p>8 KKR had in their plan in years four and five,</p> <p>9 were they initiatives that have been discussed</p> <p>10 or considered at Dollar General?</p> <p>11 A. Yeah. The -- the initiatives that they</p> <p>12 were bringing forward, you know, one of my</p> <p>13 concerns with -- when -- as a board member is</p> <p>14 that we weren't very clear on what our, you</p> <p>15 know, what our road map was for the next three</p> <p>16 years.</p> <p>17 The things that we were definitely</p> <p>18 focused on was Project Alpha, was to get that</p> <p>19 out, and the other thing we focused on was to</p> <p>20 slow the store growth down so we could work on</p> <p>21 some of the operations. What KKR brought in is</p> <p>22 they felt that we could dramatically improve our</p> <p>23 private label. They could dramatically improve</p> <p>24 our foreign sourcing. They could dramatically</p> <p>25 improve our shrink. They could dramatically</p>

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1 improve our merchandising mix, and they could
2 bring resources against us
3 So the specificity that they brought to
4 the plan and the resources that they brought to
5 the plan was not in our Dollar General plan.
6 Q Okay. And as far as the private label,
7 the shrink, the foreign markets, et cetera, were
8 those ideas that had not been discussed at
9 Dollar General prior to KKR?
10 A We -- we had talked at Dollar General of
11 how you could, you know, continuously improve
12 the private label, continuously improve all --
13 the shrink, continuously improve the foreign
14 sourcing. They came in and felt that it could
15 be a lot more quantum leap and dramatic and that
16 they were approaching this wrong, and, you
17 know, that's what their model was based -- is
18 vast improvement in those areas.
19 Q Okay. And what resources were they
20 de -- were they devoting resources that Dollar
21 General could not have devoted to it?
22 A. They have a group called Capstone. If
23 you go through the history of KKR, they started
24 in 2000, made a decision to develop an internal
25 consulting group, and what they do is these are

1 people that have a lot of experience in all
2 these areas. They have done it before. They
3 come in and they really work alongside the
4 management team -- there are a lot of
5 consultants out there -- but what they do, is
6 not only do, they bring in the brainpower and
7 the strategic and the analytical, they are
8 really on the ground working with this.
9 So we have five or six people on the
10 ground today that are working against these
11 initiatives and at a lot greater speed than we
12 could have ever done as a public company, and
13 secondly, they brought, you know, in new
14 management.
15 Q There were discussions about bringing in
16 new management before KKR, correct?
17 A There was discussion -- there was
18 concern about the CEO and given some of the
19 initiatives, and that's where -- they asked me
20 to come onboard then to help that.
21 Q Was that before or after KKR?
22 A Well before KKR.
23 Q Okay.
24 A The -- as a public company -- the
25 company board put me there, but what KKR has

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1 done is, you know, they made a switch on the
2 CEO. They made a switch on the chief
3 merchandising officer. They made a switch on
4 the person running DG markets and the human
5 resource executive. So they took half the
6 senior management team and felt that we needed
7 different skill sets to get to where we needed
8 to be.
9 Q. Okay. Now -- now, do you see the
10 next -- next paragraph says, David Bere also
11 wanted to tell you that he is committed to and
12 believes in this management equity plan.
13 Do you see that?
14 A Uh-huh.
15 Q And did you tell someone that you wanted
16 the other officers to know that you were
17 committed to and believed in the management
18 equity plan?
19 A. I was walking a fine line of not wanting
20 to sell the plan because I didn't think that was
21 the proper thing to do, and I was told it was
22 not the proper thing to do, but I didn't think
23 it was inappropriate for me to tell people, this
24 is what I did, and then you, you know, need to
25 make your own decision.

1 Q Okay. And then so -- not saying you
2 should buy it, but, you know, if I'm of any
3 guidance to you that I'm buying it, I'm going
4 let you know I'm going to be involved. You told
5 them that?
6 MR. CURLEY: Object to the form.
7 A. What I told them is that I invested in
8 the plan, and the other piece is by this time,
9 there was no guaranty that I was going to be
10 part of management team. I was the interim CEO.
11 BY MR. BARON
12 Q Okay. But you tell them that you were
13 committed to and believed in the management
14 equity plan, either directly or indirectly?
15 A. Again, what I -- let me tell you what I
16 said. My recollection is what I said is -- to
17 people is that I -- that I invested in the
18 company, and so I think by inference, yeah, I do
19 believe in the business practice.
20 Q Okay. Well, do you think it's an
21 overstatement if somebody said, David Bere also
22 wanted me to tell you that he is committed to
23 and believes in the management equity plan?
24 Would that have been an overstatement by
25 whoever?

<p style="text-align: right;">Page 121</p> <p>1 A No, I don't think that's an 2 overstatement 3 Q. Okay And then it also says -- at the 4 very line, He is very comfortable with this one, 5 meaning the equity plan Would that have been 6 an overstatement by the person -- 7 A. Where are you? 8 Q The end of that same paragraph. 9 A Yeah And what they are referring to, 10 the equity plan here, is, again, we did our 11 homework and said, okay, what percentage of -- 12 in like situations, what percentage should a 13 person invest in it, what should the options be, 14 and so I -- yes, I negotiated it So I did get 15 comfortable. The very fact that I negotiated it 16 suggests that I did get comfortable with the 17 management plan. 18 Q. Okay. And by the way, these people were 19 not told that you had this six months, you know, 20 what -- Mulligan, you know, if I make a mistake, 21 I can get out? 22 A Yeah. My recollection, it wasn't -- I 23 don't know if there were other documents that it 24 said in their -- but I just don't remember if 25 they knew or they didn't know</p>	<p style="text-align: right;">Page 122</p> <p>1 Q. Okay. Now, another reason I didn't 2 believe this was a Raj statement was -- or 3 signed by Raj was the next line says, I can tell 4 you that I personally planned to invest 5 Do you see that in next line? 6 A Yeah. 7 Q So whoever is reading, it is someone at 8 senior management who was investing, probably 9 Challis Would you agree with that? 10 MR CURLEY: Object to the form 11 A I don't want to speculate in -- 12 BY MR BARON 13 Q I'm not asking -- given your -- you are 14 the only person in the room who was in the 15 various conversations with KKR, other 16 management, Challis, et cetera. Is there 17 anybody else that you can think of who would 18 have given this speech other than Challis? 19 A It is mostly likely that the -- step 20 back here, the people that we wanted to give the 21 speech was Raj We wanted Raj to give the 22 speech, we wanted Mike Calbert to give the 23 speech Challis clearly set up the meetings, 24 and so that's what -- that's what I can tell 25 you</p>
<p style="text-align: right;">Page 123</p> <p>1 Q You do agree with me that, you know, it 2 would not be -- it would have been a Mike 3 Calbert or Raj Agrawal speech to say, I can tell 4 you I can personally -- 5 A I can tell you that Raj did invest, and 6 I can tell you that Mike Calbert invested so -- 7 but it could have been them And the fact is, 8 Challis did choose to invest 9 Q. Okay You do recall telling anybody 10 that you thought that it was helpful for them to 11 tell -- for other officers to know that David 12 Tehle had told potential debt holders he 13 believes in this plan enough to have made the 14 decision to invest his own money in the company 15 through this management equity plan? 16 MR. CURLEY: Object to the form 17 BY MR. BARON. 18 Q Do you recall having any discussions or 19 telling anybody that they should let the other 20 officers know that? 21 A I'm sure we communicated to officers 22 that we as a senior management team invested in 23 the plan, I'm confident -- I don't know if it 24 was at this meeting, but I'm confident that I 25 would have shared that information.</p>	<p style="text-align: right;">Page 124</p> <p>1 Q. I will show you another document 2 (WHEREUPON, A SOTTO VOCE DISCUSSION 3 WAS HELD, AND THE PROCEEDINGS 4 RESUMED AS FOLLOWS.) 5 MR RILEY. Randy, I would like for 6 you to be in a position to have a good meal, so 7 just let us know when you would like -- 8 MR BARON Is the food here? 9 MR. RILEY. I think it is, yes 10 Let us know when you would like to break for 11 that 12 MR BARON. We can break now 13 That's fine. 14 MR RILEY: Do you want to break 15 now or -- 16 MR BARON No, let me go a couple 17 of minutes Let just do this document It will 18 take about 15 minutes, 20 minutes, if I could? 19 (WHEREUPON, EXHIBIT NO 9 WAS 20 MARKED.) 21 BY MR BARON: 22 Q I'm showing you is what is, again, 23 another Dollar General-produced document, 24 GD157742 Have you ever seen this document 25 before?</p>

<p style="text-align: right;">Page 125</p> <p>1 A (Witness reviews document) 2 Yes 3 Q Do you know when you first saw it? 4 A I am not sure when I first saw it, but 5 this was a KKR document. And I believe they 6 shared it with us at one of the meetings 7 Q Okay. Did you have it before you made 8 your decision to rollover your equity and 9 invest -- I guess invest in the private company? 10 A You know, I do not know that I just 11 don't know when we had to invest and when this 12 was shared with us 13 Q. Do you know whose handwriting that is? 14 MR RILEY: Where? 15 BY MR BEDNARZ 16 Q On the very front page 17 A. No 18 Q. Let me show you -- can I have 25 real 19 fast? 20 (WHEREUPON, EXHIBIT NO. 10 WAS 21 MARKED) 22 BY MR. BARON. 23 Q Showing you Exhibit 10, which is an 24 e-mail confirming the receipt -- actually, this 25 document is much smaller and harder to read Do</p>	<p style="text-align: right;">Page 126</p> <p>1 you recognize this e-mail? 2 A Let me read it 3 (Witness reviews document.) 4 I take the -- it was sent -- Kathleen 5 sent it to me Okay. 6 Q. So do you -- would you agree with me 7 that you received Exhibit 9 sometime early 8 March? 9 MR CURLEY Object to the form. 10 A. That's what the -- that's what the 11 e-mail says It says 3/15, so I assume I got it 12 on that date 13 BY MR. BARON 14 Q And you would have reviewed it about 15 that time? 16 A. Yeah, I think the APT -- I don't know if 17 I would have reviewed this analysis I think 18 the issue was that KKR really liked APT, and APT 19 is a predictive technology tool, especially for 20 evaluating different things on real estate And 21 we did not use APT, and so Kathleen is -- is in 22 charge of our stores and our real estate So I 23 know there was a push from KKR for us to 24 seriously look at APT. 25 Q Okay Do you know -- is it possible</p>
<p style="text-align: right;">Page 127</p> <p>1 that you could have been given some information 2 from APT or this report prior to this -- I'm 3 just asking if it's possible? 4 A I don't think so 5 Q. Okay Now, APT is a service that Dollar 6 General could have used outside of KKR, correct? 7 A Yes 8 Q All right And have they -- they had 9 never used them before? 10 A. We had never used them before 11 Q. Had you considered using them before? 12 A. No, but we are using them 13 MR BARON: Why don't we take a 14 break right now since we have, like, four and a 15 half minutes on the tape. 16 MR RILEY. Say 45 minutes 17 VIDEOGRAPHER: Going off the 18 record The time is 11:53 19 (WHEREUPON, A SHORT BREAK WAS 20 TAKEN, THE PROCEEDING RESUMED AS 21 FOLLOWS) 22 VIDEOGRAPHER. Back on the record 23 The time is 12:59 24 BY MR. BARON. 25 Q I have before you what are replacement</p>	<p style="text-align: right;">Page 128</p> <p>1 Exhibits 5 and 6 Your counsel objected as the 2 second page of the exhibit that asked you 3 questions on wasn't there. 4 Do you see them? 5 A (Witness reviews document) 6 Yeah, are they the same? 7 Q And they have the same second page Do 8 you see that? 9 A. Yep 10 Q Have you had a chance to read that 11 second page? 12 A I haven't, but I will 13 Q I'll let you read it The question is 14 whether or not having read that second page 15 would cause you to answer any of the questions I 16 asked you about the first page any differently? 17 MR. CURLEY: I'm going to object, 18 unless you have specific questions that you want 19 you to re-ask I don't know how it's even 20 conceivable that he could answer that question 21 MR BARON: Object all you like 22 (WHEREUPON, A SOTTO VOCE DISCUSSION 23 WAS HELD, AND THE PROCEEDINGS 24 RESUMED AS FOLLOWS-) 25 A I have read this</p>

<p style="text-align: right;">Page 129</p> <p>1 BY MR BARON: 2 Q. Is there anything about that that makes 3 you think you -- maybe you misunderstood a 4 question that was asked before? 5 A. No 6 MR CURLEY. Object to the form 7 BY MR BARON: 8 Q. Looking at that, is there anything that 9 you would like to add to your prior testimony 10 about those exhibits? 11 A. (Witness reviews document) 12 No 13 MR CURLEY Object to the form. 14 A. No -- I mean, no 15 BY MR. BARON. 16 Q Earlier this morning when you were 17 talking about your investment, you said the 18 2.25 million wasn't significant in light of your 19 overall net worth at the time Do you recall 20 saying that? 21 A. Yes 22 Q What was your net worth at the time? 23 A It was about \$20 million 24 Q It was about what? 25 A Twenty</p>	<p style="text-align: right;">Page 130</p> <p>1 Q. Then? 2 A. Yes 3 MR CURLEY: Object to the form 4 BY MR BARON: 5 Q And prior -- prior to this investment of 6 2.25 million, had you invested 2.25 million in 7 any single investment? 8 MR CURLEY: I'm going to object to 9 the form, and, Randy, you can ask him this 10 question, but I'm not comfortable with you 11 getting into his personal finances that are 12 unrelated to this transaction He testified 13 about his investment in this transaction, what 14 it was compared to his net worth, so if you want 15 to ask this question, then fine, but beyond 16 that, I'm going to object, and I'm going to 17 instruct him not to answer after this question 18 A After I sold the company, I identified 19 three or four money managers that would go 20 over -- 21 MR CURLEY Let me make sure -- 22 what is your question? 23 BY MR. BARON: 24 Q My question was -- 25 A As I invested --</p>
<p style="text-align: right;">Page 131</p> <p>1 Q -- have you ever invested 2.25 million 2 or more in any single investment? 3 A Yes After I sold the company, I 4 identified three or four money managers to 5 invest our family's finances, and so investing 6 in a money manager, yes. 7 Q. Okay I'm talking as -- as far as 8 investment in a single company, have you made 9 any investment of 2.25 million or more in a 10 investment in any single company like the 11 investments you made in KKR going private -- I 12 mean, in Dollar General going private? 13 A. I don't think so 14 Q. How about anything a million dollars or 15 more in a single company investment? 16 A Single company perspective? 17 Q Yes 18 A Certainly the Quaker Oats Company. 19 My -- my stock was worth certainly more than a 20 million dollars when I spent 20 -- 18 years 21 there. 22 Q. But that was accumulated stock over 23 time? 24 A Accumulated stock, yes 25 Q What about taking what was functionally</p>	<p style="text-align: right;">Page 132</p> <p>1 two -- a million dollar's worth of liquid stock 2 or cash and investing it in another company, 3 have you ever done that other than this 2.25 in 4 private Dollar General? 5 A I don't think so. I am not sure. 6 Q So going back to Exhibit 9; do you have 7 that there with you, the APT report? 8 A (Witness reviews document) 9 We're looking for Exhibit 9. 10 Q It's the fat one? 11 MR RILEY This thing, David. 12 A Yep 13 BY MR BARON: 14 Q All right Do you ever -- have you ever 15 discussed this report with anybody from APT? 16 A. We have had -- I can't know whether -- 17 without fully reading through this report to 18 specifically answer your question, but what we 19 did do is we did have APT in to help address 20 some of the questions that we had For example, 21 we were looking at doing certain stuff in stores 22 like cleaning, cleaning floors in stores, and 23 APT said they would be able to help 24 So we did have a few meetings with APT 25 to see how they could help us.</p>

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1 Q. Did you ever compare this to the
2 business plan that was at Dollar General prior
3 to the decision to go with KKR?
4 A. Ask that question one more time.
5 Q. Yeah. Did you ever compare the analysis
6 that were in this report to the programs or
7 business plans that Dollar General had prior to
8 being involved with KKR?
9 MR. CURLEY Object to the form
10 A. Well, certainly after this -- after the
11 board decided to go with KKR and before the
12 closing, KKR did show their -- their business
13 model to us and what they thought could drive
14 the value over time. So, yeah, they did share
15 that whether -- I'm not quite sure what's in all
16 this report, but, yes, they did share they model
17 with us
18 Q. Who is us?
19 A. The management team
20 Q. So could you tell me specifically who
21 the "us" is you meant by the management team?
22 A. For sure, the senior management team,
23 meaning my direct reports, and I'm not sure, but
24 I think it was a good chance that Raj may have
25 done some type of presenting to the officer

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1 but I would suspect it was sometime in the April
2 time frame
3 Q. Okay. Well, you did see that, you know,
4 you were at least on the e-mail with this
5 presentation as of March 15?
6 A. March 15.
7 Q. Yeah, that's Exhibit 10
8 A. Yeah, I know -- I know that KKR wants us
9 to look at APT as a -- as a vehicle to use. So
10 if we have e-mails to suggest that it was
11 sooner, rather than later, but it was sometime,
12 you know, relatively soon after the -- the board
13 decision
14 Q. I wanted to ask somebody this. Why do
15 they use the phrase "racetrack"?
16 A. Racetrack is a -- is a -- one of our
17 models, and the reason it's called a racetrack
18 is because we are trying to take the customer
19 around in a racetrack-type fashion, like this
20 (indicating). So when take them out in that,
21 not only do they see the -- the nonconsumable
22 goods on the right-hand side, but they also see
23 the consumable goods. It's a way for them --
24 hopefully for them to see more things and
25 hopefully buy

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1 group, and I'm not sure
2 Q. Okay. So who were the senior management
3 that were your direct reports?
4 A. I had David Tehle, Beryl Buley, Kathleen
5 Guion, Challis Lowe, Susan Lanigan, and Wayne
6 Gibson
7 Q. Okay. And what about David Perdue? Was
8 this information shared with him?
9 A. Yes, David Perdue did -- he did not
10 leave until the deal was closed, so, yes, he
11 would have sat in that meeting as well
12 Q. So other than those one, two, three,
13 four, five, six, seven people, as you sit here
14 today, you don't know of any others that you
15 were sure were provided this information?
16 A. I'm not sure.
17 Q. And can you tell me -- you know, whether
18 it's this presentation or not, can you tell me
19 proximate time frames that you believe you were
20 given this information -- you saw that you --
21 A. Yeah, we closed -- we -- when the board
22 voted -- when did the board vote, March 10th?
23 Q. Yeah, somewhere around then
24 A. About then. And we closed in -- in
25 July, so I would -- you know, I'm guessing here,

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1 Q. Was that an APT or KKR initiative --
2 A. No
3 Q. -- or was that already happening?
4 A. No, that was already happening.
5 Q. Okay. So now take -- going through
6 this -- I would like to go through this APT a
7 little bit, and let me know whether or not, you
8 know, you these initiatives were initiatives
9 that were identified for the first time by APT
10 or whether Dollar General at least understood
11 some of these initiatives at some point.
12 Obviously, the Alpha initiative was ongoing
13 prior to KKR's involvement --
14 A. May I ask what page you are on?
15 Q. I am starting on Page 3
16 A. Are you numbers -- oh, yeah, Page 3.
17 Okay
18 Q. Page 3, and we are talking about key
19 management initiatives and improvements for the
20 core chain. Racetrack models were already a
21 Dollar General initiative, correct?
22 A. Yes
23 Q. Relocations was already happening as a
24 part of Alpha, correct?
25 A. Yeah. Relocations were already

<p style="text-align: right;">Page 137</p> <p>1 happening and have historically happened, 2 however, how you do relocations, there was a lot 3 more work to be done on that, and KKR had some 4 thoughts on that 5 Q Advertising, again, you were advertising 6 but maybe KKR had some new ideas, correct? 7 A Yes. We were doing advertising CCTVs 8 We had done part of our stores were CCTVs, and, 9 you know, that's the TVs in the store to help 10 you reduce shrink We were in our high-shrink 11 stores -- there were some discussion whether 12 they should be in all our stores or not 13 Q Okay And -- okay When you say "we," 14 by we you meant Dollar General? 15 A Dollar General, yes, thanks 16 Q And I'm talking public Dollar General as 17 opposed to private? 18 A Yes Thanks. 19 Q. And EAS, what was that, an initiative at 20 public Dollar General? 21 A. I'm trying to think what EAS -- oh, EAS 22 is the tabs that go on clothing, so if you walk 23 out with it, there's an alarm that goes off, and 24 we had tested that and actually found out that 25 it wasn't very successful</p>	<p style="text-align: right;">Page 138</p> <p>1 Q Okay That -- so -- 2 A. That was before in the public -- before 3 KKR showed up 4 Q Since KKR, you haven't reinstituted that? 5 A No 6 Q. And then Easy Store? 7 A Was initiated before KKR 8 Q And Alpha Closers was definitely -- was 9 going on before KKR, correct? 10 A Yeah. 11 Q And what's Wal-Mart openings? Do you 12 know? 13 A. I think Wal-Mart -- in fact, all these 14 things here, you identified them of initiatives. 15 I think the reason it was on this page is how do 16 you know that racetrack remodels are working, 17 and that's what APT does. How do you know that 18 your relocations are working How do you know 19 your advertising is working, and we did not have 20 those type of analytical tools, so the purpose 21 here wasn't to go through whether you are doing 22 this or not They wanted to know, how do you 23 know it works. 24 Q. Okay But those were key initiatives 25 that they were --</p>
<p style="text-align: right;">Page 139</p> <p>1 A Yes 2 Q And then what about potential growth -- 3 potentially grow the chain? What was in place 4 at Dollar General pre-KKR? 5 MR. RILEY: Where are you now? 6 MR. BARON: Same page. 7 A New store 8 BY MR. BARON: 9 Q. What is the potential to grow the chain? 10 MR. RILEY Where are you on this 11 page? 12 MR. BARON Page 3, second bullet 13 point. He sees it. 14 MR. RILEY I see it as well, but 15 I'm not sure that I heard a question. 16 BY MR. BARON: 17 Q The question was: What was Dollar 18 General doing regarding potential to grow the 19 chain prior to KKR? 20 A. Yeah Historically, we were opening a 21 lot of stores every single year. A few years 22 ago, the -- the management team and the board 23 really evaluated whether what was the right 24 strategy to continue that growth. We made a 25 decision as part of Project Alpha to slow that</p>	<p style="text-align: right;">Page 140</p> <p>1 store growth down for a few years, and really 2 focus on, if you will, 3 getting-better-before-you-get-bigger-type thing 4 Q That's sort of -- would that be new 5 store economics, meaning that you are focusing 6 on the stores -- 7 A. Well, again, I think -- 8 MR. CURLEY: Hold on, Mr Bere, one 9 second I just want to remind you, let 10 Mr. Baron finish his question, then allow us 11 time to object And I'm going to object to the 12 question Are you asking him what this document 13 means? 14 MR. BARON: I'm just asking him 15 about whether what he just says counts in his 16 view as an initiative on new store economics? 17 A The new store economics as outlined in 18 this page, was they were questioning the way we 19 did our economics on new stores. 20 BY MR. BARON. 21 Q And were you as part of Project Alpha, 22 were you also questioning your economics on how 23 you did new stores? 24 A. We were doing -- the company was in the 25 process of evaluating, are we evaluating our</p>

<p style="text-align: right;">Page 141</p> <p>1 stores the – the right way 2 Q. Okay Then capacity for new store 3 growth, were there initiatives and discussions 4 as to what the capacity was for new store growth 5 post Project Alpha? 6 MR. CURLEY. Object to the form 7 A There – 8 MR. RILEY Post-Project Alpha, is 9 that what you said? 10 MR. BARON Yes. 11 MR. RILEY. Object to the form as 12 well. 13 A. The purpose of the capacity for new 14 store growth here was – what was your model to 15 suggest what additional store could you go, what 16 additional real estate pieces are you doing? 17 This is something that all retailers have, and 18 the purpose of this is they wanted to know our 19 mold and compare it to the APT model. 20 Q Okay But my question was: Was Dollar 21 General – public Dollar General, were there 22 initiatives looking out toward what the capacity 23 was for new store growth post-Project Alpha? 24 MR. CURLEY: Object to the form 25 A The answer is yes</p>	<p style="text-align: right;">Page 142</p> <p>1 BY MR. BARON 2 Q. Okay And what – were there documents 3 that were generated, reports that were 4 generated? 5 A It's also part of – yeah. It's always 6 part of a retailer on a new-store growth. You 7 are constantly looking at locations and where 8 those locations could be The question 9 became – is how aggressive should you be there 10 Not that the sites weren't there, but were we 11 getting the returns So the question is, should 12 you open up every year zero stores or 400 stores 13 or 700 stores 14 Q Well, did you have at the time -- again, 15 pre-KKR, some idea as to how many more stores 16 could be opened in the future without 17 oversaturating the market? 18 A Yes I don't know how good our model -- 19 MR. CURLEY. Object to the form 20 A Yes. 21 BY MR. BARON 22 Q And what's that number? 23 A The -- you know, I can't remember the 24 number, but we always felt -- you know, we are 25 only in 35 states We are in 21 core states.</p>
<p style="text-align: right;">Page 143</p> <p>1 We knew there was growth in our core states We 2 knew there was definitely growth in noncore 3 states, and didn't even count So we always 4 felt – not that this would ever necessarily be 5 a good idea, but you could potentially -- given 6 the sites that you had, you could potentially 7 double the chain But that may not be a wise 8 business decision to go do that 9 Q. How many stores were in the chain? 10 A. Today there's 8300, and, you know, this 11 last year -- let's see, Alpha, we closed 400, we 12 opened -- so a year and a half ago, it would be 13 about, you know, 8000 to 8200 14 Q. And the reason -- you understand that 15 reason I said post-Project Alpha is because part 16 of Project Alpha was to close the stores that 17 weren't performing well -- 18 A Right 19 Q -- and be sure about opening only stores 20 that you were pretty sure were going to have 21 high IRRs, correct? 22 MR. CURLEY. Object to the form 23 A Yeah. We had a plan -- a new store 24 growth plan The company's had it for years 25</p>	<p style="text-align: right;">Page 144</p> <p>1 BY MR. BARON 2 Q What was -- in Project Alpha, what was 3 your anticipated IRRs for new stores? 4 A. The real estate -- to go through the 5 real estate models, I believe it had to be in 6 the 20 percent range 7 Q Okay And so the goal was pretty much 8 to get rid of those stores that were low IRRs 9 and begin by replacing them with stores that had 10 higher IRRs in the short term, slowly grow -- 11 A. Let's not quite characterize it -- the 12 reason Alpha came out, we had never gone back 13 and looked at our stores. So we kind of did a 14 one-time event and said, let's really look at 15 all our stores and said, are these stores still 16 worth keeping open, and that's where the 17 decision made was to close the -- the 400 18 We also created a mechanism that every 19 single year, we are going to have a modeling 20 system now that if stores need to be closed, 21 they didn't hit a certain hurdle rate, then we 22 would close them So Alpha kind of did a 23 one-time thing of looking at that, and also set 24 up a process Alpha really didn't have -- the 25 only decision that was made in Alpha related to</p>

<p style="text-align: right;">Page 145</p> <p>1 new stores was we decided to slow new store 2 growth down for a few years 3 Q Okay. So the business plan as I 4 understand it – you had a business plan that 5 went up three years, correct? Is that a yes? 6 A Yes. I'm sorry 7 Q And Project -- the Project Alpha you 8 anticipated would take two to three years to do 9 the 400 closures plus replacement with high IRR 10 stores, correct? 11 A. Well, the -- again, we had a closure 12 plan. We had a new-store-growth plan. The 13 new-store-growth plan for the two years was a 14 two-year program The first year was around 300 15 to 350, and the second year, which we are in 16 now, is 200 And then this question was going 17 to become, when do you think -- should you 18 continue doing that, or when do you think you 19 should start, you know, growing those again 20 Q And a old public Dollar General never 21 made a determination as to how many stores to 22 grow post-Alpha, correct? 23 A. Certainly, in our three-year plan, it 24 would suggest that you would have to open up 25 stores in year three</p>	<p style="text-align: right;">Page 146</p> <p>1 Q How many stores? 2 A It was probably the 4- to 500 range 3 Q What about that What about -- 4 A. After that, we hadn't got -- I think the 5 strategic thinking at the time -- we hadn't done 6 the analytical As I said, we didn't look much 7 beyond three years out, is that we really felt 8 that we had to be more balanced between a bunch 9 of factors. One is new store growth One is 10 remodels. And two is -- three is relocations, 11 plus investment in the current store. 12 So the whole focus for years was only on 13 the new-store piece, and this piece wasn't 14 happening So we decided as part of Project 15 Alpha is that we need to have a lot of sensible 16 approach going forward because we weren't 17 getting the returns on those -- those new 18 stores, so we kind of had to improve the stores 19 and then grow them 20 So the thought process -- you know, the 21 50,000-foot level was the slowing We opened up 22 700-and-some stores a few years ago. We 23 dramatically slowed that to 300 and some This 24 year we are going to 200 And we don't have our 25 plans -- but it's going in the range -- it's not</p>
<p style="text-align: right;">Page 147</p> <p>1 ever going to be 700 again 2 It's going to be a balance, you know, it 3 will probably be in the 4-, 500 range, and then 4 we'll do some remodels and relocations with 5 that. 6 Q. An when you say "we," are you talking 7 about that's what private Dollar General is 8 thinking? 9 A That was actually public -- private -- 10 private Dollar General and also -- that was 11 public private Dollar General and private Dollar 12 General, the plan hasn't changed now 13 Q Okay. That at the time that you were 14 public -- so you did understand that once you 15 got the Project Alpha working out, there was 16 room to continue to grow, even as much as 17 doubling the number of stores? 18 MR. CURLEY Object to the form 19 A Oh, absolutely 20 BY MR. BARON: 21 Q And were there presentations ever made 22 on that, any analysis ever made on that? 23 MR. CURLEY Object to the form. 24 A You know, I wasn't part of management 25 long enough to know if there have been</p>	<p style="text-align: right;">Page 148</p> <p>1 presentations long enough, but, again, just -- 2 you know, just a few years before we started, we 3 didn't even have the analytical tool There 4 just -- if there wasn't a store there, we just 5 opened up And so they looked at it, you know, 6 there's 21 states -- I mean, we're only in 35 7 states, that, you know, certainly would suggest 8 that you can go in a lot more states 9 Q Okay So when you saw -- then you see 10 the next page, Page 4 of the -- the APT report, 11 that sort of talks about each of those 12 initiatives That indicates that, in fact, all 13 of those initiatives, in one way or the other, 14 were started at old Dollar General, at public 15 Dollar General, correct? 16 A Right They were started -- 17 MR. RILEY. Object to the form 18 BY MR. BARON. 19 Q I'm not asking whether they were -- but 20 they were all started at the public Dollar 21 General? 22 A They were started, but, again, the 23 purpose of this document was not the document -- 24 what we have done before The purpose of this 25 document was they're bringing new analytical</p>

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1 power to say whether these racetracks were
2 really working or not. So the purpose of all of
3 APT was it's an analytical predictive tool that
4 says, you know, this is -- this is how we are
5 going to evaluate these things
6 Q Okay Now, looking at the next page,
7 Page 5, this talks about -- this talks about a
8 site -- new site opportunities, showing, you
9 know, approximately 7,000 new sites that they
10 believe can be obtained with a 20 percent IRR
11 Do you see that?
12 A Yep
13 Q Okay. Now, is this information that
14 public Dollar General had, or you don't have the
15 analytical --
16 A We did not have the analytical power
17 We would have agreed with the number, but we
18 didn't have the analytical power to do an
19 analysis like this.
20 Q. Or you -- I guess the better question
21 is, you guys hadn't undertaken that analysis --
22 you could have hired somebody like APT to do it
23 for you, correct?
24 A We would have hired APT, but the fact,
25 at least under the current -- the management at

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1 there's room to grow upwards towards that number
2 if you choose to do that?
3 A. Right
4 MR CURLEY Object to the form.
5 MR RILEY. Object to the form.
6 A Right You're missing -- there may be
7 8,000 sites out there, but it may be the worst
8 business decision in the world to go build 8,000
9 stores You may be a lot better off taking your
10 investment and putting it somewhere else, and
11 indeed, that's what we decided to do, is to slow
12 and put our investment in other places, versus
13 the new stores
14 So the fact that there's a site there
15 doesn't necessarily -- the first step of many
16 steps is to suggest whether you should go build
17 it.
18 BY MR BARON:
19 Q Okay.
20 A Not to mention, you have got to build a
21 distribution center
22 Q. But it is a factor when talking about
23 the value of the business -- the value of
24 business going forward, to understand that there
25 are growth opportunities if you choose to

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1 the time, they didn't, they didn't identify APT.
2 Q Okay You did personally know companies
3 like APT existed?
4 A We were actually beginning to use
5 another firm -- and I forget the name
6 Q. McKenzie?
7 A No McKenzie is not a predictive model
8 McKenzie is a consulting firm
9 Q Okay
10 A This is like Claritas or something of
11 that nature. I had not heard of APT before, and
12 so that was new information for us.
13 Q Okay But you understood that there
14 were consultants you could hire in order to
15 figure out this information was available?
16 A. Yeah Absolutely, every retail in
17 America has something like this Absolutely
18 Q Okay.
19 A It's just an opportunity piece. What it
20 doesn't deal with, of course, is, you know,
21 whether you should build them All it just says
22 is that, you know, sites exist, if you choose to
23 do that.
24 Q. Sites exist, meaning that assuming you
25 can keep your costs and everything in check,

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1 exploit them?
2 A If -- if you can get returns on that
3 Like, for example, this will say that there's a
4 thousand stores in California. Well, I don't
5 know if -- if we can get a return on
6 investment -- I'm making up a thousand, so I'm
7 guessing a large number in California So we
8 would have a distribution center, you know,
9 within a thousand miles of that
10 So, again, all this is telling us --
11 it's a research tool that says, you know, that
12 those sites would be available if the return on
13 investment made sense
14 Q But the return on investment -- they are
15 sort of combining those two They are saying
16 based upon a belief of 20 percent IRR, they
17 believe there's approximately 7,000 new sites
18 out there?
19 A Yes.
20 MR RILEY Object to the form It
21 misstates that document, for one thing Not
22 what it says
23 BY MR BARON
24 Q Did I misstatement the document?
25 A What's your question again?

<p style="text-align: right;">Page 153</p> <p>1 Q My question is. That this analysis, 2 nght here, talks about a growth -- the 3 potential for 7,000 new stores at a 20 percent 4 IRR hurdle rate, correct? 5 A What this analysis says is that you 6 potentially could have 7,000 new sites -- I'm 7 not sure how they are getting the hurdle rate 8 here -- 9 Q There's a hurdle rate, meaning that they 10 believe -- they are not adding in this 7,000 11 sites that would get less than a 20 percent 12 hurdle rate, is that correct? 13 A. That's correct 14 MR. CURLEY: Object to the form 15 MR. RILEY: Object to the form 16 BY MR. BARON 17 Q. Now, turn to page -- I think it's 55, 18 but you -- I will tell you the Bates Number down 19 on the bottom, which is 157797? 20 A (Witness complies) 21 MR. RILEY: 97 22 MR. BARON: Yes. 23 A I'm sorry, what are you looking at? 24 BY MR. BARON 25 Q. The GDG number down at the bottom,</p>	<p style="text-align: right;">Page 154</p> <p>1 157797 2 A 157797, yes. 3 Q I think that's also presentation number 4 Page 55, but I can't read that on mine 5 Now, looking -- again, these are still 6 the same initiatives, and here it's set for that 7 they believe that the results for the EBITDA 8 opportunity for those initiatives should be, 9 which was 42 million Did you undertake any 10 analysis at public Dollar General to see what 11 the opportunity was for those initiatives? 12 A Well, we were not near as sophisticated 13 on these, but certainly they were, however, when 14 you look at our long-range -- when you look at 15 our three-year plan, yeah, we put, you know, new 16 stores in there and racetracks and things of 17 that nature 18 We were just beginning to evaluate 19 race -- racetrack was a brand-new initiative, 20 and -- and, quite frankly, I do remember -- I 21 don't know about this analysis, but their 22 analysis on racetrack didn't make any sense 23 because it had only out there for a few months 24 so 25 Q Did you ever tell anybody -- you didn't</p>
<p style="text-align: right;">Page 155</p> <p>1 think their analysis on racetrack didn't made 2 any sense? 3 MR. CURLEY: Object to the form 4 A. When we went through the -- when we -- 5 when they went through the -- the modeling plan, 6 we had faith in racetrack, but we didn't have 7 the data to know if it was working or not 8 Again, we have three models, so you can either 9 go with racetrack -- you can either go with a 10 front-to-back or traditional So the question 11 was, you know, should you go with racetrack 12 versus the other two And we started some 13 experimentation, and, you know, we didn't have 14 the data yet to know whether it was working. 15 Q. Were they accurate? Are they now? 16 A We are still evaluating it, as we speak 17 Q Is it turning out to be accurate? 18 MR. RILEY: Object to the form. 19 A I think what the finding is that the 20 racetrack and the front-to-back are both -- are 21 equal, but, again, we still need more work on 22 that. 23 BY MR. BARON 24 Q Okay If you turn to page -- I guess, 25 it's Page 6-35, the presentation It's 157807</p>	<p style="text-align: right;">Page 156</p> <p>1 of the Bates Number Have you undertaken the -- 2 an analysis, again, at public Dollar General to 3 see what the anticipated IRR was from new stores 4 in 1995 -- '05? I'm sorry 5 A. Yeah 6 MR. CURLEY Can you ask that 7 question again? 8 BY MR. BARON 9 Q Yeah, did old Dollar General undertake 10 any analysis to determine what the anticipated 11 IRR was for the 2005 new stores? 12 A Yes Every time we opened up with a new 13 store -- and what this is suggesting, as well as 14 I think is they are looking at the first-year 15 stores, what we are trying to figure out is when 16 does a store mature from a sales standpoint, and 17 so, yeah, we had this data 18 Q. Okay So the same thing with 2006 19 A Yeah 20 Q. And the -- the IRRs that are reflected 21 here, are they similar to the IRRs that you 22 anticipated? 23 A I need to study -- I just know we did 24 the -- we did the analysis. And, again, this is 25 a document that -- I believe that project --</p>

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1 this is obviously KKR's document.
 2 I can't remember if our internal rate of
 3 returns were consistent with theirs
 4 Q Okay Well, do you know how much of the
 5 information that was contained in this APT study
 6 was used either to convince management to roll
 7 over their equity and invest or used to convince
 8 other investors to invest into the company?
 9 MR CURLEY Object to the form
 10 A On the first piece of that question, did
 11 we have -- management -- again, my recollection
 12 is that we sat down, and we did not go through
 13 this document We went through a document that
 14 looked at their model And over a five-year
 15 period, and in that model, they had some
 16 assumptions that, you know, margins would go,
 17 you know, X to Y and this to -- Y to Z, and so
 18 it was in that context that we -- we looked at
 19 the -- the model
 20 You know, in that document they may have
 21 pertained to stuff in this document, but this is
 22 just a research document You know, they put a
 23 business document together and said, here's what
 24 we think we can do Here's what your plan was
 25 as a management team, and here's what we think,

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1 MR BARON. Can I have Number 9,
 2 please?
 3 (WHEREUPON, A SOTTO VOCE DISCUSSION
 4 WAS HELD, AND THE PROCEEDINGS
 5 RESUMED AS FOLLOWS:)
 6 (WHEREUPON, EXHIBIT NO 11 WAS
 7 MARKED)
 8 BY MR BARON
 9 Q I'm showing what's been marked as Bere
 10 Exhibit 9 [sic] Do you recognize that
 11 document?
 12 MR RILEY: Are going back to
 13 Number 9?
 14 MR BARON: I'm sorry, Bere
 15 Exhibit 11, I'm sorry I got myself confused
 16 A (Witness complies.)
 17 MR CURLEY Wait Let's make sure
 18 we have looked at this thing fully here Randy,
 19 is this intended to be one document?
 20 MR BARON. It is one. I believe
 21 so
 22 MR RILEY No You have got a
 23 mistake here, I think You have got a bunch of
 24 stuff typed on the back
 25 MR CURLEY. All right. It's got

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1 you know, we can add value to
 2 BY MR BARON:
 3 Q But, again, when we are talking model --
 4 just so we're clear, the first three years were
 5 still the old public Dollar General model,
 6 correct?
 7 A They made a commitment -- what they held
 8 us accountable was a number that in between the
 9 base case and the alternative case.
 10 Q Okay And that's really sort of the
 11 same model they are using for investors as well
 12 That's the same model you were using for the
 13 road show, for the most part?
 14 A You know, I would have to double-check
 15 that What I do know for sure is what they're
 16 holding us accountable for as a -- as a
 17 management team. I would have to be reminded.
 18 I mean, I know the numbers well enough that we
 19 are committed to.
 20 Q Okay
 21 A I'm not -- I don't remember what we
 22 actually said on the road show
 23 Q. We will be able to do that as we go
 24 thought this
 25 A Yeah

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1 the KKR stamp -- not the Bates Stamp, but the
 2 KKR monacur (phonetic) there on the bottom
 3 through about two-thirds of it, and then there's
 4 a -- looks like an e-mail.
 5 MR BARON: I'm providing you what
 6 is DG151849 through 151901, which are
 7 consecutively Bate Stamped and when produced to
 8 us had no slip sheet in between them So nobody
 9 accuses me of providing some document that is
 10 not complete, I am providing you with the
 11 complete document as it was produced to us
 12 MR CURLEY: I'm not accusing you
 13 of anything I just wanted to make sure that we
 14 were -- you hadn't inadvertently stapled some
 15 extra materials to --
 16 MR. BARON: No, they are
 17 consecutive --
 18 MR. RILEY: Well, regardless of
 19 what kind of slip sheet you say there was, it's
 20 clear that starting at DG0151879, we have a
 21 different -- a different document so ..
 22 BY MR BARON
 23 Q Well, why don't you tell me whether or
 24 not you recognize any portions of any of these
 25 documents.

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1 MR CURLEY: Well, can you guys
2 tell me where you're switching here?
3 MR RILEY: Yeah. There's a KKR
4 management -- report that has their logo on it
5 through Page 0151878, then begins another
6 document at 0151879
7 MR BARON: And you are telling me
8 that you're confirming for the record that there
9 are no way that they are part of same document?
10 You are going to stipulate to that, Steve?
11 MR CURLEY: Randy, I'm not the
12 witness --
13 MR BARON: No. You are the
14 counsel for it. If you want to stipulate that
15 in your view, you believe that they are -- that
16 they were never provided together and they are
17 unrelated, then I --
18 MR RILEY: In my view, yeah,
19 that's correct.
20 MR BARON: Okay. Because I can't
21 say since the second half of this document all
22 talks about individual -- individual and
23 individual equity rollover --
24 MR RILEY: You know, the fact is,
25 I don't know. They look like two separate

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1 MR BARON: I was going to do that
2 next anyway.
3 MR CURLEY: Okay.
4 BY MR BARON
5 Q: Are you talking about the entire
6 document?
7 A: Let me -- I think I can clear some --
8 clear up some things here. I think the 0151849
9 through -- through 0151878 is -- I think it's a
10 document that went to management to talk about
11 the -- the business case. So this was the --
12 the document for them to help make them -- make
13 a decision whether to invest in the company.
14 The back piece, which is the accredited
15 investor's status questionnaire, I don't know if
16 it was sent out the same time with this or this.
17 And I'm not a -- an expert in this area, but
18 there's some stock -- you know, you need to be
19 accredited for certain things, to put
20 something -- to put investments in.
21 And I have no idea to be able to
22 describe that, but I do remember the document
23 that people had to see if they were a qualified
24 investor.
25 Q: What about the general equity summaries

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1 documents
2 MR BARON: Okay. That's all that
3 we can do in this matter.
4 MR RILEY: Right.
5 MR BARON: Unless the source log
6 identifies it specifically or there was a slip
7 sheet, I'm in the same boat as you.
8 MR RILEY: Okay. Well, I just
9 wanted to bring it to your attention. You can
10 ask whoever you want to ask.
11 BY MR. BARON
12 Q: Do you recognize any portion of any of
13 these documents?
14 A: Yes. Not in detail, but, yes, I do
15 recognize this.
16 Q: What part?
17 A: I believe this was the document that
18 went to -- to the management team that would
19 talk about their investment in the company.
20 MR CURLEY: Given the fact there's
21 some issue about the -- whether this was one
22 document or more than one document, I will just
23 ask the witness to identify what Bates labeled
24 pages he's referring to, if it's not the entire
25 document.

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1 and salary history, was that sent out to people
2 as well?
3 A: You know, I don't have recollection of
4 who and when this was sent out, but what it
5 looks like to me is a -- a document that went to
6 our employees or to the people who would
7 potentially invest.
8 Q: Okay. Now, was this made in the
9 presentation or just sent out to people?
10 A: I did not present this. So I don't know
11 how -- I can't remember how this presented, if
12 this was just sent out to people or whether a
13 KKR person presented this.
14 Q: Okay.
15 A: But it clearly is KKR's, you know, plan
16 to management.
17 Q: Okay. It has both the Dollar General
18 logo and the KKR logo on it, correct?
19 A: Yes.
20 Q: And do you know whether anybody in
21 management helped prepare this?
22 A: I don't know.
23 Q: Who would know?
24 A: I certainly didn't help prepare this.
25 Q: Who else would have helped prepare, let

<p style="text-align: right;">Page 165</p> <p>1 me know whether or not they helped, Challis? 2 A. It potentially could be Challis, but 3 I -- my speculation would be that would be -- 4 this would be a hundred percent KKR. 5 Q All right. Looking at some of the -- 6 again, this talks about a -- the equity -- this 7 is an overview of the equity plan, correct? 8 A (Witness reviews document) 9 Q That's what this is intended to be? 10 MR RILEY You are asking him what 11 KKR intended by this document? 12 BY MR BARON 13 Q. No I'm asking -- you got a copy of 14 this as management, too, correct? 15 A Again, I don't have recollection of 16 receiving this document What it looks like to 17 me is a document from KKR to our management to 18 explain the -- you know, the economics of the 19 deal for them to make a decision 20 Q. And you never saw it? 21 A I'm sorry, sure I -- I'm sure I -- as a 22 person who had investment in the company, if it 23 went to all the employees, it had to come to me 24 Q. Okay And then, again, the plan in this 25 document -- remember, we looked at -- and you</p>	<p style="text-align: right;">Page 166</p> <p>1 can pull that, whatever the speech was, the B -- 2 it was Exhibit 8 that's a two-page -- 3 A Where are you now? 4 Q Pull out another exhibit so that you 5 know what I'm talking about It's Exhibit 8, 6 and keep that one open 7 A. (Witness complies) 8 What page do you want me on Exhibit 8? 9 Q Exhibit 8 is just a one-page document -- 10 or two-page document, I'm sorry 11 A Let me find Exhibit 8 12 Q There it is 13 A. (Witness complies) 14 Okay 15 Q Now -- 16 A So we have got Exhibit 8 and now we have 17 Exhibit 11. 18 Q. Okay Now, is it your understanding as 19 to whether or not the equity plan that is in 20 Exhibit 11 is any different than the plan that 21 the -- the officers were told was the one 22 developed by us and presented to our board last 23 year, which is on Page 2 of Exhibit 8? 24 MR RILEY: Object to the form. 25 MR CURLEY: Object to the form</p>
<p style="text-align: right;">Page 167</p> <p>1 A Ask that question more one time. 2 BY MR. BARON: 3 Q. Yeah Is this plan that you understand 4 to be in Exhibit 11 any different than the plan 5 that was told -- assuming this was, in fact, 6 told to the officers from Exhibit 8, that was 7 developed by us and presented to our board last 8 year? 9 MR RILEY: I'm going to object 10 That's an impossible question to answer 11 MR BARON Okay. Well, he can say 12 me doesn't know, then 13 A. One more time I don't even understand 14 it. 15 BY MR BARON: 16 Q This plan here is -- Exhibit 11 is a 17 summary of the management equity plan, correct? 18 MR CURLEY: Object to the form 19 A. I don't know that for sure, but it looks 20 like that, yes 21 BY MR. BARON: 22 Q Was there more than one management 23 equity plan presented to the officers of Dollar 24 General? 25 A The -- an officer, no, there's one</p>	<p style="text-align: right;">Page 168</p> <p>1 management equity plan 2 Q. And is this -- as Exhibit 8 says, is the 3 management equity plan that they are being held 4 to is at least for the first three years the 5 same plan that was already developed and in 6 place at Dollar General, correct? 7 A. I can't answer that -- 8 MR CURLEY: Hold on Object to 9 the form Go ahead. 10 A I can't answer that until I really study 11 this because know the plan -- I would need to 12 study this plan and put the two plans together 13 BY MR. BARON 14 Q. Okay. Pull -- why don't we do this 15 Take a look at Exhibit 2 16 MR RILEY, Exhibit 2 17 BY MR BARON: 18 Q. Yeah, that one-page document 19 A (Witness complies) 20 Q. Compare that to Page 16 of this 21 presentation. 22 A (Witness complies) 23 Q Does that comparison of those two 24 documents help you understand whether or not the 25 plan that's being presented in this presentation</p>

<p style="text-align: right;">Page 169</p> <p>1 is the -- what you said was the preexisting 2 bonus plan at Dollar General for at least the 3 first three years? 4 MR. CURLEY: Object to the form. 5 MR. RILEY: Same objection 6 A. I would need to study the -- the 7 numbers. You are asking me to remember numbers 8 here. So this is a -- this is the format that I 9 would need to take time -- the only EBITDA 10 number on this -- on Exhibit 11 is 1349. I 11 don't have in my head what the KKR plan is. 12 And, certainly, we didn't have a plan 13 that went out to 2011. So I would have to 14 compare our plan and their plan. 15 Q. As you -- as you sit here today, you are 16 not aware, at least, for the first three years 17 of the equity plan -- there being any plan by 18 KKR that's different from that, correct? 19 MR. CURLEY: Object to the form. 20 MR. RILEY: Different what? 21 BY MR. BARON: 22 Q. Different from the first three years of 23 the plan that was in existence at Dollar General 24 prior to going private? 25 A. My recollection on the first three years</p>	<p style="text-align: right;">Page 170</p> <p>1 is that we went in between the -- financial 2 plan, not the operating plan. We went in 3 between the base plan and that. My confidence 4 level is extremely high for 2007 and 2008 5 because we are living -- we just finished 2007 6 and it's 2008. I would have to go back and look 7 at 2009. 8 Q. Okay. Now, again, turn to Page 24 of 9 Exhibit 11. 10 MR. RILEY: I'm sorry, what page 11 again? 12 MR. BARON: Twenty-four. 13 A. (Witness complies.) 14 BY MR. BARON: 15 Q. That's you, right, Grade 33? 16 A. I have no idea what my grade is. 17 Q. That was your investment, initial 18 investment 2.25. 19 A. Okay. 20 Q. And it says COO, so that's yours, too, 21 right? 22 A. Yes. 23 MR. CURLEY: Hypothetically? 24 BY MR. BARON: 25 Q. I don't know, are you hypothetically the</p>
<p style="text-align: right;">Page 171</p> <p>1 COO, or are you actually the COO? 2 MR. CURLEY: Well, the document 3 says it's a hypothetical COO. 4 A. I'm actually the CEO. I'm the President 5 and chief strategy officer. 6 BY MR. BARON: 7 Q. Were you COO at that time? 8 A. I was COO at the time of this document, 9 yes. 10 Q. And so, again, this -- does this look -- 11 this, again, we talked about it, which was a 12 2.25 million investment, a total pretax, net 13 equity proceeds of 26.8? That's about what you 14 understood your investment would be, correct? 15 A. From the previous chart, yes. 16 MR. RILEY: Object to the form. 17 A. I would have to say that it would take 18 me awhile. I have always struggled with these 19 guys with these type of charts they had. These 20 are complicated charts, and it takes awhile to 21 really walk through that. 22 BY MR. BARON: 23 Q. Okay. Now -- now, again, in this 24 document, for example, if you take a look at 25 Page 6 of this document?</p>	<p style="text-align: right;">Page 172</p> <p>1 MR. RILEY: Are we still talking 2 about Exhibit 11? 3 MR. BARON: Uh-huh. 4 A. You are going to Page 6. 5 BY MR. BARON: 6 Q. Yes. Do you see here where it indicated 7 the examples of growth opportunities 8 particularly in current market? Do you see 9 that? 10 MR. RILEY: Can he have an 11 opportunity to read this page? 12 MR. BARON: If he likes. 13 A. This Page 6, the substantially growth 14 opportunity, particularly in current markets? 15 BY MR. BARON: 16 Q. Yes. 17 A. Uh-huh. 18 Q. Prior to you seeing the presentation, 19 were you aware of an analysis that suggested 20 potential for 7,000 to 11,000 new stores? 21 A. In the public company? 22 Q. Yes. 23 A. Yes. And the -- yeah, the -- there was 24 never any significant difference between the -- 25 what we thought the potential would be and --</p>

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1 because that's a research document, that's a
2 very straightforward thing, and how many new
3 stores we should -- we should open up.
4 So -- so there is no -- there was no
5 difference between the -- the public plan on
6 that and the private plan. Now, neither one has
7 talked about, you know, what are you going to do
8 years 3, 4, 5, down the road. But clearly, both
9 sides said, we need to slow store growth down,
10 and then secondly, when we go forward, we have
11 got to go with a lot more balanced approach
12 So both sides -- you know, we felt that
13 way on the public side, and we feel that way
14 today and those -- that hasn't changed.
15 Q. Okay. So just from a market-saturation
16 point, there is a lot -- depending on the number
17 of factors, but you are not worried about market
18 saturation as far as growth of the business yet?
19 A. I wasn't concerned about it as a public
20 company, and I'm not concerned about it as a
21 private company, no
22 Q. Okay. So if you turn to Page 15, store
23 growth again?
24 MR. RILEY: I don't. Where?
25 MR. BARON: Page 15, the very top

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1 Q. About 300?
2 A. Wait, 2007 --
3 MR. BARON: Let him answer the
4 question, Randy
5 A. 2007, there were 350, I think, or -60.
6 2008, we are in now, that's 200. So that's 5-
7 something, and that makes sense. For 2009, it's
8 going to be somewhere between the 4- and 500
9 that's been the plan all along
10 BY MR. BARON:
11 Q. Okay. And so under the idea that -- on
12 the markets saturation there's still -- you
13 know, depending how -- other economics there was
14 still -- will be room to grow -- you know, a
15 substantial amount.
16 MR. CURLEY: Object to the form
17 BY MR. BARON:
18 Q. Go ahead
19 A. Yes. We do feel there's room. We felt
20 that way in the public company, and we felt that
21 way in the private company.
22 Q. All right
23 A. As .
24 Q. I guess my only question is, that just
25 means the opportunities for Dollar General are

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1 MR. RILEY: I'm on 16.
2 MR. BARON: That's where your
3 problem is
4 A. The 964?
5 BY MR. BARON:
6 Q. Yes. Is that -- was that the same plan
7 that --
8 A. Let me --
9 MR. CURLEY: Take a moment and read
10 it, and then, Randy, ask your question
11 A. Trying to do the math in my head here
12 Let me give you the plan and see if it adds up
13 MR. CURLEY: Hold on. Let's let
14 Randy ask a question, and then we will answer
15 BY MR. BARON
16 Q. The question is whether or not the store
17 growth, the 675 closed, 964 opened, in 2009, is
18 your view consistent with what public Dollar
19 General was intending?
20 A. Yes. That's the 2007, 2008, 2009. So
21 the number would be extremely close, yes
22 Q. And as you said -- during that period of
23 time, it nets about 3- to 400 new stores?
24 A. Again, I have to do it a year at the
25 time. In 2006 --

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1 not over in 2011, if it wanted to continue to
2 grow as a company?
3 MR. CURLEY: Object to the form
4 A. From a new store growth standpoint,
5 because of the number of new stores that we're
6 capable of, I think the answer of that is yes
7 Now, whether it's economically feasible to -- to
8 go to California and stuff -- but from a pure
9 research standpoint -- from a pure -- does that
10 site this in Chico, California, is that
11 available for a Dollar General store, the answer
12 is -- is yes. Whether it's economically
13 feasible to go there, you know, that remains to
14 be seen
15 Q. But I assume that part of the plan is to
16 make the company -- put the company in a
17 position so it is economically feasible to
18 continue to grow after 2011, correct?
19 A. I would hope that every single year, we
20 could figure out a way to figure that out, but,
21 again, you're asking me to talk about 2011
22 We -- you know, businesses can -- five-year
23 plans are suspect, so for me to speculate on
24 where this company is going to be in 2011 is
25 awfully hard

<p style="text-align: right;">Page 177</p> <p>1 But I can tell you between now and 2011, 2 yes, we think there's balanced approach of 3 new -- new stores that we can continue to open, 4 you know, that 4- or 500 a year that you see in 5 that 964 6 Q. I guess my reason is this: The plan 7 that you have, that you've invested your 8 2.5 million in is with the anticipation of going 9 public or IPO in 2011 or so -- assuming the 10 market conditions allow it? 11 MR. CURLEY: Object to the form 12 A. That's a lot of ifs, but that's what -- 13 BY MR. BARON. 14 Q. And in order for that to happen, you 15 understand that, you know, you are not going 16 able to take the company public if you are not 17 able to show the public that there is future 18 growth in the company because somebody is going 19 by a company without -- 20 A. The biggest driver of going public is 21 going to be to have to improve the profitability 22 of the current business. That's where the huge 23 opportunity is. If you can demonstrate that 24 and -- and you can demonstrate that, yeah, you 25 can continue to open up 4- to 500 stores, yes,</p>	<p style="text-align: right;">Page 178</p> <p>1 there's no question. But if you don't do the 2 first piece -- and that's what Project Alpha was 3 all about. You have to improve your current 4 base. 5 We have 8,000 stores that need to be -- 6 to improve, and your return is a lot better in 7 solving the 8,000 than saying, we are going to 8 go open up a bunch of stores. That was the 9 strategy that we had in the past, and the public 10 board said and the management said, that doesn't 11 make sense. So what you need to go public -- or 12 forget about go public, for next year and the 13 year after that, you need a balance of a return 14 on how do you improve -- in fact, if you read 15 the four operating priorities, you know, the 16 first priority is how do you improve the sales 17 inside the -- the box. 18 What do you do to store standards? What 19 do you do to merchandising? What do you do to 20 private label? All those type of questions 21 That has to happen. And then if that happens, 22 then you get the confidence that you will get 23 the returns on the new stores, but if you don't 24 make that happen, you are not going to be able 25 to get the returns on the new stores. So the</p>
<p style="text-align: right;">Page 179</p> <p>1 two have to come together. So you need to 2 increase your EBITDA, and you are going to have 3 to demonstrate that you got some growth 4 potential. 5 Q. I understand that, and I'm just talking 6 about what you -- what you as an investor in the 7 company hopes for, which is that at the -- you 8 will achieve that profitability within what you 9 have, grow at some reasonable rate 500 stores a 10 year after 2011. 11 But in order to sell the company 12 publicly, what you need to be able to 13 demonstrate is that whatever the investors 14 buy -- and they will buy the company for what 15 they think it's worth, because that's what the 16 IPO does, the company is worth today, this, but 17 investors are buy it, do you agree, for the 18 future growth of the company beyond that? 19 A. Yeah, that's -- 20 MR. RILEY: Object to the form 21 Object to the form 22 BY MR. BARON: 23 Q. You can answer. 24 A. That's true in a public company too. 25 Whether that's public or private, the issues are</p>	<p style="text-align: right;">Page 180</p> <p>1 the same. You have got to continue the stock 2 prices based on what you think the growth can 3 be. So it's on the profitability and the 4 growth, and, yes, that's right. That's true 5 with every business I have ever been on, so no 6 argument there. 7 Q. So the whole point of the store growth 8 opportunity in this presentation to management 9 or to any other investors is to say, look, there 10 is enough room, even after our five-year plan, 11 for this company to continue growing thereafter? 12 A. That was true five years ago, and that 13 will be true five years from now, yes. 14 Q. But it's important to investors whether 15 it's management investors or outside investors 16 to understand that there is growth in the 17 company beyond the plan? 18 MR. CURLEY: Object to the form 19 BY MR. BARON. 20 Q. Correct? 21 A. That's right, but the public, again, I 22 want to -- just to put this into context, the 23 issue that we had -- the public -- the public 24 knew we could grow. That information has been 25 out there -- that's public information of how</p>

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1 many sites that -- that we can have
 2 We are one of the only major retailers
 3 in 35 states, and so the fact that you can go
 4 beyond that -- we have to convince both a public
 5 investor and a private investor, yeah, you have
 6 to do that, and you have to figure out -- to
 7 grow. Both the public side -- we demonstrated
 8 we could grow, but the returns were coming down,
 9 so we had an issue with the base
 10 So whether you are in a public side,
 11 private side, in between, you have got to fix
 12 the base, and then you grow, and, yes, there
 13 is -- the fact that we are only in 35 states,
 14 absolutely, there's room for growth
 15 Q Okay My only purpose of the question
 16 is trying to understand why there is discussion
 17 in this management plan as to the future growth
 18 of the company, the option for 7,000 to 11-
 19 stores My question was, was the purpose as far
 20 as you understand it of including that to -- to
 21 the officers was to explain to them there is a
 22 chance that we will able to do the IPO and
 23 actually sell it for more money than we bought
 24 it?
 25 MR. RILEY: Objection. That's a

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1 A I don't know if I characterize you to
 2 try to tell me how I'm trying to say -- I did
 3 not try to sell the plan. What I tried to do is
 4 identify the facts, and, yes; I felt that given
 5 my own investment here; that, yeah, we can
 6 improve the base and do the growth
 7 MR. RILEY: Is it a good time to
 8 take a break?
 9 BY MR. BARON
 10 Q Well, I just want to make sure that I
 11 have -- and I am not asking you about selling at
 12 this point My point is that you agree with me,
 13 anybody who wants to convince the officers to
 14 buy into the company, spend their own money,
 15 rollover their own case in the company would
 16 want to explain to those officers that not only
 17 are we going to make money during -- we can
 18 improve the company during the plan period, but
 19 there is future opportunity in this company
 20 beyond that will justify an IPO, correct?
 21 MR. CURLEY: Object to the form.
 22 A. Again, what -- what any investor would
 23 have to convince is not only that you would have
 24 to continue to improve those store -- it's
 25 called same-store sales, the biggest driver in

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1 question for the author of the report.
 2 MR. CURLEY: I don't even know if
 3 it's a question, period, for purposes of this
 4 deposition. Are you asking him that, or are you
 5 restating --
 6 BY MR. BARON:
 7 Q. Do you understand my question?
 8 MR. CURLEY: -- what your question
 9 was?
 10 A. I'm not quite sure where you are going
 11 with your question All I can tell you is
 12 whether we were a public company or a private
 13 company, we have to -- we had to improve the
 14 base, and we runaway on the -- the new stores
 15 The public board knew that, and, yes, the
 16 private board knows that, and yes.
 17 BY MR. BARON.
 18 Q. Point is that the -- it makes sense to --
 19 you to convince the officers to invest their own
 20 money, you have to convince them that the
 21 company will be worth more at the end of the
 22 plan than it is today, so they can spin it out
 23 of IPO, correct?
 24 MR. CURLEY: Object to the form.
 25 MR. RILEY: Same objection.

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1 the retail world, so if you are not driving
 2 same-store sales, for the first five years -- so
 3 you have to convince the investors that, A, you
 4 would have to do that, and B, you have
 5 opportunities for growth.
 6 MR. BARON: All right. That's
 7 fine We can take a break.
 8 VIDEOGRAPHER: Going off the
 9 record. The time is 1403.
 10 (WHEREUPON, A SHORT BREAK WAS
 11 TAKEN, THE PROCEEDING RESUMED AS
 12 FOLLOWS:)
 13 VIDEOGRAPHER: Back on the record
 14 Here marks the beginning of Tape Number 3 in the
 15 deposition of David Bere, Volume 1. The time is
 16 1427
 17 BY MR. BARON:
 18 Q Do you recall meeting with the -- having
 19 dinner with Dave Wild a couple of days after the
 20 board voted to approve the merger in which David
 21 said he was interested in possibly putting
 22 equity into the postpublic Dollar General?
 23 A. I don't remember that I have had
 24 numerous dinners with David Wild over the years,
 25 so I don't remember the specific time.

<p style="text-align: right;">Page 189</p> <p>1 look through this and tell me -- which, if any, 2 of these were equity? 3 A Clearly from the Houston, San 4 Francisco -- I don't know what New York on June 5 14 -- I don't know if that was a practice 6 presentation Everything from June 18 on were 7 all equity, high yield -- that we were 8 presenting to high-yield investors 9 Q You said equity or high yield? 10 A High-yield debt, and I suspect June 14 11 was practice, but I am not sure. 12 Q Okay Do you know why you were not 13 involved in any other equity presentations, or 14 were there any discussions about you being 15 involved in any other equity presentations? 16 A No 17 Q How about presentations to rating 18 agencies, were you involved in any of those? 19 A Yes We did -- I think we did two 20 rating agency presentations, and I don't 21 remember if Dave Perdue was part of that or if 22 he was not. I know it was Dave Tehle and I for 23 sure, and not quite sure if David was a part of 24 that. 25 Q Is it fair to say your goals through the</p>	<p style="text-align: right;">Page 190</p> <p>1 presentations are generally to show an 2 increasing in -- increased cash flow, an ability 3 to pay down debt and some resell value at the 4 end -- 5 A As far as -- 6 MR CURLEY: Object to the form 7 BY MR BARON 8 Q -- for the road shows overall, your 9 general idea was to show potential investors, 10 either debt or equity, that there was cash flow 11 and an increasing cash flow, correct? 12 MR CURLEY: Object to the form 13 A. I think the purpose of the presentation 14 was to present the overall KKR -- give them an 15 opportunity to present their overall business 16 case, so that had a -- there were a lot of 17 pieces to that 18 BY MR BARON 19 Q But KKR wasn't making the full 20 presentation. I mean, you were actually there 21 talking about the -- the operations of the 22 business, how it would do, what they -- the cash 23 flow would be, right? 24 A No Actually -- 25 MR RILEY: What was the question?</p>
<p style="text-align: right;">Page 191</p> <p>1 BY MR BARON 2 Q What were you doing? 3 MR RILEY: What's the question, 4 what were you doing? 5 MR BARON: What were you doing? 6 MR RILEY: What were you doing at 7 the meeting. Object to the form 8 BY MR BARON 9 Q. What were you doing? 10 A. The way the presentations went, KKR 11 kicked off all the presentations. It was their 12 presentation, and when it got to the management, 13 the operations side of the business, they asked 14 me to do that as the -- as the current CEO But 15 it was a KKR-led presentation They are the 16 ones that took most of the questions and things 17 of that nature 18 Q What did you discuss about operations? 19 A We went through the -- I'm sure you have 20 a copy of the presentation But first, KKR 21 would speak on their -- you know, why KKR is a 22 good private equity firm 23 MR. RILEY I think the question to 24 you was: What topics did you discuss in terms 25 of operations?</p>	<p style="text-align: right;">Page 192</p> <p>1 THE WITNESS I discussed the -- I 2 went through the initiatives that KKR had 3 identified 4 BY MR BARON 5 Q What were those? Do you remember, or do 6 you need to see it? 7 A The -- it would probably be better if I 8 see it 9 Q Well, I have a number of them, so let's 10 go through some and figure out what this is -- 11 A Yeah 12 (WHEREUPON, A SOTTO VOCE DISCUSSION 13 WAS HELD, AND THE PROCEEDINGS 14 RESUMED AS FOLLOWS) 15 (WHEREUPON, EXHIBIT NO 14 WAS 16 MARKED) 17 A This is not a road show presentation 18 BY MR BARON 19 Q Have you ever seen this presentation 20 before? 21 MR CURLEY: We have got to stay 22 right on top of you, Randy 23 MR BARON: Why? 24 MR RILEY: This is a KKR document 25 MR. BARON: I know it's a KKR</p>

<p style="text-align: right;">Page 193</p> <p>1 document, that's why I said KKRE is on the 2 bottom 3 MR. RILEY: Right 4 MR. BARON: But it also says Dollar 5 General at the top. 6 MR. RILEY: Yeah, but you told him 7 you were going to show him road show 8 presentations 9 MR. BARON: I'm going to show him a 10 bunch of presentations 11 Okay. So how about the Moody's 12 presentation I'm going to show him a also that's a 13 KKR document -- 14 MR. CURLEY: Is it dated March 15 2007? 16 BY MR. BARON 17 Q. I'm just asking if you have ever seen 18 this document? 19 MR. RILEY: So we're -- 20 A. That's the question? 21 Q. Yep 22 A. Yes, I have seen the document. 23 Q. When did you see the document? 24 A. This document was KKR presenting to the 25 management team on their business plan</p>	<p style="text-align: right;">Page 194</p> <p>1 highlights 2 Q. Okay. In March '07? 3 A. That's what it says. I have no 4 recollection of when it was, but that's what the 5 date says. 6 Q. Okay. All right. Now, you will see 7 some familiar things in this document to some 8 other documents I have shown you. For example, 9 on Page 8, there is a chart that we saw before 10 with the approximately 7,000 new sites at a 11 20 percent IRR earn rate. 12 Do you see that? 13 A. Yep 14 Q. Would this have been the first time you 15 saw that? 16 A. Yes. This would be the first time I see 17 this chart. And, again, as we discussed before, 18 this is a research thing. This isn't a plan to 19 open up a bunch of stores. This is just stating 20 some facts that -- that KKR came up with. 21 Q. Okay. Now, if you turn to Page 13 of 22 this document? 23 A. (Witness complies.) 24 Q. Who made this presentation to 25 management?</p>
<p style="text-align: right;">Page 195</p> <p>1 A. The only three people we dealt with was 2 Mike Calbert, Raj, and Joe Bubel. So I suspect 3 one of them or all of them presented it. 4 Q. Who at management was there during this 5 presentation? Do you recall? 6 A. I don't have any recollection. For sure 7 it would be myself and the senior team, and I 8 don't know if we had any other people there. 9 Q. What about David Perdue? 10 A. David Perdue would have been there in 11 March, if this indeed, was happening in March 12 2007, David would definitely be there. 13 Q. Okay. By this point in time -- by the 14 way, when did you get appointed to be COO? When 15 did you become COO officially? 16 A. I became CEO -- 17 Q. COO. 18 A. COO, the -- officially, the Tuesday 19 after Thanksgiving holiday. 20 Q. Okay. 21 A. So of 2006. 22 Q. By the way, did you share this 23 presentation with the rest of the board? 24 MR. CURLEY: Object to the form. 25 MR. RILEY: Object to the form.</p>	<p style="text-align: right;">Page 196</p> <p>1 BY MR. BARON: 2 Q. You were on the board at the time you 3 received this presentation, correct? 4 A. Yes. When I became -- yes. President 5 chief operating officer, I stayed on the board. 6 I have no recollection if it was presented to 7 the board in this format. 8 Q. Okay. Do you believe it was presented 9 to the board in some format? 10 A. I -- 11 Q. Let me clarify -- 12 A. Yeah, I don't know. What I can say is 13 that anything we did during the time we were 14 public, if there was any initiatives that we 15 worked on, we kept our board informed. 16 Q. I understand that, but you don't know 17 whether or not this presentation or the 18 information contained in this presentation -- at 19 least, from your perspective, you didn't share 20 that with the board people? 21 A. No. No. 22 (WHEREUPON, A SOTTO VOCE DISCUSSION 23 WAS HELD, AND THE PROCEEDINGS 24 RESUMED AS FOLLOWS.) 25</p>

<p style="text-align: right;">Page 185</p> <p>1 Q Okay Do you remember him asking 2 whether he could put in equity? 3 A. I don't remember him asking me on 4 whether he should put in equity, but I knew that 5 he had an interest in putting in equity I 6 found that out somehow. I don't know if I found 7 that out through him or Mike Calbert or 8 somebody 9 (WHEREUPON, A SOTTO VOCE DISCUSSION 10 WAS HELD, AND THE PROCEEDINGS 11 RESUMED AS FOLLOWS) 12 (WHEREUPON, EXHIBIT NO. 12 WAS 13 MARKED) 14 BY MR. BARON. 15 Q Showing you what has been marked Bere 16 Exhibit 12. The top is an e-mail from, I 17 believe, you to Mike Calbert dated June 13, 18 2007. The conversation I'm talking about, 19 however, the bottom of the page in an e-mail 20 from you to Mike Calbert on June 15 at 9:06 a m, 21 take a look at that and see if you recall that 22 e-mail? 23 A I don't recall the e-mail, but I accept 24 the e-mail as it is. 25 Q Now --</p>	<p style="text-align: right;">Page 186</p> <p>1 A This was June 15? 2 Q Yeah 3 A. So I obviously had dinner with him on 4 June 14. 5 Q Now, do you remember what specifically 6 Mr Wild may or may not have said to you about 7 wanting to put equity into the postpublic Dollar 8 General? 9 A I think it was -- actually, I don't 10 recollect the conversation, so I can't speak 11 specifically what he had asked for But 12 obviously he said something, and I said 13 something to Mike 14 Q. Did he ever get to invest? 15 A I don't know 16 Q. Did it surprise you that he wanted to 17 invest in the company -- in the private company? 18 A. You know, it's hard to tell with David 19 Wild, who he was representing here. No -- I 20 don't recollect the conversation so I can't 21 remember if I was surprised or not 22 Q. Okay. What do you mean, who he was 23 representing -- there was a discussion about 24 whether Cal was going to invest or not? 25 A. Right He worked for Cal, and the issue</p>
<p style="text-align: right;">Page 187</p> <p>1 was bonds here. You know, there is -- I don't 2 know if me made -- to decide -- or Mike let him 3 find equity or bonds into this, but, you know, 4 this was probably -- we had dinner, and I don't 5 recollect the dinner, but clearly he had 6 mentioned it at dinner, and I passed it on to 7 Mike and let go of it 8 Q Okay Let's talk about the road shows 9 that you were on 10 (WHEREUPON, A SOTTO VOCE DISCUSSION 11 WAS HELD, AND THE PROCEEDINGS 12 RESUMED AS FOLLOWS.) 13 (WHEREUPON, EXHIBIT NO 13 WAS 14 MARKED.) 15 BY MR. BARON 16 Q Showing you Exhibit 13, which may bring 17 back some nightmares, but do you recognize this? 18 A. I haven't gotten there yet, but, yes, if 19 this is the schedule, it does bring back some 20 long schedules. 21 Q Two cities in a day -- jet trip -- 22 meeting at 7.00 in the morning, jet airplanes at 23 9 00 in the morning, more meetings, more jet 24 planes? 25 A (Witness reviews document.)</p>	<p style="text-align: right;">Page 188</p> <p>1 Q Takes the joy out of flying in private 2 planes very quickly 3 In preparation for the -- the road shows 4 that took place in June As you can see in 5 this, there were literally dozens upon dozens of 6 presentations that you made during this short 7 period of time, correct? 8 A Yes 9 Q We are talking in two weeks, you 10 probably made -- 11 A 42 12 Q -- forty-two presentations, and in each 13 of those presentations, again, what -- as I 14 understand it, you were trying to, you know -- 15 you were trying to convince either investors -- 16 were they all equity, debt, or both? 17 A. In the -- most of the -- if my 18 recollection's right, there was one presentation 19 that David Perdue participated in that was 20 equity, and I believe the rest of them were 21 debt 22 Q. Okay So the only one that was equity, 23 David Perdue was involved in? 24 A. I believe so 25 Q So looking through this, can you take a</p>

<p style="text-align: right;">Page 197</p> <p>1 (WHEREUPON, EXHIBIT NO 15 WAS 2 MARKED) 3 BY MR. BARON: 4 Q Sir, do you recognize what is marked 5 Exhibit 15? 6 A I need to take a second to go through 7 it. 8 (Witness reviews document) 9 Actually, I don't recognize this. I 10 don't recognize the handwriting. 11 (Clarification by court reporter) 12 A I do not recognize the handwriting 13 BY MR. BARON: 14 Q Take a look -- 15 A Actually, I don't recognize this 16 document 17 Q. All right. If you take a look to the -- 18 on the second page of this document, 158656? 19 A (Witness complies) 20 158657. 21 Q And you don't recognize this handwriting 22 either? 23 A. No 24 Q. If you look at the adjusted EBITDA 25 section and go down to four?</p>	<p style="text-align: right;">Page 198</p> <p>1 A. Uh-huh 2 (Witness complies) 3 Q Then you see the whole new RE, which I 4 guess is real estate approach, it looks like 5 designed by DB Did you design a new real 6 estate approach? 7 MR. CURLEY Object to the form 8 A I have -- no, and I don't know what that 9 refers to 10 BY MR. BARON: 11 Q I don't know -- so you don't know 12 whether or not that talks about anything you 13 would have done? 14 A No No 15 Q Going to Page 158659? 16 A (Witness complies) 17 Q Do you see the -- now, was it your 18 understanding of discussions that were made on 19 road show -- at the top, do you see the 20 projected store growth? 21 A. Yeah 22 Q Do you see where -- the step up in '09? 23 A. Yep. 24 Q. Is that part of the presentation -- the 25 part of the information that was being given in</p>
<p style="text-align: right;">Page 199</p> <p>1 the road show presentation? 2 A I would have to look at the road 3 presentation to show it as stepped up or not 4 This is a draft of something I don't even know 5 what it is, so I would have to look at the road 6 show. 7 MR. CURLEY I object to the form 8 BY MR. BARON: 9 Q You have no recollection of that being 10 said during the road show, that store growth 11 would be stepped up in '09? 12 MR. CURLEY. Object to the form. 13 A I would have to look at the road show. 14 BY MR. BARON. 15 Q Okay. Again, with projected 16 capitalization, if you go down that page, do you 17 see where it says, Growth slow in '07, '08 and 18 then picks up. 19 Do you see that? 20 A (Witness reviews document) 21 Take me again -- where are you? Are we 22 still on the same page? 23 Q. Same page, halfway down? 24 A. Okay 25 Q. Growth slow '07, '08 picks up, do you</p>	<p style="text-align: right;">Page 200</p> <p>1 see that? 2 A That's on projected capital, CAP? 3 Q. Uh-huh 4 A Yeah 5 Q And do you recall whether that was 6 something that was discussed to -- 7 A Yeah, I don't know 8 MR. CURLEY. Object to the form 9 BY MR. BARON 10 Q Okay Let me finish the question 11 Thank you 12 You do you recall whether that was 13 something that was told to potential investors 14 during the road shows? 15 MR. CURLEY Object to the form 16 A I would have to look at the road show 17 BY MR. BARON 18 Q Okay 19 (WHEREUPON, A SOTTO VOCE DISCUSSION 20 WAS HELD, AND THE PROCEEDINGS 21 RESUMED AS FOLLOWS.) 22 (WHEREUPON, EXHIBIT NO. 16 WAS 23 MARKED) 24 BY MR. BARON 25 Q Showing you a -- what appears to be a</p>

Page 201	Page 202
<p>1 draft of a Dollar General transaction Q and A 2 Did you ever see either this draft or any other 3 draft of a Dollar General transaction Q and A? 4 A No It probably -- this was draft 311 5 I wouldn't have been directly involved in 6 something like this 7 Q Did you ever see any later drafts? 8 A Regarding what? 9 Q. Regarding Dollar General transactions Q 10 and A. 11 A Let me read what that means 12 Q Okay 13 A (Witness reviews document) 14 I don't recollect question -- reviewing 15 question and answers or participating in 16 question and answers as far as the deal is 17 concerned 18 Q Okay. Now, as far as the presentations 19 that were being made as road shows, take a look 20 at Question Number 16? 21 A (Witness complies.) 22 Q Do you know whether or not as part of 23 the presentation made during the road shows 24 there was -- investors were told that, something 25 to the effect of, this is a long-term growth</p>	<p>1 investment? 2 MR. CURLEY: Object to the form 3 BY MR. BARON: 4 Q Is it fair to say that with the 5 opportunity to both grow Dollar General's 6 business and improve its operations was that 7 type of -- that either that sentence or that 8 type of sentence ever delivered as part of the 9 road shows -- 10 MR. CURLEY: Object to the form 11 A I would have to look at the road show 12 BY MR. BARON: 13 Q. So you don't know? 14 A No 15 Q Now, if you look to the very last page, 16 Page 4 of this document, the last question? 17 A (Witness complies) 18 Q Do you see with regard to Dollar 19 General's plans to open more of the Dollar 20 General store concept, do you see, in general, 21 we are supportive of the company's plans to slow 22 down growth in the short term and accelerate in 23 the median term. 24 Would you agree that was the company's 25 plan at the time KKR came along?</p>
Page 203	Page 204
<p>1 MR. CURLEY: Object to the form 2 A We had made a decision to -- to stop the 3 Dollar General market store concept growth until 4 we figured out -- what to do with it 5 BY MR. BARON 6 Q So slowing that -- that at least, you 7 would agree with the part that says, Slow growth 8 in the short term Do you -- was it not part of 9 the Dollar General plan to start to accelerate 10 as part of the median term? 11 MR. CURLEY: Object to the form 12 A Not that I was aware there was anything. 13 It wasn't performing very well 14 BY MR. BARON: 15 Q Okay 16 (WHEREUPON, A SOTTO VOCE DISCUSSION 17 WAS HELD, AND THE PROCEEDINGS 18 RESUMED AS FOLLOWS) 19 BY MR. BARON: 20 Q Sir, do you recognize this document? 21 A (Witness reviews document) 22 I believe this is the document that was 23 made to potential equity investors because Dave 24 Perdue was part of this 25 Q You made this presentation on only one</p>	<p>1 occasion? You were part of this presentation on 2 only one occasion? 3 A. I'm testing my memory here. I think we 4 did it twice I think we did it in the evening 5 and the next day It was one trip I think it 6 was two presentations I can't remember who, 7 even, the audiences were. 8 Q. Okay. And your role in this 9 presentation was to discuss opportunities to 10 enhance the value of the company? 11 A That's what the agenda says, yeah 12 Q Is that what you recall your -- 13 A Yeah I played a very small role -- you 14 got to remember that I was new to the company as 15 chief and president operator officer So I 16 played a probably pretty small role. I did play 17 a small role 18 As you can see, Beryl Buley and I shared 19 that piece So I would have to look at the 20 presentation, see if I have any recollection of 21 which part I did and he did 22 Q. Okay. Why don't you do that? 23 A (Witness reviews document) 24 To be honest, I don't remember who did 25 what on this Okay Obviously, I didn't do it</p>

<p style="text-align: right;">Page 205</p> <p>1 Let me keep going here. I wasn't even on my 2 part of the agenda 3 Q. I think where you name at least -- 4 starting on Page 19? 5 A. Right 6 (Witness reviews document.) 7 I don't remember. My guess is I did the 8 first two pages to set it up and then turned it 9 over to Beryl, but I'm not sure. 10 Q. Did you have -- did you actually have a 11 handwritten copy of this so you understood the 12 slides that would be presented while you were 13 talking? Did you get copies of this, or was it 14 just in a PowerPoint? 15 A. I'm sure -- I don't know how we did the 16 presentation there, but I assume we had a copy 17 of it and we flipped through the charts as we 18 flipped through the . 19 Q. Again, was this presentation ever shared 20 with the board of directors of Dollar General? 21 A. You know, I don't know 22 Q. Not by you? 23 A. Not by me, no. 24 Q. On -- now, these again, we are 25 talking -- you were talking about the various</p>	<p style="text-align: right;">Page 206</p> <p>1 opportunities, or, I guess, we looked at them 2 before -- they were called initiatives in one of 3 the prior presentations we saw. Do you -- do 4 you recognize these as the same initiatives? 5 A. Yes. 6 Q. Okay. These were, again, initiatives 7 that you were looking at at public Dollar 8 General but that you believed could be enhanced 9 under KKR? Is that a fair -- 10 A. Yeah -- Project Alpha, we clearly did 11 That had nothing to do with KKR coming in. The 12 final four, they had strong points of view on -- 13 of really, you know, being a lot more aggressive 14 on each one of these initiatives 15 Q. Okay. There were five? 16 A. Yeah -- one, two, three, four -- yes. 17 Q. And had you personally looked into those 18 initiatives on your own as -- since you came 19 into the company in November as to what could be 20 done with each of those five other initiatives, 21 or were you just pretty much working on Project 22 Alpha? 23 A. I was primarily working on Project 24 Alpha. That was my -- that was my main -- that 25 and -- at the time, we ended doing a lot of due</p>
<p style="text-align: right;">Page 207</p> <p>1 diligence work at the time -- not due diligence, 2 the KKR and Bain (phonetic) and TPG, so my focus 3 was on getting Project Alpha going and then 4 helping with some of the due diligence work 5 Q. Allowing the private equities into the 6 company to get the information. Is that what 7 you meant? 8 A. Pardon me -- yes. 9 Q. Allowing the private equity firms to 10 look at the books? 11 A. Right 12 Q. Now, when you were brought on as COO, 13 what was your understanding as to what role that 14 would turn into, if any at all? 15 A. Well, the -- I came in as president, 16 chief operating officer, reporting into Dave 17 Perdue, and there were two assignments the 18 board -- or Dave Perdue gave me. One is to 19 bring the management team together. There was 20 some issues of the management team kind of going 21 off on their own thing and to bring it together 22 in one team. 23 And two, make sure that Project Alpha -- 24 Project Alpha was the biggest project the 25 company had had. There's a lot of executional</p>	<p style="text-align: right;">Page 208</p> <p>1 risk, financial risk, and so clearly my -- my 2 charge of bringing the team together, and 3 secondly, deliver Project Alpha. 4 Q. Were you brought in by Dave Perdue, or 5 were you brought in by members of the board? 6 A. It was a combination. The board had 7 approached me originally, but then I would only 8 agree if Dave Perdue felt that it was a good 9 idea. Dave Perdue and I spent some time talking 10 about it over Thanksgiving weekend, and then he 11 invited me to become part of the team. 12 Q. And did you know that Dave Perdue was 13 ultimately on his way out when you are brought 14 in? 15 MR. CURLEY: Object to the form. 16 A. Oh, no. No. 17 BY MR. BARON: 18 Q. When did you learn that David Perdue was 19 on his way out? 20 A. First of all-- 21 Q. From November? 22 A. Yeah, first of all, he was not on the 23 way out in the public company. So I went in to 24 report to him, so there was no discussion about 25 him being on the way out. I went into -- to</p>

<p style="text-align: right;">Page 209</p> <p>1 help him 2 After the deal and I -- I don't have 3 quite the dates when David found out that he was 4 not going to be going forward, that's when they 5 asked me to be the interim CEO. 6 Q Okay. Perhaps I just misunderstood you 7 earlier. When you said you knew Dave was going 8 out, I couldn't tell whether that was old -- old 9 Dollar General or new Dollar General 10 A No, I'm sorry I never knew David was 11 going to leave Dollar General until I was told 12 by KKR 13 Q Okay. Now, ultimately -- so how did you 14 learn about the -- that the other five 15 initiatives were ongoing at Dollar General, just 16 sort of general board meeting kind of 17 information? 18 A. Since I was president or prior to that? 19 Q Once you got there in November. 20 A Once I got there in November -- first of 21 all, there was not an overall clear strategy 22 There was tons of initiatives going on And 23 again, part of my role was to not just bring the 24 team together, but bring the initiatives. So we 25 didn't have a list of these things There are</p>	<p style="text-align: right;">Page 210</p> <p>1 probably a list of 30 things that people were 2 working on 3 And, again, the major emphasis, though, 4 was Project Alpha when I came on. 5 Q Okay. So I'm assuming to get to the 6 other initiatives, ultimately had there not been 7 a going private, then probably, you would have 8 started putting together the list of initiatives 9 and figuring out how to -- 10 A We would have started -- one of my jobs 11 was to start putting the initiatives together 12 that we thought could -- again, there was some 13 stuff going on, the biggest driver, of course, 14 was Project Alpha 15 Q So when you say that optimizing these 16 initiatives was just really something you hadn't 17 gotten to yet -- 18 A. Yeah -- again, part of the team -- real 19 estate is such a broad subject, we were 20 constantly trying to improve our real estate 21 We were constantly trying to improve our 22 pricing We opened in Hong Kong So it's not 23 that these initiatives weren't happening It 24 was just there was a prioritization, and a more 25 intensity against these after we went private.</p>
<p style="text-align: right;">Page 211</p> <p>1 Q Do you remember asking any questions 2 when you received this presentation? 3 A. (Unintelligible) 4 (Witness reviews document) 5 Q Or when -- while you were when you 6 started -- when you were asked to, at least, 7 participate in this presentation, did you ask 8 any questions or details? 9 MR RILEY: What's the question? 10 BY MR. BARON: 11 Q. Did Mr Bere ask any questions of KKR or 12 anybody else with regard to this presentation? 13 A. I don't have any recollection of 14 spending a lot of time asking questions on this 15 Q So on the real estate new growth 16 opportunity on Page 24, do you know who made 17 that presentation -- that part of the 18 presentation? 19 A (Witness reviews document) 20 It could be -- it would either be Beryl 21 or myself, and I suspect it was Beryl that did 22 that, but it could have been me I just don't 23 have a recollection on that 24 Q Then finally going to Page 27, with 25 regard to the merchandising background, to</p>	<p style="text-align: right;">Page 212</p> <p>1 Inherited Challenges and the Key Actions to 2 date? 3 MR RILEY. What page, Randy? 4 MR. BARON Page 27 5 MR. RILEY Your question? 6 BY MR. BARON 7 Q. Who gave that presentation? 8 A Again, recollect, but I highly suspect 9 it was Beryl because he was head of 10 merchandising, so it would make sense for him to 11 do it 12 Q Okay And all -- all of these inherited 13 challenges were challenges -- you had already 14 identified those as challenges as of the time 15 that you joined the firm in November -- or you 16 joined Dollar General in November, correct? 17 A. Yeah Again, I was fairly new, but, 18 yes, we had made quite a bit of changes in 19 merchandises The business was going south, so, 20 yeah, I think I was aware of all of these 21 Q And with regard to key actions, were you 22 already in the process of putting together a new 23 merchandising team? 24 A Yeah, the process -- the new 25 merchandising, which included Beryl certainly</p>

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<p>1 happened before I showed up. 2 Q. Okay. And elimination of the pack away 3 was Project Alpha, correct? 4 A. Right. That planning was before I 5 showed up. 6 Q. And institution of open to buy process 7 was part of Alpha? 8 A. No, that was actually -- that's a 9 process that was actually started before Alpha. 10 Q. Okay. And then measurement of 11 key metrics -- 12 A. That was prior to Alpha. 13 Q. Then with regard to improved store 14 layout, the racetrack versus front-to-back. 15 A. What page are you on? 16 Q. Starting on Page 30. 17 A. (Witness reviews document.) 18 Q. Those were also projects that had begun, 19 but you hadn't had enough data yet to analyze 20 it? 21 A. Yes, correct. 22 (WHEREUPON, A SOTTO VOCE DISCUSSION 23 WAS HELD, AND THE PROCEEDINGS 24 RESUMED AS FOLLOWS.) 25</p>	<p>1 (WHEREUPON, EXHIBIT NO. 17 WAS 2 MARKED) 3 (WHEREUPON, EXHIBIT NO. 18 WAS 4 MARKED) 5 BY MR. BARON: 6 Q. Showing you what has been marked as 7 Exhibits 17 and 18, do you recognize these? 8 A. I recognize the cover page, as far as 9 the presentation we made to Moody's and Standard 10 & Poor's, so I assume those were the 11 presentations we made. 12 Q. Were you part of those? 13 A. I was. 14 Q. Okay. As far as you know -- 15 A. Let's make sure I was on this one. 16 MR. RILEY: Seventeen is stamped 17 draft I noticed. 18 A. (Witness reviews document.) 19 BY MR. BARON: 20 Q. What -- what part of the presentation to 21 Moody's did you make, if you recall? 22 A. Just knowing how we did it on the road 23 show, I would have usually done the Industry 24 Overview and the Business Overview and the 25 Operational Initiatives, and then Dave Tehle</p>
<p>1 would take the rest. 2 Q. Okay. 3 A. And KKR would do to Transaction Overview 4 and Key Credit Strengths. 5 Q. But since -- neither Mr. Perdue or 6 Mr. Buley were here, so you did all the 7 operational and David did all the financial? 8 A. I'm sorry, what did you just ask? 9 Q. Because neither Mr. Buley or Mr. Perdue 10 were involved in these -- 11 A. Yes. 12 Q. -- you did all the operational and 13 Mr. Tehle did all the financial? 14 A. Yes. 15 Q. Okay. By the way, was -- was this -- 16 was this presentation or Exhibit 18, Standard & 17 Poor's, ever presented to the board of 18 directors, by you anyway? 19 A. No, I don't have any recollection of 20 that. 21 Q. You don't remember ever seeing it? 22 A. (Witness reviews document.) 23 Seeing the presentation? 24 Q. Yeah. 25 A. I was part of it, so I obviously saw it</p>	<p>1 Q. Whether or not you ever saw it 2 presented to the board by anybody else? 3 A. Yeah, I don't have any recollection what 4 we presented to the board back in at that time. 5 Q. Okay. Do you remember what the Goldman, 6 Sachs presented, if anything, to the rating 7 agency? You can see Will Bousquette and Ilana 8 Ash were both present. 9 A. They didn't present -- well, I need to 10 look at the whole presentation. 11 (Witness reviews document.) 12 I don't have a recollection of what -- 13 if they played any part or they were sitting. I 14 can't remember if David did that or they did the 15 Term Sheets. 16 Q. Did Raj make some of the presentation? 17 A. Read the -- yeah, Raj definitely did the 18 Transaction Overview, the Key Credit Strengths, 19 and I think that the Term Sheets was done by 20 Goldman, but I'm not sure. 21 Q. Okay. What about the -- let's go 22 through the -- the Market Leader and Attractive 23 Sector on Page 15. Would that have been you or 24 somebody else? 25 A. Fifteen on which one?</p>

<p style="text-align: right;">Page 217</p> <p>1 Q On -- let's do Moody's I'm assuming 2 you -- you did about the same thing in both if 3 it was in there, correct? 4 A I think would so. 5 Q So 15? 6 A Yes Let me go through that. 7 You know, to be honest with you, I can't 8 remember if I did this observation or KKR did 9 this section I just don't remember. 10 Q Okay What about the Robust in Economic 11 Downturn? 12 A. What page is that? 13 Q That would be 17. 14 A. The whole section that's together the 15 Key Credit Strength, so either I did all of that 16 or -- wait a second here 17 (Witness reviews document) 18 Yeah I just can't remember who -- 19 whoever did the Key Credit Strengths did all the 20 Key Credit Strengths And what makes me think 21 it may have been them is that, you know, it was 22 more appropriate for them to talk about the 23 management team than for me to talk about the 24 management team, but I am not totally sure 25 From the Industry Overview and Business</p>	<p style="text-align: right;">Page 218</p> <p>1 Overview and the Operation Initiatives, I did 2 Q Okay. Now, already at old Dollar 3 General, you -- public Dollar General, you were 4 aware of the concept of Robust in Economic -- 5 it's Robust in Economic Downturn, correct? That 6 was sort -- part of the business -- 7 A. Where are you referring to? 8 Q Page 17 9 A. (Witness reviews document) 10 I think the point that we were trying to 11 make on the first one is no matter what the 12 economic downturn was, we seemed to have 13 consistent growth, whether it was good times or 14 bad times 15 Q Were you of the view at all that -- when 16 people have less money to spend, the more 17 chances that they would go from most department 18 stores or Target or whatever and spend more 19 money at Dollar General? 20 A. We never had any evidence to suggest 21 that Our systems aren't good enough to know 22 that -- whether we -- whether that actually 23 happened What I can tell you is that the 24 consumable business tends to do a little better 25 in tough, and the nonconsumable, which is the</p>
<p style="text-align: right;">Page 219</p> <p>1 higher margin doesn't do quite as well 2 Q But in -- for Dollar General, you felt 3 that -- you stayed about the same whether -- 4 good or bad? 5 A. The history showed -- I think the point 6 we were trying to make is when you look at the 7 history, there wasn't big jumps one way or the 8 other 9 Q Okay. Again, are -- the Significant 10 Margins improvements from Operating Improvement, 11 that would have been something you would have 12 given, 18? 13 A Yes, I would do that 14 Q And the Continued Store Growth 15 potential, that would have been something you 16 would have present? 17 A I would have done that, yes 18 Q And the Strong Free Cash Flow 19 Generation, that would have been something you 20 presented? 21 A. (Witness reviews document) 22 Yeah -- again, I think this is -- this 23 is part of Key Credit Strength, so, again, I'm 24 not sure if I did that or if Raj did that 25 Definitely from Business -- Industry Overview</p>	<p style="text-align: right;">Page 220</p> <p>1 on, I did. 2 Q. Okay. What about the Experience and 3 Rejuvenated management? 4 A Again, that's all part of Key Credit 5 Strength, what I can't remember is I do -- what 6 I do know, that was all done together, so either 7 Raj did that or I did that -- 8 Q. Okay 9 A. -- whoever did it, did it all together, 10 and then I for sure did Industry Overview, 11 Business Overview and Operational Initiatives. 12 Q Okay. Whatever you did -- again, rather 13 than going through this again, whatever you did 14 most likely for the Moody's presentation, you 15 did for the Standard & Poor's presentation? 16 A Yes, it would probably be the same. 17 Q. Okay Probably on the same day? They 18 were both dated the same day. 19 A Then it's probably the same day 20 Q. All right. 21 (WHEREUPON, A SOTTO VOCE DISCUSSION 22 WAS HELD, AND THE PROCEEDINGS 23 RESUMED AS FOLLOWS:) 24 (WHEREUPON, EXHIBIT NO 19 WAS 25 MARKED)</p>

<p style="text-align: right;">Page 221</p> <p>1 BY MR BARON. 2 Q. I would like to show you Number 19 3 Showing you Exhibit 19, which is a question -- 4 financial -- update financial question and 5 answer from Raj to you and some other 6 individuals It's called Attachment Road Show 7 Cheat Sheet Do you recognize that document? 8 A Yes. We created -- especially for David 9 on the financial stuff, just kind of a question 10 and answer to be prepared 11 Q. Okay And did you look over this and 12 see whether -- who would have been answering the 13 questions either you or David for the most part? 14 MR. CURLEY: Object to the form 15 A. The three presenters, it would have been 16 anyone from KKR to myself. 17 BY MR BARON. 18 Q. Okay And did you look this over to see 19 whether or not you agreed with the answers? 20 A I haven't looked this one over 21 Certainly the ones that we used, I looked over, 22 but I would have to read this to see if there's 23 anything in here that -- this is the financial 24 draft We had many, many drafts of this thing. 25 Q. All right</p>	<p style="text-align: right;">Page 222</p> <p>1 A We always did 2 Q Going to Page -- I guess, what would be 3 Question Number 18. Will you turn to that for 4 me for a moment? 5 A (Witness complies) 6 Q Do you see that, the help me understand 7 relocation economics? 8 A. Yeah, first of all, what a relocation -- 9 MR CURLEY: Hold on one second 10 BY MR BARON 11 Q I'm just asking if you see that one? 12 A Do I see it? 13 Q Yes. 14 A. I see it 15 Q Now, would that have been a question 16 that you would have responded to, or would that 17 have been somebody else on the road show? 18 A It would most likely have been David 19 Tehle because it was a financial question 20 Q. Okay Did you understand what it 21 meant -- it was -- it was talking about, Get 22 full pay back in less than two years, 60 to 23 70 percent IRRs? 24 A Yes, I do understand that 25 Q. Can you explain that to me?</p>
<p style="text-align: right;">Page 223</p> <p>1 A. Yeah, a relocate is when you physically 2 relocate a store. And usually the reason you 3 relocate a store is because the real estate has 4 gone down, or the owner doesn't want you 5 anymore. So you spend the money to -- to 6 relocate a store, and then you -- how you look 7 at the economics is you look at what the 8 incremental value of that store sales growth is 9 against the cost that it costs you to do it 10 Q Now, what about -- take a look on the 11 next page of the miscellaneous items, with 12 regard to questions about how could you possibly 13 put another 7,000 stores mostly in existing 14 markets Aren't you at saturation, who would 15 have responded to that question? 16 A. Well, it could have been either David or 17 I responded to that question. 18 Q Okay. And looking at the answers, do 19 you agree with those answers that are set forth? 20 A. Let me read them 21 Q We can read them one at a time A, no, 22 remember our stores typically draw customers 23 from only a five-mile radius, so lots of room 24 for more stores, even within our existing 25 footprint Is that a true statement?</p>	<p style="text-align: right;">Page 224</p> <p>1 A That's a true statement, yes 2 Q. Okay B, is we believe our stores need 3 to draw from a population base of only 5,000 4 people in order to be profitable. Do you agree 5 with that? 6 A. Yes 7 Q And then C, is we, slash, KKR -- so what 8 I get from that is that you were drawing in some 9 of these road shows a distinction between we and 10 KKR Is that a fair statement? 11 A. I think what were saying here that -- 12 that "we" meaning, that there's, you know, 13 everyone does these models So we have a model 14 KKR has a model Other institutions have a 15 model, so you go on these models and see, you 16 know, where, you know, potential stores could 17 be 18 Q. Okay. And so you telling road show 19 people if they were -- they asked is that both 20 Dollar General and KKR did a detailed study of 21 demographics around our existing store locations 22 and identified 7,000 of 200,000 districts in the 23 U S as being well suited for our stores? 24 A Yes And, again, that's just a research 25 identifying as a potential sites That doesn't</p>

1 mean you necessarily want to go do that but
 2 Q What research are you aware of that
 3 Dollar -- are you aware of some old Dollar
 4 General research that did that?
 5 MR CURLEY: Are you talking
 6 historically old, or are you referring to public
 7 Dollar General?
 8 BY MR BARON:
 9 Q I'm talking public Dollar General
 10 A You know, I don't know where we would've
 11 gotten the we part -- where we would have gotten
 12 the seven I suspect that we had a -- through
 13 Clantas, a model that would suggest, you know,
 14 how many, you know, locations you could
 15 potentially have given the demographics of the
 16 location. So I supposed we got from it
 17 Clantas, but it would be coming out of our
 18 retail group.
 19 Q. C-L-A-R-I-T-A-S?
 20 A Yeah And they may have some other
 21 models to figure that out
 22 Q Then do you agree that 60 percent of a
 23 7,000-store potential would have come of the
 24 core market, meaning markets that you were
 25 already in?

1 MR CURLEY: Object to the form
 2 BY MR BARON.
 3 Q Is that what core markets mean?
 4 A Yeah, the core markets is exactly right
 5 So it basically says, when you do this study and
 6 when you look at locations and look at the
 7 7,000, 60 percent of the locations would be in
 8 our core markets
 9 Q Okay So one of the concerns you raised
 10 about distribution centers in California, et
 11 cetera, would not be -- would not as much be a
 12 problem in the core market as in the noncore
 13 markets; those would be issues, correct?
 14 MR CURLEY: Object to the form
 15 A. The -- as far as California's concerned,
 16 the district, we are filled out in our
 17 distribution centers, so even if you had to --
 18 if we went to only our core markets, you would
 19 still have to build distribution centers because
 20 our distribution centers can only take so many
 21 stores, no matter where they are
 22 So you are going to have -- again, this
 23 is back to our earlier discussion This is just
 24 a research and -- and all it suggests is that,
 25 yeah, there's runway. It doesn't suggest it's a

1 good investment decision or not
 2 (WHEREUPON, A SOTTO VOCE DISCUSSION
 3 WAS HELD, AND THE PROCEEDINGS
 4 RESUMED AS FOLLOWS:)
 5 VIDEOGRAPHER Going off the
 6 record The time is 15:21.
 7 (WHEREUPON, A SHORT BREAK WAS
 8 TAKEN, THE PROCEEDING RESUMED AS
 9 FOLLOWS)
 10 (WHEREUPON, EXHIBIT NO 20 WAS
 11 MARKED.)
 12 VIDEOGRAPHER Back on the record
 13 Here marks the beginning of Tape Number 5 in the
 14 deposition of David Bere, Volume 1 The time is
 15 1533
 16 BY MR. BARON
 17 Q. I have marked the next in order,
 18 Number 20 Those are notes from board
 19 minutes -- or board meetings Have you ever
 20 seen them before?
 21 A I have not Who are these notes --
 22 who's writing the notes?
 23 Q Whoever was the scribe at the time,
 24 most likely somebody at Wachtel, but I'm not
 25 sure

1 A So what are they notes of?
 2 MR CURLEY: Let's let Randy ask
 3 the questions, and I will object to them when he
 4 asks them
 5 BY MR BARON
 6 Q We can go that way then
 7 When is the first time you knew that
 8 David Perdue was speaking with private equity
 9 folks?
 10 A The -- first time that I knew there was
 11 any direct discussions of any strong attention
 12 of potentially get together was the board
 13 meeting on that Sunday night, which I believe
 14 was October -- what was that, 10th, 7th, 8th --
 15 Q. Sixth
 16 A. Sixth I remember that meeting clearly
 17 because I was coming back -- I was in Midway
 18 Airport when I took on that --
 19 MR RILEY Actually, I think it
 20 was October 8.
 21 A October -- Sunday evening. I do
 22 remember that And that's the first time that I
 23 had heard that there had been any specific
 24 discussions going on, and it just became clear
 25 we had to take that process over as a board

<p style="text-align: right;">Page 229</p> <p>1 BY MR. BARON 2 Q How long prior to that meeting did you 3 come to learn that David Perdue had been 4 speaking with -- or reaching out to private 5 equity firms? 6 MR. CURLEY: Object to the form 7 MR. RILEY: May I have the question 8 again? 9 BY MR. BARON 10 Q I'll say it again. How long prior to 11 that meeting did you come to learn, if you ever 12 did, that David Perdue begin speaking with or 13 reaching out to private equity firms? 14 MR. CURLEY: Object to the form. 15 A The -- David had reported to the board, 16 I think, the previous meeting that there was 17 some marketplace discussions, but nothing ever 18 specific. It was always, you know, this is what 19 the private equity is doing. This is what's 20 happening in the retail world. It wasn't until 21 that Sunday night, is the first time that I 22 heard that there was -- a direct discussion with 23 anyone specific, especially KKR. 24 BY MR. BARON: 25 Q Okay. But did you ever learn that, in</p>	<p style="text-align: right;">Page 230</p> <p>1 fact, you know, he had been speaking with him 2 much earlier than that? 3 A In preparing for this process, I had 4 learned that he had had some discussions before 5 that, but, you know, I got comfortable that, you 6 know, but the time it got anywhere, I think 7 David did the right thing and came to the board. 8 Q. When did you join the board of 9 directors? 10 A 2002 11 Q So at the time that you were first 12 approached -- or first learn about the private 13 equity deal, you were on the board of directors, 14 but you were not yet part of management, 15 correct? 16 A Yes 17 Q And was the KKR approach one of the 18 things that caused you to become part of the 19 management team? 20 A. No 21 Q Were they unrelated issues? 22 A. It had nothing to do with that. 23 Q. Okay 24 (WHEREUPON, A SOTTO VOCE DISCUSSION 25 WAS HELD, AND THE PROCEEDINGS</p>
<p style="text-align: right;">Page 231</p> <p>1 RESUMED AS FOLLOWS.) 2 (WHEREUPON, EXHIBIT NO. 21 WAS 3 MARKED.) 4 BY MR. BARON: 5 Q Have you ever seen this e-mail before? 6 A. (Witness reviews document.) 7 Q Or this e-mail chain? It's a KKR 8 e-mail. 9 A No, I have not. 10 Q Okay. Did you -- at some point prior to 11 today, did you know that David Perdue was, I 12 guess, in contact or at least trying to get in 13 contact with KKR as early as June '06? 14 MR. CURLEY: Object to the form. 15 A I did not know it was June. I was under 16 the impression, in getting ready for this 17 deposition, it was a few weeks before. I did 18 not know this discussion had taken place. 19 BY MR. BARON: 20 Q Okay. Now, when you were first informed 21 by David Perdue about this involvement, did he 22 tell you what his view was -- 23 MR. CURLEY: Object to the form. 24 BY MR. BARON: 25 Q -- whether or not he believed that a</p>	<p style="text-align: right;">Page 232</p> <p>1 private equity deal was a good idea or bad idea? 2 MR. CURLEY: Object to the form. 3 What point in time are you talking about? 4 BY MR. BARON: 5 Q When you first learned in that October 6 board meeting that he had been, you know, in 7 contact or potentially in contact with some 8 private equity firms, did he express a view as 9 to whether or not he thought it was a good idea 10 or a bad idea? 11 MR. CURLEY: Object to the form. 12 A My recollection of the meeting was that 13 he had informed Denny Bortoff of the meeting. 14 Denny immediately said, let's have a board 15 meeting, and we had that board meeting on Sunday 16 night. 17 I don't have any recollection of him 18 having a point of view. It was just that 19 discussions had taken place, and we made a 20 decision that night to have the governance 21 committee look at whether we should have a 22 separate committee evaluate these things. 23 BY MR. BARON: 24 Q Did he tell the board that he was 25 neutral, he had a neutral position over that,</p>

<p style="text-align: right;">Page 233</p> <p>1 over whether or not they should go forward with 2 the private equity discussions -- 3 A Yeah I didn't -- I don't have any 4 recollection of whether he was positive, 5 negative, or indifferent. My only recollection 6 is that these discussions had taken place, and 7 that we as a board needed to take control of the 8 process. 9 Q Take a look at Page 2 of the handwritten 10 notes, which is Exhibit 20, if you will? 11 A. (Witness complies) 12 Q. The very top, do you see where it says, 13 KKR has asked to look at us Perdue neutral 14 position, facilitated hypothetical 15 conversations? Do you see that? 16 A. Yep. 17 Q Does that refresh your recollection as 18 to whether or not you were informed one way or 19 another about David Perdue's position by David? 20 MR CURLEY: Object to the form. 21 A. On the -- on the October board meeting? 22 BY MR BARON 23 Q. Yes. 24 A Again, I don't remember him taking a 25 point of view either way</p>	<p style="text-align: right;">Page 234</p> <p>1 Q Okay Now, look at Page 3 of -- by the 2 way, looking at -- looking at -- why don't you 3 take a look at these -- I guess, they are about 4 ten -- the first ten pages in this document. 5 Tell me whether or not reviewing those ten pages 6 of handwritten notes reminds you of whether or 7 not this is that first -- these appear to be 8 notes of that first board meeting that took 9 place on October 8? 10 MR CURLEY: Object to the form 11 A You want me to read the first ten pages? 12 BY MR BARON: 13 Q. Yeah You can just scan them and see 14 whether or not, to you, that appears to be 15 minutes of the meeting that took place on that 16 day? 17 MR RILEY: Object to the form of 18 the question. 19 A I'm having a hard time reading some of 20 these, but I will just keep reading 21 BY MR BARON 22 Q. Okay That's fine. 23 MR. RILEY: Randy, is this really a 24 good use of our time? 25</p>
<p style="text-align: right;">Page 235</p> <p>1 BY MR BARON 2 Q Well, does it refresh your recollection 3 as to whether or not those appear to be the 4 meeting you are talking about? 5 A Well, certainly, the first few comments 6 suggest that this may be the meeting we are 7 talking about Again -- it's not striking any 8 memory -- again, it was a long time ago The 9 only thing I remember is that Dave Perdue 10 informed the board that he had discussions with 11 KKR, I believe Cal and David Wild, and he was 12 informing the board, and we had made a decision 13 at that time to go back to the governess 14 committee to come up with a recommendation 15 I think we even actually discussed at 16 that -- at that evening of the setting up a 17 separate committee 18 Q Okay. 19 (WHEREUPON, A SOTTO VOCE DISCUSSION 20 WAS HELD, AND THE PROCEEDINGS 21 RESUMED AS FOLLOWS:) 22 (WHEREUPON, EXHIBIT NO 22 WAS 23 MARKED) 24 BY MR BARON. 25 Q. Have you ever seen this e-mail before?</p>	<p style="text-align: right;">Page 236</p> <p>1 A. I have not 2 Q So this is a e-mail back in August 17th, 3 in which there appears -- that it appears that 4 Perdue had met with TPG and Goldman Sachs, 5 Adrian Jones She's currently on the board of 6 directors, correct? 7 A It's a he, yes 8 Q. I'm sorry, he I'm sorry, is currently 9 on the board at Dollar General, right? 10 A. Yes. 11 Q. Okay. Said that he had met with them 12 back in August of '06. Is this the first time 13 you learned that? 14 A Yep. 15 Q And then you can see that during that 16 period of time that he had -- at least, 17 according to Mike Calbert, that David didn't 18 want to let -- let due diligence start because 19 he was afraid of having to tell the board of 20 directors of what he was doing, correct? 21 A Let me just read this, okay? 22 Q Go ahead. 23 A I have read it 24 Q. So at that point in time, the board of 25 directors as a whole had never -- didn't know</p>

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1 anything about a possibility of a private equity
2 due diligence?
3 A I certainly did not know
4 Q All right. This e-mail, it appears that
5 Cal Turner was in some discussions as well
6 Do you see that?
7 A. Yep.
8 Q All right And, again, one of the
9 directors, Mr Wild, is an employee of
10 Mr Turner, correct?
11 A Yes
12 Q Okay. So Mr Wild never told you
13 whether or not there was some discussions with
14 private equity; isn't that correct?
15 A No discussion whatsoever on this
16 MR. CURLEY. Object to the form
17 BY MR. BARON:
18 Q. All right, sir
19 (WHEREUPON, A SOTTO VOCE DISCUSSION
20 WAS HELD, AND THE PROCEEDINGS
21 RESUMED AS FOLLOWS)
22 (WHEREUPON, EXHIBIT NO. 23 WAS
23 MARKED)
24 BY MR. BARON.
25 Q Now showing you -- now we are -- e-mail

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1 Q. Now, at the meeting that we talked about
2 those notes reflect, at the time that David
3 Perdue started, I guess, what this e-mail calls
4 his pitch, did you know that David Wild was on
5 board?
6 A. I did not and certainly didn't get that
7 impression during the board meeting
8 Q Okay And what about Denny Bettendorff
9 (phonetic), did you --
10 A. Yeah, in fact, this -- of everything,
11 this really surprises me because Denny certainly
12 did not communicate that, any time during the
13 process
14 Q. And neither of them communicated to you
15 they were already aware of the approaches?
16 A No
17 Q And yet Mr Thornburgh acted -- was
18 negative to the concept at that meeting; is that
19 fair to say --
20 MR. CURLEY: Object to the form.
21 BY MR. BARON:
22 Q. At the meeting that took place that
23 those reflect, Dick Thornburgh did not sound
24 like --
25 MR. RILEY Whoa, whoa -- which

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1 from Mike Calbert to George Roberts and Raj
2 Agrawal. You know who George Roberts is,
3 correct?
4 A Yes
5 Q That would be the "R" in KKR?
6 A. Yes
7 Q All right.
8 A I have not met him but
9 Q. On October 8th -- so, again, this would
10 be before that meeting that those notes seemed
11 to reflect by a day or two, correct?
12 A. Yes.
13 Q. Have you ever seen this e-mail before?
14 A No
15 Q And in this e-mail, it seems that
16 David -- David Wild was aware of the approaches
17 by some various private equity prior to that
18 meeting, correct?
19 MR. CURLEY: Object to the form
20 A Can I read the --
21 BY MR. BARON.
22 Q Yeah, please.
23 A Let me just read the whole thing here
24 (Witness reviews document.)
25 I have read it

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1 meeting Are you talking about this --
2 MR. BARON: No, no, no, at the
3 meeting on -- that the notes reflect
4 MR. RILEY: Well, wait a minute.
5 You are asking about the notes he says he has
6 never seen before?
7 MR. BARON No I'm asking about
8 the meeting. The meeting -- the meeting is
9 October 8th, correct?
10 MR. CURLEY: So you are asking
11 him -- putting this all aside, you are asking
12 him about his recollection of the meeting, is
13 that fair?
14 BY MR. BARON:
15 Q. October 8, the October 8th meeting.
16 A My recollection --
17 MR. RILEY Wait a minute What is
18 the question about his recollection of the
19 October 8th meeting?
20 BY MR. BARON
21 Q. October 8th meeting, what was Dick
22 Thornburgh's reaction to a private equity
23 approach?
24 A My only recollection of that meeting was
25 that nobody took a strong point of view one way

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1 or another I think the big thing that came out
2 of the meeting is that we had to set up a
3 separate committee because we need to not only
4 deal with the KKR, you know, specific, request,
5 but it raised a broader question, at least for
6 me, is that, you know, we need a frame work in
7 which to evaluate these things.
8 (WHEREUPON, A SOTTO VOCE DISCUSSION
9 WAS HELD, AND THE PROCEEDINGS
10 RESUMED AS FOLLOWS)
11 BY MR. BARON
12 Q Have you ever seen this e-mail before?
13 A (Witness reviews document)
14 Q. This is dated October 9, 2008 [sic] So
15 it would be after that meeting that those notes
16 reflect
17 A. So this, after the meeting, no, I have
18 not seen your e-mail Can I read it?
19 Q Sure
20 A (Witness reviews document.)
21 I have read it
22 Q Now, this e-mail that Mike Calbert is
23 reflecting a conversation he had with David
24 Perdue, he indicates to him that -- that the
25 board meeting when the -- where the issue of

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1 A. Yeah I don't know if I have met him
2 No, the name doesn't sound familiar -- trying to
3 think of their lead guy there I can't think of
4 his name
5 MR. RILEY. (Unintelligible)
6 BY MR. BARON:
7 Q Do you know what -- do you know whether
8 or not at the time of the meeting -- or did you
9 know at the time of the meeting, Lehman Brothers
10 was working to try the reach out to private
11 equity or working with management on private
12 equity discussions?
13 A I definitely did not know that.
14 Q Okay Did you learn that at the
15 meeting?
16 MR. RILEY: Object to the form.
17 A No. The only thing that came up at the
18 meeting was the meeting with KKR
19 BY MR. BARON:
20 Q That same paragraph, do you see that
21 they shared with Perdue that it received a call
22 from CSFB over the weekend, telling me Lehman
23 and Goldman were hired to sell the company and
24 that Bain was doing a lot of work to get ready
25 That also, you didn't know about?

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1 private equity obviously was controversial
2 You don't recall it as being so?
3 A No, I think the -- my recollection,
4 again, was there was a general discussion on
5 this whole thing, but I didn't see people taking
6 sides one way or the other And that everyone
7 agreed that we had to set up a separate
8 committee I have a very different recollection
9 than -- of this meeting than evidently that --
10 supposedly that Mike interpreted from Dave
11 Perdue.
12 Q Were there views expressed that Perdue
13 and Wild were conflicted?
14 A Again, we didn't have that -- I don't
15 recall that discussion Again, all I recall is
16 a general discussion, learning about this, and
17 keep coming back to the one thing I remembered
18 is that, you know, the board felt very strongly
19 that before this went any further, that we had
20 to take control of the process
21 Q Did you know -- do you know who
22 Mr. Taussig at Lehman Brothers?
23 A. Mr. Who?
24 Q. Taussig, if you look at second last
25 line?

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1 MR. CURLEY: Object to the form
2 A. (Witness reviews document)
3 BY MR. BARON
4 Q. If that were true, you don't know about
5 it?
6 A Yeah, I didn't know then --
7 MR. CURLEY. Object to the form
8 A -- no, it wasn't discussed
9 BY MR. BARON:
10 Q If it's true, did you know about it
11 until today?
12 A I didn't know about this until reading
13 this right now
14 Q. Okay So if these e-mails are an
15 accurate reflection of the discussions, David
16 Perdue was doing a lot of things that the board
17 didn't know about. Is that a fair statement?
18 MR. CURLEY. Object to the form.
19 A. From the few e-mails, certainly, he was
20 doing things that I wasn't aware of.
21 BY MR. BARON.
22 Q. Well, I guess some of the board because
23 at least some of these e-mails show that
24 Mr. Bettendorff knew some and that Mr. Wild knew
25 something about it at some point in time,

<p style="text-align: right;">Page 245</p> <p>1 correct? 2 MR CURLEY Object to the form. 3 For the record, it's Bortoff 4 MR BARON: Bortoff 5 BY MR BARON 6 Q Okay. Let's go back to these notes and 7 stuff and see if -- do you recall any parts of 8 the conversation that may have been -- may be 9 reflected here Looking on what's Page 4 of the 10 notes, and it's DG151397? 11 A (Witness complies) 12 Q. Do you see under where Perdue is -- 13 where there's notes of Perdue? 14 MR RILEY: There's the name 15 Perdue. Is that what you mean? 16 BY MR BARON: 17 Q Perdue, yeah, which looks like Perdue 18 speaking, but I am just assuming 19 MR RILEY. Correct 20 BY MR. BARON 21 Q. Then you look at this next sentence 22 says, they won't do hostile without management 23 team. 24 Do you see that, or what appears to look 25 like that?</p>	<p style="text-align: right;">Page 246</p> <p>1 A Yep 2 Q Do you have some recollection of David 3 telling you that KKR would not make an 4 acquisition without the management team being on 5 board? 6 MR CURLEY Object to the form. 7 A Again, I told you everything I recollect 8 from the meeting I don't remember the detail 9 of that type of discussion. 10 BY MR BARON: 11 Q May have been said, but you don't 12 remember? 13 A Pardon me? 14 MR. CURLEY. Object to the form 15 BY MR. BARON: 16 Q It may have been said, but you don't 17 recall? 18 A Don't recall, no. 19 Q If you go to the next page, Page 3? 20 MR CURLEY Page what? 21 BY MR. BARON: 22 Q Do you remember how long the meeting 23 was, by the way? 24 A I don't. I remember sitting at Midway, 25 so I don't know how long the meeting was It</p>
<p style="text-align: right;">Page 247</p> <p>1 went for awhile, I think 2 Q. You were on the phone? 3 A. I was on the phone 4 Q Don't you hate those calls? 5 A. Yeah, especially at an airport 6 Q Going to Page 3, there is a DB, which 7 I'm thinking is Dave Bere? 8 MR. RILEY Wait a minute, when you 9 say Page 3, what's the Bates Stamp Number? 10 BY MR. BARON: 11 Q. 151396 Do you see the DB there? 12 A Yes. 13 Q Appears to say they called me on -- 14 looks like something, to tell about meeting that 15 David and/or Cal could be involved; therefore, 16 they could not be involved We have procedures 17 Do you remember -- raising any issues or 18 concerns about Cal being involved in the 19 meeting? 20 MR CURLEY: Hold on Object to 21 the form 22 BY MR BARON: 23 Q I will ask you more general, do you know 24 what that means, this note means? 25 A No, I don't And I don't know who DB</p>	<p style="text-align: right;">Page 248</p> <p>1 is It says that they called me. Nobody called 2 me, I can tell you that, and then David -- let 3 me read what's here there. 4 Q Okay 5 A (Witness reviews document) 6 I'm not sure what it means. 7 MR CURLEY Randy's not asking you 8 to interpret (unintelligible) -- 9 MR BARON I am asking him -- 10 (unintelligible) 11 MR CURLEY Well, that wasn't what 12 your questions was Your question was, do you 13 remember Cal, et cetera, et cetera 14 MR. BARON: That was -- and I went 15 back 16 BY MR BARON: 17 Q Do you remember -- do you have some idea 18 what this note means? 19 A No 20 Q. Okay Now, do you have any remember -- 21 do you remember any discussion about Cal being 22 involved in the meeting? 23 A I'm pretty sure we were informed in 24 the -- at the board call that -- that both David 25 Perdue and Cal -- and I'm trying to remember if</p>

<p style="text-align: right;">Page 249</p> <p>1 David Wild was a part of that -- but that 2 participated in conversation with KKR 3 Q. Okay Turn to what is Page 5 It's 4 DG1513798 Do you see where there's Jim Robins 5 and some notes underneath there? 6 A Yeah There's -- Jim Robins at the top? 7 Q Yes Why don't you read between Jim 8 Robins and Bere? 9 A (Witness reviews document) 10 I'm not sure what says -- okay 11 Do you see it -- there appears to be -- 12 says something, no communications, no come with 13 management. 14 Do you see that? 15 A No -- what does that say? 16 Q. I don't know. Let's move on. I could 17 guess, but if you don't know, it doesn't really 18 matter. I think it says no communications with 19 management, but that's okay 20 Do you see here where it says that lots 21 of people are bottom fishing? 22 A. Yes I see that 23 Q He would like -- he would like to know 24 more about Alpha, not the time 25 Do you see that?</p>	<p style="text-align: right;">Page 250</p> <p>1 A Yep 2 Q Do you remember Jim Robins or anybody 3 else commenting about KKR -- any other private 4 equity bottom fishing? 5 MR CURLEY: Object to form 6 A No I don't remember any specific 7 discussion on that You know, there was general 8 discussion about this, what does this mean, and 9 this and that, but the one thing that just came 10 out the meeting was at the end, that I felt 11 comfortable with, is that we need to set up a 12 separate committee here And so I'm sure there 13 was general discussion on this type of stuff, 14 people asking questions, but I don't have any 15 recollection, other than we had the meeting -- 16 we had the meeting, they had the discussion and 17 what we did about it. 18 Q Okay So the next there's -- the next 19 line cites to -- says, Bere, dash, I agree, we 20 should be able to run our own models, getting 21 way ahead of ourselves Don't let them -- I 22 think looks like, m? 23 A Yeah I mean, my first reaction -- the 24 first thing I read here that -- you know, my 25 first reaction was that we were getting way</p>
<p style="text-align: right;">Page 251</p> <p>1 ahead of ourselves, and now that I read these 2 e-mails -- but I'm glad we -- we -- David 3 informed us and, again, we took control of the 4 process. 5 That was my biggest, you know, thing 6 when I heard the -- you know, the news that they 7 had met, and the other board members all agreed 8 with that 9 Q Okay You tell me, between this day and 10 November -- you know, 25, when in that time 11 period was the discussion about you becoming 12 management first raised? 13 A I don't -- I can remember the -- the end 14 date because it was -- I remember Thanksgiving 15 weekend. So it was sometime before that, and my 16 guess would be -- because this moved fairly 17 quickly sometime the week or ten days before 18 that, when I was informed that the -- there was 19 two concerns with David that came up 20 And it came up with -- in a meeting with 21 David, David Wild brought it up Number 1, 22 there was concern of a lack of cohesiveness on 23 the management team. And there was a lot of 24 concern about that, and there was concern 25 that -- about David's leadership style</p>	<p style="text-align: right;">Page 252</p> <p>1 And then secondly, there was a 2 discussion about, you know, Project Alpha, and 3 then someone brought up the idea, well, you 4 know, maybe we should bring somebody in to help 5 do those two things 6 I'm not quite sure who, but someone 7 mentioned, you know, my name as a potential 8 thing do that Denny turned to me and said, 9 Would you ever be interested in that And I 10 said, There's a few things, I need to check with 11 my wife 12 But secondly, I had to -- I was not 13 going to come in and be a spy for the board, 14 that David Perdue had to agree with this, and 15 that we were going to set up -- I agreed to set 16 up some meetings Denny and -- I'm not sure 17 Denny -- for sure the lead director, David, was 18 going to meet with David Perdue to -- for 19 this -- the thought of this idea and that next 20 step was more me and David to get together. 21 Q So where were you along the process of 22 dealing with private equity -- the private 23 equity groups and the due diligence at the time 24 that it was decided for you to come into 25 management?</p>

<p style="text-align: right;">Page 253</p> <p>1 A I don't think we -- I have to get my 2 dates right, but I -- it was clearly -- I had 3 gone to a few meetings of the strategic planning 4 meeting, but I don't think we had come to the 5 point of deciding what to do with the KKR 6 situation, and then, of course, once I got 7 named, I was immediately put off the committee, 8 and I was -- really wasn't involved in any of 9 those discussions</p> <p>10 Q. What all did you do with the strategic 11 planning committee regarding discussions with 12 any private equity group?</p> <p>13 A. What did I do?</p> <p>14 Q. Yeah</p> <p>15 A. My participation in the meeting?</p> <p>16 Q. Or what did the strategic planning 17 committee do prior to your leaving it?</p> <p>18 A. Yeah. The -- what we did -- there was 19 two main things. Number 1, we decided we had to 20 come up with a framework to evaluate any type of 21 a bid, or whether you should say public or go 22 private, and so what we did is we hired Lazard, 23 and we started running models. Management had 24 provided their projections, and we started 25 running models. And then we looked at, you</p>	<p style="text-align: right;">Page 254</p> <p>1 know, what was the stock market implication of 2 that</p> <p>3 And the second thing we did, was there 4 was concern on the board of the executional risk 5 of Project Alpha and the impact that it 6 potentially it could have on the stock rights, 7 not only the announcement of Project Alpha, but 8 what if these projections were wrong. This was 9 a highly-risked thing. A lot of money was 10 involved, and so those were the two, you know, I 11 remember dealing with -- with the committee</p> <p>12 Q. So by the time you left the committee 13 and joined management -- let's use that as the 14 date -- where was the strategic planning 15 committee in views of their acceptance or lack 16 of acceptance of a possible private equity deal? 17 Were they thinking it was now the right time, or 18 were they still not sure?</p> <p>19 A. I think we were -- I think when I was -- 20 and I am not totally sure of this, but I think 21 when I was on that, we were just still coming up 22 with the framework and trying to decide -- they 23 had, you know, talked about the -- the 24 investment bankers had talked about, here's some 25 potential ranges they would do</p>
<p style="text-align: right;">Page 255</p> <p>1 I do not think we had made the decision 2 as a committee and taken it to the board that, 3 let's go through this process that we decided to 4 go through</p> <p>5 Q. So had some preliminary evaluations from 6 Lazard as to what --</p> <p>7 A. Yeah -- and, again, I -- that was 8 certainly the process we were going down. I 9 think we had those before I left, but I can't 10 remember if I saw those as a board member later, 11 but we certainly were going down that process.</p> <p>12 Q. Okay. Now, turning to Page 8 of the 13 same notes, it's 151401?</p> <p>14 A. (Witness reviews document.)</p> <p>15 Q. Under where it says Bettendorff. Do you 16 see that?</p> <p>17 MR. CURLEY: Bortoff</p> <p>18 A. All right</p> <p>19 (Witness reviews document.)</p> <p>20 So could you read what he's saying, not 21 that simple</p> <p>22 BY MR. BARON</p> <p>23 Q. Well, I'm actually -- does Perdue 24 currently have a conflict, lots of discussion 25 Do you see that?</p>	<p style="text-align: right;">Page 256</p> <p>1 A. Yes</p> <p>2 Q. Do you remember any discussion over --</p> <p>3 A. Yeah. There was a lot of discussion at 4 the -- at that -- that board meeting that 5 evening on the phone that -- that we really had 6 to take this off the CEO's hands and take -- into 7 the board's hands. So, yeah, that doesn't 8 surprise me at all. There's a lot of discussion 9 on whether David Perdue should run the process 10 or the board should run the process, and we 11 clearly came down on the side of the board</p> <p>12 Q. Okay</p> <p>13 (WHEREUPON, A SOTTO VOCE DISCUSSION 14 WAS HELD, AND THE PROCEEDINGS 15 RESUMED AS FOLLOWS.) 16 (WHEREUPON, EXHIBIT NO. 24 WAS 17 MARKED.) 18 (WHEREUPON, EXHIBIT NO. 25 WAS 19 MARKED.) 20 BY MR. BARON:</p> <p>21 Q. Which one are you looking at?</p> <p>22 A. Twenty-five. God</p> <p>23 Q. Now, I'm assuming by your smirk, you 24 have not seen Exhibit 25 before?</p> <p>25 A. No.</p>

<p style="text-align: right;">Page 257</p> <p>1 MR. CURLEY: Are we on 24 or 25? 2 THE WITNESS I was reading 25 3 BY MR. BARON: 4 Q Did you know that people on the board of 5 directors were telling people at KKR what -- the 6 committee was -- what the committee was doing, 7 what -- and how committee was moving along? 8 A. Where are you referring to? Are we on 9 24 or 25? 10 MR. CURLEY: Are you asking in 11 general? 12 BY MR. BARON 13 Q Twenty-five 14 A Twenty-five Let me read it 15 Q. All right Take a look at 25 16 A. I stopped at Cal's buddy? 17 (Witness reviews document) 18 Okay. I have read that one 19 Q Okay Now, at the time -- as of 20 November 8th, this strategic planning committee 21 was, in fact, set up. They had retained -- it 22 says, Retained Lehman Lazard, but you don't 23 recall retaining You just recall -- 24 A My recollection is that Lehman, I think, 25 had already been returned -- retained by the</p>	<p style="text-align: right;">Page 258</p> <p>1 management team, and we wanted to retain -- we 2 felt we needed independent representation 3 That's what led to Lazard 4 Q Okay. And did you know that -- you 5 know, somebody, whether -- probably Mr. David 6 Perdue, was telling people at KKR what the 7 progress of this strategic planning committee 8 was with regard to a possible sell to private 9 equity? 10 MR. CURLEY: Object to the form 11 A I did not know David was doing that. 12 BY MR. BARON. 13 Q Did you ever authorize David to do that? 14 MR. CURLEY: Object to the form 15 A. No 16 BY MR. BARON 17 Q What about Mr. Bortoff, do you know 18 whether he was telling Cal Turner what was 19 happening on the -- at the board meetings -- or 20 the strategic planning meetings? 21 A I did not know that he would -- no, I 22 have no evidence of -- nor would I know that he 23 was speaking to Cal 24 Q He never -- that was never told to you 25 or mentioned in any of the discussions?</p>
<p style="text-align: right;">Page 259</p> <p>1 A No. No 2 Q Here's -- there's an indication here 3 that some of the board members think Perdue may 4 not be in sync with his management team Was 5 that a true statement, some of the board members 6 thought Purdue may not have -- 7 A. Yes I mean, I think the -- that's a 8 little bit what led to me coming in So one of 9 the meetings we had, we clearly had the 10 discussion that David was not to sync with the 11 management team The management team was not in 12 sync with each other and that the -- maybe a -- 13 a major issue that we will need to deal with 14 Q Okay. And then a little lower, it says 15 that it sounds like Perdue is losing some 16 credibility with the board Is that a true 17 statement? 18 A. Yeah, I think -- 19 MR. RILEY: Was that true -- wait a 20 minute, was that a true statement? 21 BY MR. BARON 22 Q Was that a true statement? Was Purdue 23 losing credibility with the board? 24 A. Yes. I think he was beginning to loose 25 credibility. I wouldn't say that he had lost</p>	<p style="text-align: right;">Page 260</p> <p>1 credibility at that time 2 Q And had -- had his lack of credibility 3 been discussed at board meeting -- I guess, 4 between October 8 and November 8, or was it just 5 in other conversations with board members? 6 MR. CURLEY: Object to the form 7 A One thing I want to recharacterize it, 8 it didn't say that the -- I nor the rest of the 9 board lost credibility to David Perdue I think 10 there was a few red flags that were starting to 11 come up 12 BY MR. BARON 13 Q. What was those? 14 A I think the red flags that were coming 15 up was -- and I'll speak for myself and not for 16 the board I think that, you know, from a 17 strategic planning standpoint, I didn't think 18 the strategic planing was as strong as I felt it 19 could be, and so we were beginning to work with 20 David on that. 21 Q Was that -- that was even before you 22 took over as a chief operating officer? 23 A Oh, yes Yes 24 Q. Any other red flags? 25 A Then to other big red flag, of course,</p>

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<p>1 was the -- you know, when we -- we heard that 2 the management team was losing faith in David, 3 and in a little bit of disarray that David -- so 4 yeah. 5 Q. How did you come to learn that the 6 management team was losing faith in Dave? 7 A. That was one of the meetings that -- on 8 the strategic advisory committee, so it was one 9 of our meetings between the October board 10 meeting and when I went off. So it was one of 11 those meetings that that first came up, and 12 that's what led to the discussion with me. 13 Q. Now, if you would, turn to Exhibit 24, 14 please, which is the other -- the next e-mail, 15 which was the next day, November 2, could you 16 read this and tell me whether you have ever seen 17 this before? 18 A. (Witness reviews document.) 19 No, I did not know Dave was having these 20 discussions with Mike. 21 MR. CURLEY: I think his question 22 was, had you ever seen this e-mail before? 23 A. No. 24 BY MR. BARON. 25 Q. But my next question is: Were you aware</p>	<p>1 that Dave was having these conversations with 2 Mike? See, I become so predictable at this 3 point. 4 A. No. 5 MR. CURLEY: Just like us to have 6 an accurate record. 7 A. No. 8 BY MR. BARON: 9 Q. Now, a couple of concepts here that I 10 want to know whether was an accurate reflection 11 of what was happening at the strategic planning 12 or the board meetings, is it -- the third 13 paragraph, David says -- that it said his board 14 getting sobered about future stock price 15 performance. 16 Do you remember there being some -- 17 sobering is the word he used -- some epiphany or 18 some knowledge that the board had during this 19 time period about what the future stock price of 20 Dollar General would be? 21 MR. CURLEY: Object to the form. 22 A. I don't know if there was an epiphany, 23 but the fact is, the stock had gone quite a bit 24 down. It was trading in the 14 to 15 dollar 25 range. Secondly, Project Alpha was a major</p>
<p>1 project, and there was concern about what that 2 would have on the stock markets. So I don't 3 think we woke up one day and said, wow, it was 4 an epiphany. 5 The fact is, we were concerned about the 6 stock price. 7 BY MR. BARON: 8 Q. Okay. But this talks about future stock 9 prices. Was there something that David had been 10 trying to convince the board about where the 11 stock price would go after Project Alpha? 12 MR. CURLEY: Object to the form. 13 A. I think the only thing that I recollect 14 is that we talked about future price, is 15 Number 1, as we went through these models and 16 looked at the financial plan over the next three 17 years what -- 18 MR. RILEY: Can I have the question 19 again? 20 MR. BARON: Let him finish, and 21 then you can have the question again. 22 A. Now, I'm confused on what the question 23 was. 24 MR. BARON: Why don't you -- no, it 25 doesn't matter. Why don't you read where he was</p>	<p>1 in his answer and see if he wants to finish? 2 MR. CURLEY: No, if he needs -- 3 MR. BARON: No. No. You don't 4 interrupt a -- just like you don't have me 5 interrupt a witness while he's speaking, it's 6 not a more appropriate -- 7 MR. CURLEY: Settle down -- 8 MR. BARON: -- I'm asking -- 9 MR. CURLEY: -- if the witness 10 needs the question read back -- he's just asked 11 for the question -- 12 MR. BARON: -- he didn't. Your 13 counsel did. Why don't you read where he was 14 and see whether or not he needs the question 15 now. 16 THE WITNESS: I need the question 17 read back. 18 MR. BARON: Read where his answer 19 was, and see if he wants to finish his answer. 20 If he says he doesn't want to before he was 21 interrupted, that's fine. Please read his 22 answer back. 23 (WHEREUPON, THE RECORD WAS READ AS 24 REQUESTED.) 25</p>

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1 BY MR BARON
 2 Q. We were talking about future stock
 3 prices. Was there some discussion or something
 4 that David was trying to convince the board of
 5 as to what the future stock price of Dollar
 6 General may be?
 7 MR. RILEY: Object to the form,
 8 compound question
 9 A. I do not -- I don't have any
 10 recollection of David bringing that subject on
 11 the future stock price
 12 BY MR BARON
 13 Q. Did the board come to some epiphany or
 14 of some new realization as to what would happen
 15 to the stock to prices?
 16 A. No, they didn't come to any new epiphany
 17 to the stock price
 18 MR. CURLEY: Object to the form
 19 BY MR BARON:
 20 Q. It says the Lehman has also been charged
 21 with review all options to create their holder
 22 value. Did the strategic planning committee ask
 23 Lehman to do something? You understood Lehman
 24 was working for the management, but did the
 25 strategic planning committee ask Lehman to do

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1 Number 3, we looked at what would be the
 2 potential values, whether it will be a strategic
 3 buyer or a financial buyer. So we did go down
 4 those three operations
 5 Q. Okay. Is there a reason you decided not
 6 to look into a possible strategic buyer?
 7 MR. CURLEY: Object to the form
 8 A. We actually did go through the process
 9 of -- our advisers went through many strategic
 10 advisers, Number 1, you know, do they have an
 11 interest in Dollar General. Number 2, are they
 12 capable of doing it. The only one that got any
 13 serious discussion was Family Dollar, and it was
 14 determined that, you know, they were having some
 15 issues -- some legal issues, some SEC issues,
 16 and that really wasn't going to be a
 17 possibility
 18 BY MR BARON:
 19 Q. Okay. Nobody approached any strategic
 20 buyers?
 21 A. No. We just don't through the process
 22 of evaluating
 23 Q. And did anybody make any attempt to have
 24 an action with financial buyers for -- for the
 25 possible sale of the company?

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1 something?
 2 A. My recollection is the only thing --
 3 Lazard was the only group that represented us --
 4 that ask us to return any models
 5 Q. You -- now, as far as you know, no
 6 banker was asked to -- what is the phrase here,
 7 review all options to create shareholder value?
 8 MR. CURLEY: Object to the form
 9 A. Ask that one more time?
 10 BY MR BARON:
 11 Q. Yeah -- was any banker asked -- or any
 12 banker, as far as you are aware of, charged
 13 with, quote, reviewing options, end quote, to
 14 create shareholder value?
 15 MR. RILEY: By the planning
 16 committee?
 17 BY MR BARON:
 18 Q. By anyone, as far as you know
 19 A. Yeah, I'm struggling over the words "all
 20 options," we asked for -- you know, we looked
 21 down three scenarios of what would be the -- the
 22 stock value and the long-range plan that was
 23 Number 1 that management had provided, and we
 24 looked at two scenarios. Number 2, we looked at
 25 Project Alpha, the impact of Project Alpha, and

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1 A. No. The discussion was made that -- you
 2 know, we started with the two, and the reason we
 3 started with the two was because there was a
 4 review of who would be the -- a potential likely
 5 buyer, and who would have the capability to buy.
 6 Of course, they came in with two more. And so
 7 we ended up with four there, and, again, we were
 8 going down that process and wanted to compare
 9 against, you know, what a public share price
 10 would be
 11 But the fact is, you know, those were
 12 the judgments we made and then advice we got
 13 from our advisers, these were the most likely
 14 ones. And secondly, you know, due diligence as
 15 you know is a huge, huge process and that this
 16 is what we felt was manageable from a management
 17 standpoint.
 18 Q. But at the time that you made that
 19 decision, you didn't know you --
 20 A. I didn't know that the --
 21 Q. -- (unintelligible) that TPG was in
 22 discussions, Goldman was in discussion, maybe
 23 some other people were in discussion even before
 24 you were involved, correct?
 25 A. Yeah.

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1 MR CURLEY Object to the form.
 2 A Would you ask the question again?
 3 BY MR BARON.
 4 Q In making that decision as to how to
 5 narrow it between the two groups that brought in
 6 other groups, you weren't aware that other
 7 groups were already in discussions and possibly
 8 interesting?
 9 A Actually, I wasn't involved after --
 10 MR CURLEY: Object to the form
 11 Go ahead
 12 A I wasn't actually involved at all in
 13 decisions because I had left the strategic
 14 planning committee --
 15 BY MR BARON:
 16 Q. That's correct.
 17 A -- so, you know, the last thing I knew,
 18 there was kind of a review, and then I was -- I
 19 became part of management, and so I didn't
 20 participate in any of those.
 21 Q As far as you know, the strategic
 22 planning committee was never made aware of the
 23 other contact that David Perdue had or
 24 expressions of interest by the other private
 25 equity groups separate and apart from KKR and

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1 deposition of David Bere, Volume 1 The time is
 2 1634 You may begin
 3 BY MR. BARON
 4 Q Thank you Taking a look at Exhibit 26,
 5 do you see here where it says -- there's some
 6 indication that based on a dinner with Cal
 7 Turner, that Mike Calbert believed that Perdue
 8 had created very political device of an
 9 autocratic management environment known as the
 10 absentee CEO A, do you know if that's true?
 11 MR RILEY: That he had created
 12 the impression or was --
 13 A. What's the question?
 14 BY MR BARON.
 15 Q Well, one, had he -- was it true that he
 16 had created a very political device as an
 17 autocratic management environment?
 18 MR CURLEY Object to the form
 19 A There's a lot of words there
 20 BY MR BARON:
 21 Q There are, and they are all words that I
 22 couldn't spell if I had to
 23 MR. CURLEY They were all vague,
 24 so object to the form
 25 A You know, I will go back to what I was

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1 Bain, correct?
 2 A All I can say is, as a board member I
 3 wasn't --
 4 Q Okay So when you are saying their
 5 decision that they made, that's only looking at
 6 the proxy and other things. You were part of
 7 the decision --
 8 A I wasn't part of the decision, no
 9 (WHEREUPON, EXHIBIT NO 26 WAS
 10 MARKED)
 11 BY MR. BARON
 12 Q Show you what has been marked
 13 Exhibit 26 Have you ever seen this e-mail
 14 before?
 15 Take your time to read it
 16 A (Witness reviews document)
 17 (WHEREUPON, A DISCUSSION WAS HELD
 18 OFF THE RECORD)
 19 VIDEOGRAPHER. Going off the
 20 record The time is 627 [sic 1627]
 21 (WHEREUPON, A SHORT BREAK WAS
 22 TAKEN, THE PROCEEDING RESUMED AS
 23 FOLLOWS:)
 24 VIDEOGRAPHER: Back on the record
 25 Here marks the beginning of Tape Number 6 in the

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1 informed, is that, Number 1, David was having
 2 some issues with the management team, and I was
 3 asked to bring the team together and to drive
 4 Project Alpha. So that's the only piece of
 5 information that I had
 6 BY MR. BARON
 7 Q By December '06 date, were you now a
 8 COO?
 9 A Yes
 10 Q By this point in time, had you yet begun
 11 having any conversations with anybody at KKR or
 12 anybody else?
 13 MR. RILEY: Anybody else?
 14 A No.
 15 BY MR BARON
 16 Q Any other private equity group?
 17 A No I was very focused on the -- on
 18 Project Alpha
 19 Q. When was the first time you had any
 20 contact with somebody at KKR?
 21 A Somewhere in the due diligence process,
 22 we as a management team went out to New York and
 23 gave a management presentation to KKR and who
 24 they were with, and then the next day we did
 25 Bain and who they were with I think Bain was

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1 with Blackstone, I think, and KKR was with TPG,
2 so that was the first time I had had any contact
3 with KKR
4 Q Okay. Now, by -- at this point in
5 time -- by the time you had that meeting with
6 KKR, had you been privy to Lazard's analysis,
7 you personally?
8 MR CURLEY Object to the form.
9 A Which analysis?
10 BY MR BARON
11 Q Analysis as what the value of the
12 company, whether or not -- you know, some
13 indication as to whether or not the company was
14 appropriately to be taken out and going private?
15 MR CURLEY: Object to the form.
16 A The -- my only recollection is that a
17 board -- I obviously wasn't on the committee
18 anymore. The board meeting, certainly the
19 committee, had recommended that we have
20 conversations with these two groups, but
21 certainly, there wasn't any decision whether we
22 should go private at that time
23 BY MR BARON:
24 Q My question was: Had you seen any
25 Lazard financial analysis by the time you went

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1 KKR?
2 A After that meeting, we had a lot of due
3 diligence calls from all four private equity
4 groups And although I wouldn't say I played a
5 major part in that, because I was so new to the
6 company, I did sit in on some of those calls
7 Q Okay. Now, when is the next -- other
8 than the due diligence calls, did you have any
9 contact or discussion with anybody at KKR?
10 A No.
11 Q When did you first learn that KKR was
12 unlikely to keep David Perdue?
13 A After we had made the announcement -- I
14 am not quite sure exactly what the dates are,
15 but certainly there was a period of time that
16 after the announcement and before the close, so
17 somewhere in between those two, and it was
18 obviously before -- it was after the
19 presentation that we gave to the -- the one in
20 New York, but it was obviously before the
21 presentations that we gave to the rating
22 agencies
23 (WHEREUPON, EXHIBIT NO 27 WAS
24 MARKED)
25

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1 and met with them?
2 MR CURLEY With KKR?
3 MR BARON KKR
4 A I'm sorry, one more --
5 BY MR BARON
6 Q Had you seen any after Lazard's
7 financial analysis by the time went to meet with
8 KKR?
9 A I think that the board saw financial
10 analysis of what potentially they would be
11 willing to pay, so I think we saw some financial
12 analysis in a board meeting before we actually
13 went out there
14 Q Okay And can you give me a time period
15 in which you went out there?
16 A You know, I can't remember the time
17 period It was sometime --
18 Q Before the end of the year, beginning of
19 the year?
20 A Actually, I think it was in January, but
21 I'm not sure I only started in December, so I
22 think it was probably in the January/February
23 time frame
24 Q Okay. After that meeting, when was the
25 next time you had a conversation with anybody at

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1 BY MR BARON
2 Q Showing you what has been marked
3 Exhibit 27 At this point in time, there
4 appears to be -- these appear to be e-mails
5 discussing who was going to make presentations
6 to potential investors
7 Do you see that?
8 A Can I read it -- read the whole thing?
9 Q Yes, please do
10 A (Witness reviews document)
11 I have read it
12 Q Okay. This is a discussion that talks
13 primarily about some presentations to potential
14 investors, correct?
15 A That appears to be the case
16 Q Okay And was there some conversation
17 that you had with KKR prior to this e-mail
18 talking about your role in obtaining either
19 investment or debt or something else to finance
20 the transaction?
21 MR CURLEY Object to the form
22 And I object to the characterization --
23 MR BARON. (Unintelligible)
24 A Yeah, ask the question again.
25

<p style="text-align: right;">Page 277</p> <p>1 BY MR. BARON: 2 Q Is it fair to say that at sometime prior 3 to this e-mail, you had contact with somebody at 4 KKR about working on some presentations, 5 correct? 6 A I don't know what the time frame was, 7 but we were starting in the -- first of all, 8 what's the date that we announced the deal? 9 Q. I think it was March 15 or something 10 like that 11 A. March 15th Okay 12 MR RILEY Yeah, I think it was 13 the 10th or 12th 14 BY MR BARON 15 Q Okay 16 A. So, yes, it makes sense that after the 17 deal was closed, that there was some discussions 18 about putting some presentations together 19 Q. Okay And when did those conversations 20 start? 21 A I'm not quite sure when they started 22 They for sure started, you know, after the 23 announcement, and obviously sometime before 24 3/31. This is a deck that we obviously started 25 working out for one of the presentations</p>	<p style="text-align: right;">Page 278</p> <p>1 Q As of 3/31, did you have some inkling as 2 to whether David Perdue was going to stay, or 3 did you still not know? 4 A I don't know what that date was, the -- 5 I suspect it was clearly after the first 6 presentation that we looked at this morning that 7 went to the investors David was part of that 8 presentation And it was before the 9 presentation that we gave to the rating agency. 10 So somewhere in between that, I was just called 11 in one day, and I was asked if I would be 12 willing to be interim CEO 13 Q Now, if you take a look at the last 14 paragraph, do you know who Gail and Kathleen 15 are? 16 A I do 17 Q. Who is Gail? 18 A Gail is our head of real estate 19 Q Okay What's her last name? 20 A Aicher (phonetic) A -- Aicher 21 Q And who is Kathleen? 22 A Kathleen Guion She runs all our 23 Catalan store operations, and real estate 24 reports into her. 25 Q. Did you ever have a conversation with</p>
<p style="text-align: right;">Page 279</p> <p>1 anybody at KKR about taking over discussions of 2 real estate from Gail and Kathleen? 3 A No. 4 Q. Now, it says that you were on the phone 5 with Mike Calbert for an hour, talking about 6 Perdue around Cal, et cetera Do you remember 7 that? 8 A. You know, I had lot of discussions with 9 Mike Calbert, so I don't have a specific 10 recollection of this phone conversation 11 Q Okay. Do you remember telling him 12 that -- do you remember -- what do you remember 13 discussing about Perdue in conversations with 14 him? 15 A. Again, I don't know what we could have 16 been discussing We would have been discussing 17 presentations -- I just don't know what we would 18 have been -- talking about there 19 Q. Did you ever talk to David Perdue after 20 he was -- let me show you exhibit -- the next 21 exhibit 22 (WHEREUPON, A SOTTO VOCE DISCUSSION 23 WAS HELD, AND THE PROCEEDINGS 24 RESUMED AS FOLLOWS:) 25</p>	<p style="text-align: right;">Page 280</p> <p>1 (WHEREUPON, EXHIBIT NO 28 WAS 2 MARKED) 3 BY MR BARON. 4 Q Showing you an e-mail dated April 23 5 A Let me read it. 6 Q Okay Go ahead 7 A (Witness reviews document) 8 I have read it 9 Q. Do you have some recollection of when -- 10 the conversation you had when you were told that 11 they were not going to go forward together with 12 Mr Perdue? 13 A. The question again? 14 Q Do you recall the conversation you had 15 with Mike Calbert -- 16 A Yeah 17 Q -- when Mike told you that Perdue was 18 not going forward? 19 A Right Mike Calbert came into my office 20 and informed me that they had made that 21 decision. 22 Q Was that a surprise to you, or did you 23 have some inkling that was coming? 24 A You know, I'm not sure. I wasn't quite 25 sure what KKR was going to do. So I didn't have</p>

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1 a surprise or -- I didn't have a feeling either
 2 way
 3 Q Was a interim CEO position discussed at
 4 that time?
 5 A Yes.
 6 Q. So at the same time he told you he
 7 wasn't going forward, he asked you whether you
 8 wanted to be interim CEO?
 9 A Yes
 10 Q And you told him yes?
 11 A Yes
 12 Q Did you ever talk to Dave Perdue about
 13 him not being asked to continue on?
 14 A. Before?
 15 Q Afterwards, after Dave Perdue was told,
 16 A I think after David was informed that he
 17 wasn't coming -- becoming the CEO, he did come
 18 to me and said he was -- he thought it was the
 19 best thing for him And that's about -- it was
 20 a very brief discussion.
 21 MR. BARON: Let's take a quick
 22 break and see if there's anything else I want to
 23 do
 24 VIDEOGRAPHER. Going off the
 25 record. The time is 1648.

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1 (WHEREUPON, A SHORT BREAK WAS
 2 TAKEN, THE PROCEEDING RESUMED AS
 3 FOLLOWS.)
 4 VIDEOGRAPHER: Back on the record
 5 The time is 1656.
 6 MR. BARON I have no further
 7 questions
 8 MR. RILEY: Okay
 9 MR. CURLEY: No questions
 10 VIDEOGRAPHER: This concludes the
 11 deposition of Dave Bere, Volume 1. The Number
 12 of the tapes used is six. Going off the record
 13 The time is 1657
 14 (WHEREUPON, THE DEPOSITION WAS
 15 CONCLUDED AT APPROXIMATELY
 16 5 00 P. M. AND FURTHER DEPONENT
 17 SAITH NOT)
 18 (SIGNATURE NOT WAIVED)
 19
 20
 21
 22
 23
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 25

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AMENDMENT SHEET

1 I, the undersigned, DAVID BERE, do hereby
 2 certify that I have read the foregoing
 3 deposition and that, to the best of my
 4 knowledge, said deposition is true and accurate
 5 with the exception of the following corrections
 6 listed below:

PAGE	LINE	
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19 DATE _____ DAVID BERE
 20 Sworn to and Subscribed before me,
 21 this _____ day of _____, 2008
 22
 23 Notary Public
 24 My commission expires
 25

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COURT REPORTER'S CERTIFICATE

1 STATE OF TENNESSEE
 2 COUNTY OF DAVIDSON
 3 I, LEILA SIFKUS, Court Reporter and Notary
 4 Public, Davidson County, Tennessee, CERTIFY:
 5
 6 1. The foregoing deposition was taken before me
 7 at the time and place stated in the foregoing
 8 styled cause with the appearances as noted;
 9
 10 2. Being a Court Reporter, I then reported the
 11 deposition in Stenotype to the best of my skill
 12 and ability, and the foregoing pages contain a
 13 full, true and correct transcript of my said
 14 Stenotype notes then and there taken;
 15
 16 3. I am not in the employ of and am not related
 17 to any of the parties or their counsel, and I
 18 have no interest in the matter involved.
 19
 20 WITNESS MY SIGNATURE, this, the
 21 day of _____, 2008
 22
 23 LEILA SIFKUS
 24 Court Reporter
 25 And Notary Public
 for the State of
 Tennessee at Large***
 My commission expires
 August 3, 2008