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IN THE SIXTH CIRCUIT COURT
FOR DAVIDSON COUNTY, TENNESSEE
TWENTIETH JUDICIAL DISTRICT, AT NASHVILLE

In re DOLLAR GENERAL)
CORPORATION SHAREHOLDER)
LITIGATION)
_____)
)
)
This Document Relates To:)
) CASE NO.
) 07-C-736
ALL ACTIONS.)
)
)

CONFIDENTIAL
VIDEOTAPED DEPOSITION OF
DENNIS BOTTORFF
Taken on Behalf of the Plaintiffs
June 2, 2007

2	<p>1 APPEARANCES</p> <p>2 For the Plaintiffs</p> <p>3 DOUGLAS S. JOHNSTON, JR. GEORGE BARRETT Barrett, Johnston & Parsley 217 Second Avenue North Nashville, Tennessee 37201-1697 615 244 2202 djohnston@barrettjohnston.com</p> <p>7 For Dollar General and Defendants</p> <p>8 WILLIAM SAWYER Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 wwsaw@wlrk.com</p> <p>11 WALLACE W. DIETZ MATTHEW M. CURLEY Bess, Berry & Sims 315 Deadend Street, Suite 2700 Nashville, Tennessee 37203-3060 615 742 7790 wdietz@bessberry.com mcurley@bessberry.com</p> <p>16 SUSAN LANGGAN General Counsel of Dollar General 100 Mission Ridge Goodlettsville, Tennessee 37072-2171 615 855 5161</p> <p>20 For KDR</p> <p>21 THEODORE J. McEVROY Simpson, Tacher & Bartlett 425 Lexington Avenue New York, New York 10017 tmcevroj@stblaw.com</p>	4
3	<p>1 APPEARANCES (Continued):</p> <p>2 JAMES N. BOWEN Bowen, Riley, Warmock & Jacobson 1906 West End Avenue Nashville, Tennessee 37203 615.320.3700 jimbowen@bowenniley.com</p> <p>6 Also Present: Videographer</p>	5
2	<p style="text-align: center;">I N D E X</p> <p>WITNESS: DENNIS BOTTORFF</p> <p style="text-align: center;">INDEX OF EXAMINATIONS</p> <p style="text-align: right;">Page/Line</p> <p>By Mr. Johnston 7 8</p> <p style="text-align: center;">INDEX OF EXHIBITS</p> <p style="text-align: right;">Page/Line</p> <p>No. 1 96 9</p> <p>No. 2 102 15</p> <p>No. 3 111 22</p> <p>No. 4 112 15</p> <p>No. 5 120 11</p> <p>No. 6 121 6</p> <p>No. 7 125 24</p> <p>No. 8 133 19</p> <p>No. 9 139 1</p> <p>No. 10 143 20</p> <p>No. 11 156 4</p> <p>No. 12 158 1</p> <p>No. 13 161 22</p> <p>No. 14 163 15</p> <p>No. 15 165 4</p> <p>No. 16 169 19</p> <p>No. 17 172 9</p> <p>No. 18 172 20</p> <p>No. 19 184 18</p> <p>No. 20 186 6</p> <p>No. 21 190 6</p>	4
3	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	5

6	<p>1</p> <p>2 The videotaped deposition of</p> <p>3 DENNIS BOTTORFF, taken on behalf of the</p> <p>4 Plaintiffs, on the 2nd day of June, 2007, in the</p> <p>5 offices of Bass, Berry & Sims, 2300 AmSouth</p> <p>6 Center, 315 Deaderick Street, Nashville,</p> <p>7 Tennessee, for all purposes under the Tennessee</p> <p>8 Rules of Civil Procedure</p> <p>9 The formalities as to notice,</p> <p>10 caption, certificate, et cetera, are waived. All</p> <p>11 objections, except as to the form of the</p> <p>12 questions, are reserved to the hearing.</p> <p>13 It is agreed that Elisabeth A.</p> <p>14 Miller, being a Notary Public and Court Reporter</p> <p>15 for the State of Tennessee, may swear the witness,</p> <p>16 and that the reading and signing of the completed</p> <p>17 deposition by the witness are reserved</p> <p>18</p> <p>19</p> <p>20</p> <p>21 * * *</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	8
7	<p>1 PROCEEDINGS 08 05 57</p> <p>2 THE VIDEOGRAPHER: Today's date is 08 07 19</p> <p>3 2 June, 2007, and the time is 8 06 a.m. 08 07 20</p> <p>4 DENNIS BOTTORFF, 08 07 33</p> <p>5 was called as a witness, and after having been 08 07 35</p> <p>6 first duly sworn, testified as follows 08 07 35</p> <p>7 EXAMINATION 08 07 35</p> <p>8 BY MR. JOHNSTON 08 07 36</p> <p>9 Q Mr. Bottorff, my name is Doug Johnston. I 08 07 36</p> <p>10 represent the plaintiffs in this matter. I'm here 08:07 40</p> <p>11 today to ask you some questions. 08:07 41</p> <p>12 Let me first ask if you've given 08 07 43</p> <p>13 depositions before? 08 07 46</p> <p>14 A I have. 08 07 47</p> <p>15 Q I'm going to make an assumption that 08 07 47</p> <p>16 you've had an opportunity to speak with lawyers, 08 07 49</p> <p>17 you've had an opportunity to review documents. 08 07 52</p> <p>18 I'm also going to make an assumption here 08 07 54</p> <p>19 that whenever you attempt to answer a question 08 07 57</p> <p>20 that I've asked you, you have understood that 08 08 00</p> <p>21 question and you are attempting to answer it as 08 08 03</p> <p>22 fully and as truthfully as you know how, is that 08 08 06</p> <p>23 far so far? 08 08 12</p> <p>24 A Yeah. And if I don't understand it, I'll 08 08 14</p> <p>25 ask you to repeat it. 08 08 16</p>	9
8	<p>1 Q Exactly what I was going to get to next. 08 08 18</p> <p>2 If at some point you don't understand a question, 08 08 20</p> <p>3 just let me know, I'll attempt to put it in a form 08 08 22</p> <p>4 that you do understand, and make sure we're 08 08 24</p> <p>5 together. 08 08 26</p> <p>6 Occasionally as we go through, I may ask 08 08 27</p> <p>7 you to clarify something that you've said before, 08 08 30</p> <p>8 I may state back to you what I think your 08 08 35</p> <p>9 testimony has been. Let me state up-front that 08 08 37</p> <p>10 I'm not attempting to put words in your mouth. 08 08 40</p> <p>11 What I'm attempting to do is to make sure that you 08:08 43</p> <p>12 and I are understanding what's being said. And if 08 08 45</p> <p>13 I misstate anything, please feel free to correct. 08 08 48</p> <p>14 that at any time. 08 08 51</p> <p>15 Occasionally you may hear counsel make 08:08 55</p> <p>16 objections to the form of the question. Those 08 08 59</p> <p>17 objections do not in any way change your 08 09 02</p> <p>18 responsibility to answer the question as 08 09 07</p> <p>19 truthfully and as straightforwardly as you know. 08 09 10</p> <p>20 how. 08 09 13</p> <p>21 Those objections are reserved for later. 08 09 14</p> <p>22 on. If I think that they're legitimate, I may try 08 09 17</p> <p>23 to change the form of my question to correct it, 08 09 23</p> <p>24 but that doesn't change your responsibility. 08 09 25</p> <p>25 Let me -- let me start by asking you if 08 09 33</p>	9
9	<p>1 you've had an opportunity to review any documents 08 09 35</p> <p>2 in preparation for your deposition today? 08 09 38</p> <p>3 A Yes. 08 09 40</p> <p>4 Q What documents have you reviewed? 08 09 41</p> <p>5 MR. SAVITT: Objection. One second. 08 09 46</p> <p>6 THE WITNESS: I can't remember all 08 09 55</p> <p>7 the documents, you know. 08 09 55</p> <p>8 BY MR. JOHNSTON 08 09 56</p> <p>9 Q Have you reviewed various board minutes or 08 09 57</p> <p>10 committee minutes? 08 10 01</p> <p>11 A Yes. 08 10 03</p> <p>12 Q Have you reviewed the minutes of the 08 10 03</p> <p>13 Direct General [sic] board committee -- board of 08 10 14</p> <p>14 directors' minutes? 08 10 17</p> <p>15 MR. SAVITT: Objection. 08 10 19</p> <p>16 THE WITNESS: Could you be more 08 10 25</p> <p>17 specific? 08 10 26</p> <p>18 MR. SAVITT: Yeah, I'm going to 08 10 27</p> <p>19 object to the question. I'm going to instruct the 08 10 28</p> <p>20 witness not to answer the question to the extent 08 10 30</p> <p>21 that it is indicative of communications with 08 10 31</p> <p>22 counsel. 08 10 34</p> <p>23 BY MR. JOHNSTON 08 10 36</p> <p>24 Q. Well, in the first place, Mr. Bottorff, 08 10 36</p> <p>25 let's understand that there isn't any lawyer in 08:10 38</p>	9

3 (Pages 6 to 9)

10		12		
1	this room that has the authority to instruct you	08 10 40	1 THE WITNESS I'm not going to	08 13 19
2	not to answer a question. Occasionally if there	08 10 44	2 rave -- waive my right to privilege	08 13 21
3	is a genuine privilege issue, they may advise you	08 10 47	3 BY MR. JOHNSTON	08 13 22
4	that there is a privilege issue and request that	08 10 51	4 Q I understand that. That wasn't my	08 13 22
5	you honor that privilege. But I don't think	08 10 53	5 question	08 13 24
6	anybody here has the right to instruct you to do	08 10 58	6 A. That's my answer. Now, why don't you get	08 13 24
7	anything	08 11 01	7 on with it.	08 13 27
8	MR. SAVITT: That's not a question	08 11 03	8 Q. I am getting on, and I'm going to take	08 13 27
9	It's -- to the extent it's legal advice directed	08 11 04	9 this step-by-step.	08 13 29
10	to the witness, I would suggest that the witness	08 11 06	10 A. Okay.	08 13 31
11	disregard it	08 11 09	11 Q. And let me make -- just make sure that we	08 13 31
12	BY MR. JOHNSTON	08 11 10	12 understand too that we are not in any way, shape,	08 13 33
13	Q. So let's go back. So you say that you	08 11 11	13 or form suggesting that because you may have to	08 13 36
14	have reviewed some of the Direct General [sic]	08 11 13	14 leave at a later time that we are going to	08 13 39
15	board minutes?	08 11 15	15 complete this deposition today, especially the way	08 13 41
16	A. I'm not going to waive the right to	08 11 18	16 this is starting out.	08 13 44
17	privilege, so go ahead	08 11 20	17 So if we have to come back, we'll come	08 13 49
18	Q. Are -- are you saying that you're not	08 11 22	18 back. If we have to do it later on today, we'll	08 13 52
19	going to tell me what you have reviewed to prepare	08 11 24	19 do it later on today, but we're going to get	08 13 54
20	for this deposition?	08 11 26	20 through the deposition one way or the other	08 13 56
21	A. No, I've answered his question	08 11 42	21 And I'm going to be entitled -- I'm going	08 13 58
22	MR. SAVITT: Hang on for a second	08 11 46	22 to ask the question until I get an answer, and I	08 14 00
23	BY MR. JOHNSTON,	08 11 52	23 haven't gotten an answer about your understanding	08 14 03
24	Q. I'm sorry. I didn't understand what the	08 11 52	24 and belief	08 14 05
25	answer was.	08 11 53	25 Do you have an understanding and belief as	08 14 06
11		13		
1	A. I am not going to waive the right to	08 11 54	1 to -- as to whether or not your review of	08 14 07
2	privilege	08 11 55	2 documents is in some way privileged?	08 14 10
3	Q. And so your -- it's your understanding and	08 11 57	3 A. I'm not a lawyer	08 14 14
4	belief --	08 12 00	4 Q. I didn't ask you --	08 14 17
5	MR. SAVITT: Hang on a second.	08 12 02	5 A. I'm not going to waive the right to	08 14 19
6	I'm sorry. Go ahead	08 12 19	6 privilege.	08 14 21
7	BY MR. JOHNSTON	08 12 20	7 Q. Okay. So is it your understanding and	08 14 21
8	Q. Is it your understanding and belief that	08 12 20	8 belief that your review of documents is in some	08 14 22
9	what you reviewed to prepare yourself for this	08 12 24	9 way privileged?	08 14 25
10	deposition is in some way privileged?	08 12 27	10 MR. SAVITT: You can answer the	08 14 31
11	MR. SAVITT: Objection. It's calling	08 12 30	11 question	08 14 32
12	on the witness to render a legal opinion	08 12 32	12 THE WITNESS: Yes	08 14 32
13	You can answer	08 12 38	13 BY MR. JOHNSTON	08 14 33
14	THE WITNESS: I'm not going to waive	08 12 39	14 Q. Thank you	08 14 33
15	the right to privilege	08 12 40	15 Have you had any discussions with anyone	08 14 42
16	BY MR. JOHNSTON	08 12 42	16 other than your lawyers regarding your deposition	08 14 43
17	Q. I understand that, and that wasn't my	08 12 42	17 today?	08 14 48
18	question at all. My question is --	08 12 44	18 A. Yes	08 14 50
19	A. That's my answer to your question	08 12 47	19 Q. Who have you had discussions with other	08 14 51
20	Q. Okay. And let me go back then	08 12 48	20 than your lawyers?	08 14 52
21	Is it your understanding that what you	08 12 56	21 A. Well, my wife wanted to know what I was	08 15 00
22	reviewed to prepare for your deposition is in some	08 13 02	22 doing on Saturday morning, people at Starbucks	08 15 02
23	way privileged? Is that your understanding and	08 13 04	23 just asked me why I was dressed in a tee, those	08 15 08
24	belief?	08 13 06	24 kind of casual conversations	08 15 14
25	MR. SAVITT: Objection.	08 13 09	25 Q. Okay. You have not had any discussions	08 15 16

14	<p>1 with any other board members, for example, 08 15 17</p> <p>2 regarding your deposition today? 08 15 20</p> <p>3 A I don't recall. It would have been 08 15 34</p> <p>4 casual. I don't recall. 08 15 36</p> <p>5 Q Just the fact that you were going to give 08 15:37</p> <p>6 it and -- 08 15 39</p> <p>7 A Correct. 08 15 40</p> <p>8 Q But nothing about what might be discussed? 08 15 40</p> <p>9 A No. 08 15 44</p> <p>10 Q What your answers might be? 08 15 45</p> <p>11 A No. 08 15 46</p> <p>12 Q Anything like that? 08 15:46</p> <p>13 A No. 08 15 47</p> <p>14 Q Have you had any discussions with anyone 08 15 50</p> <p>15 associated with Lazard or Lehman Brothers? 08 15 55</p> <p>16 A About? 08 16:02</p> <p>17 Q Your deposition this morning 08 16 03</p> <p>18 A No. 08:16:04</p> <p>19 Q Let me turn your attention to 08 16 18</p> <p>20 Project Alpha. What I'd like for you to do is 08 16 20</p> <p>21 just give us a brief summary of Project Alpha, and 08 16 25</p> <p>22 then I'm going to ask you some specific questions. 08 16 32</p> <p>23 about that. 08 16 35</p> <p>24 Can you just sort of tell us what 08 16 37</p> <p>25 Project Alpha was or is? 08 16 39</p>	16
15	<p>1 A Project Alpha represented a major 08 16:43</p> <p>2 restructuring of the company's -- of the company 08 16 46</p> <p>3 Q In what way? 08 16:51</p> <p>4 A Dollar General had basically been growing 08 16 56</p> <p>5 very rapidly for a number of years and in many 08 17 00</p> <p>6 ways had outgrown its infrastructure to support 08 17 04</p> <p>7 its level of growth or its size. Project Alpha 08 17 08</p> <p>8 represented some changes to try to catch the 08 17 11</p> <p>9 infrastructure up to its present size of 08 17:13</p> <p>10 operation. 08 17 18</p> <p>11 Q What were those changes? 08 17 18</p> <p>12 A There were several. One was changing the 08 17 20</p> <p>13 nature of -- of the way they handled inventory 08 17 25</p> <p>14 Dollar General had followed a pack-away strategy 08 17 31</p> <p>15 for inventory management. It was moving away from 08 17 33</p> <p>16 that strategy. 08:17:36</p> <p>17 It was a major change in its real estate 08 17 38</p> <p>18 positioning. Dollar General had been opening 7-, 08 17 41</p> <p>19 800 stores a year for a number of years, so they 08 17 44</p> <p>20 were going to relook at -- at -- at -- relook at 08 17 47</p> <p>21 its whole real estate positioning, weed some of 08 17 49</p> <p>22 the less performing stores, and refocus on -- on a 08 17:54</p> <p>23 proper real estate strategy. 08 18 01</p> <p>24 Q Anything else? Any other changes? 08 18 06</p> <p>25 A Those are the two major ones. 08 18 12</p>	17
	<p>1 Q Any minor ones? 08 18 14</p> <p>2 A. Well, it -- well, it was a comprehensive 08:18:15</p> <p>3 program, so, yeah, there was a lot -- when you 08 18 19</p> <p>4 talk about merchandising and real estate, it 08 18 21</p> <p>5 impacts the company in many, many ways. It was 08 18 23</p> <p>6 really focused, though, towards trying to -- 08 18 26</p> <p>7 trying to better serve the customer. 08 18 28</p> <p>8 Q What was the -- the genesis of 08 18 34</p> <p>9 Project Alpha? 08 18 36</p> <p>10 A. The company had -- the -- the company had 08:18:40</p> <p>11 misplanned for basically two years and was having 08 18 44</p> <p>12 difficulty putting together an annual plan that 08 18 51</p> <p>13 they could perform on. Some of the challenges 08 18 55</p> <p>14 associated with doing that were issues associated 08 18 58</p> <p>15 with real estate, issues associated with -- with 08 19:01</p> <p>16 the real estate positioning. 08 19 04</p> <p>17 So -- so, you know, the -- in a massive 08 19 08</p> <p>18 retail chain like this, you have to be able to 08 19 14</p> <p>19 execute consistently. And if you went into the 08 19 17</p> <p>20 stores, one store may look really great, and the 08 19 23</p> <p>21 next store may look bad, may have inventory 08 19 26</p> <p>22 stacked in the aisles, may be not fresh inventory, 08 19 30</p> <p>23 et cetera. 08 19 33</p> <p>24 So the company really wasn't in a 08 19 34</p> <p>25 position -- you know, it was a high growth 08 19 36</p>	
	<p>1 company, and it didn't have the foundation to 08 19 40</p> <p>2 really continue that growth. It needed to rebuild 08:19:42</p> <p>3 that foundation. 08 19 44</p> <p>4 Q. Okay. Was this something that was 08 19 45</p> <p>5 originally generated by the board or a specific 08 19 50</p> <p>6 board member? Did it -- did it bubble up from the 08 19 54</p> <p>7 company itself? How did it come about? 08 19 57</p> <p>8 A. I would say it was a dynamic process 08 20 03</p> <p>9 between the board and -- and senior management. 08 20 05</p> <p>10 When -- when -- when you have a plan and you don't 08 20 11</p> <p>11 hit plan and that -- that continues for a while, 08 20 13</p> <p>12 you're getting a lot of questions from the board. 08 20:15</p> <p>13 And those questions helped to sort of stimulate. 08:20:19</p> <p>14 So it was a dynamic process going on that 08 20 23</p> <p>15 caused Alpha to be -- to be presented as a -- as a 08 20 26</p> <p>16 strategic option for the company. 08 20 30</p> <p>17 Q. When was a -- something that could be 08 20 34</p> <p>18 viewed as the -- as Project Alpha, when was that 08:20:41</p> <p>19 first presented to the board? 08 20:46</p> <p>20 A. The first formal presentation occurred at 08:20:48</p> <p>21 the strategic planning meeting in the summer 08:20:50</p> <p>22 of '06. 08 20 56</p> <p>23 Q I'm sorry, did you say a strategic 08 21 05</p> <p>24 planning committee meeting? 08 21 07</p> <p>25 A. No, strategic planning meeting. 08 21 08</p>	

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18			20		
1	Q	Meeting? 08 21 10	1	A	Yes. 08 23 35
2	A	Of the board of directors 08 21 11	2	Q	Tell me what aspects of Project Alpha the 08 23 35
3	Q	I see 08 21 14	3		finance committee was looking at. 08 23 38
4	A	There was no strategic planning committee 08 21 14	4	A	Now, later I got involved with audit. 08 23 41
5		in the summer of '06. 08 21 15	5		and -- and compensation, so I'm a little 08 23 46
6	Q	Okay Obviously, then, if it was 08 21 17	6		blurred -- 08 23 50
7		presented to the board during the summer of '06, 08 21 28	7	Q	Understand 08 23 51
8		there had been a substantial period of time where 08 21 31	8	A	-- as to what happened in which one at 08 23 52
9		that -- that plan had been worked up by members of 08 21 34	9		what time, so it would be -- I can't say finance 08 23 55
10		management involved in its project -- in the 08 21 39	10		did this and audit did that because I don't 08 23 58
11		project, would that be fair? 08 21 41	11		remember which committee I was doing 08 24 00
12	A	That -- I would assume that, yeah A lot 08 21 43	12		So at this time, I was involved in finance 08 24 01
13		of work had gone into what we saw 08 21 46	13		and governance, but later I got involved in audit 08 24 03
14	Q	Do you have any idea how long a period of 08 21 48	14		and compensation So I don't remember which one 08 24 07
15		time that project had been -- 08 21 50	15		happened when 08 24 09
16	A	Underway? No 08 21 53	16	Q	Okay Do you remember any of the aspects 08 24 10
17	Q	Okay From that first introduction to the 08 21 56	17		that any of the committees that you were on at the 08 24 13
18		board of Project Alpha in the summer of '06 until 08 22 04	18		time were looking at specifically regarding 08 24 16
19		the end of '06, kind of take us through and 08 22 10	19		Project Alpha? 08 24 19
20		describe what the board did, any changes to 08 22 13	20	A	Yes 08 24 20
21		Project Alpha, and whether or not it was 08 22 17	21	Q	What were those? 08 24 22
22		ultimately implemented 08 22 20	22		MR SAVITT I just -- when you say 08 24 23
23	A	It would be difficult for me to describe 08 22 29	23		at the time, is there a time frame? Are we still 08 24 24
24		all of the things that were going on because this 08 22 31	24		in the summer -- 08 24 27
25		was a very pervasive process You had multiple 08 22 32	25		MR JOHNSTON Same time frame I 08 24 28
19			21		
1		committees of the board looking at different 08 22 39	1		haven't changed it 08 24:30
2		aspects of this 08 22 40	2		THE WITNESS Well, let me then go 08 24 31
3		But basically the board was -- was very 08 22 41	3		back What I assume your question is is if I was 08 24 32
4		engaged in analyzing really the risk and 08 22 44	4		on a committee, do I remember being -- what that 08 24 34
5		opportunities associated with Alpha And -- and 08 22 49	5		committee was involved -- not what that 08 24 38
6		it was occurring in multiple committees and at the 08 22 54	6		committee -- but what were some of the things that 08 24 41
7		board level with it, so I can't describe all of 08 22 57	7		I was involved in 08 24 43
8		the things I can just say this was a very 08 22 58	8		BY MR JOHNSTON 08 24 44
9		dynamic, intensive process that was going on 08 23 01	9	Q	Correct 08 24 45
10	Q	What were the committees that you sat on 08 23 06	10	A	Whether it occurred in audit or whether it 08 24 45
11		in the summer of '06 -- let me just -- did you sit 08 23 09	11		occurred in finance Is that the question? 08 24 47
12		on finance? 08 23 15	12	Q	Yes, it is 08 24 49
13	A	Yeah, right 08 23 16	13	A	And you're not saying to me, and that 08 24 50
14	Q	Did you sit on compensation? 08 23 17	14		occurred on August 14, 19-, whatever, you're just 08 24 51
15	A	No 08 23 18	15		saying, what do you remember about your 08 24 55
16	Q	Did you sit on the audit committee? 08 23 19	16		involvement? Is that your question? 08 24 57
17	A	No 08 23 22	17	Q	That's exactly my question 08 24 59
18	Q	Was there -- 08 23 23	18	A	Okay The -- I remember a lot of analysis 08 25 03
19	A	Governance 08 23 25	19		about the pack-away strategy Pack-away was 08 25 04
20	Q	I'm sorry? 08 23 26	20		supposed to create fresh inventory in the stores. 08 25 10
21	A	Governance 08 23 26	21		from a customer perspective And a result of 08 25 16
22	Q	Governance? 08 23 28	22		pack-away was supposed to increase the margin. 08 25 20
23		Was the finance committee involved in 08 23 29	23		I remember a lot of analysis and 08 25 26
24		looking at some aspect or aspects of 08 23 31	24		discussion about there was also risk that 08 25 28
25		Project Alpha? 08 23 33	25		pack-away could cause the margin to decline, not 08 25 32

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22	<p>1 just go up 08 25 35</p> <p>2 I remember it -- a lot of discussion about 08 25 41</p> <p>3 the real estate strategy. The -- there was -- 08 25 42</p> <p>4 there was the -- there was a question in -- there 08 25 47</p> <p>5 was a good bit of debate about, if you're going to 08 25 54</p> <p>6 slow your store growth, should you take it all the 08 25 57</p> <p>7 way to zero? Should you get your real estate 08 26 00</p> <p>8 strategy honed before you try to put the pedal to 08 26 03</p> <p>9 the metal and grow new stores? 08 26 06</p> <p>10 I remember a lot of analysis as it related 08 26 11</p> <p>11 to broad geographic -- back to the real estate 08 26 13</p> <p>12 strategy, broad geographic coverage. And do you 08 26 19</p> <p>13 need to have the same merchandise in stores in 08 26 24</p> <p>14 Texas that you have in Middle Tennessee? 08 26 26</p> <p>15 So a lot of complex -- this is -- this is 08 26 30</p> <p>16 not a simple -- a real estate -- so I remember a 08 26 33</p> <p>17 lot of discussion really honing into the aspects 08 26 37</p> <p>18 of trying to understand the complexities, the 08 26 40</p> <p>19 opportunities and so -- so -- but numerous, 08 26 44</p> <p>20 numerous kinds of things 08 26 49</p> <p>21 Q. I -- I may have misunderstood what you 08 26 51</p> <p>22 were telling me about pack-away in that last 08 26 54</p> <p>23 answer. I thought that you had indicated earlier 08 26 57</p> <p>24 that the pack-away strategy was the old strategy 08 26 59</p> <p>25 that you were doing away with with Project Alpha 08 27 04</p>
23	<p>1 A. Yeah, did I not say that? Yeah, it was 08 27 08</p> <p>2 being eliminated. Pack-away was being eliminated 08 27 11</p> <p>3 Q. Okay. And just for the record, tell us 08 27 15</p> <p>4 what pack-away is or was 08 27 16</p> <p>5 A. It's very descriptive. It is -- it is, 08 27 19</p> <p>6 you buy a good, and the good doesn't sell, you 08 27 21</p> <p>7 pack it away, and you bring it back out next time 08 27 24</p> <p>8 and sell it then 08 27 29</p> <p>9 Q. Okay. As opposed to what was supposed to 08 27 29</p> <p>10 take its place? 08 27 35</p> <p>11 A. Discount the merchandise until it sells. 08 27 37</p> <p>12 You never put it back. You discount, you sell it 08 27 42</p> <p>13 Q. Okay. Now, at some point in 2006, did the 08 27 52</p> <p>14 board make a decision to proceed with 08 28 03</p> <p>15 Project Alpha? 08 28 04</p> <p>16 A. Yes 08 28 06</p> <p>17 Q. You had mentioned just a moment ago that 08 28 10</p> <p>18 there was a substantial amount of discussion 08 28 12</p> <p>19 regarding -- 08 28 13</p> <p>20 A. But wait, I don't remember the date. But 08 28 14</p> <p>21 whether we did it, it was -- yeah, it was -- I 08 28 18</p> <p>22 think it was late 2- -- I would have to -- 08 28 21</p> <p>23 Q. That's fine, and let me just say to you -- 08 28 23</p> <p>24 A. At some time the board approved pack -- 08 28 27</p> <p>25 approved moving forward with Alpha, and I think it 08 28 29</p>
24	<p>1 was late 2006 08 28 31</p> <p>2 Q. Right. And let me -- let me just say to 08 28 32</p> <p>3 you that -- that to the extent that dates are of 08 28 33</p> <p>4 any real importance -- usually they're not -- 08 28 36</p> <p>5 we'll be looking at documents that have dates on 08 28 39</p> <p>6 them, and I'm sure that will refresh your 08 28 42</p> <p>7 recollection. They're in the record and, you 08 28 43</p> <p>8 know, that's -- 08 28 45</p> <p>9 A. Yeah 08 28 47</p> <p>10 Q. Whether you remember or not is not really 08 28 47</p> <p>11 very key, so don't worry -- don't be worried about 08 28 49</p> <p>12 that. I'm not 08 28 53</p> <p>13 A. Okay 08 28 54</p> <p>14 Q. Okay. I'm sorry. I got a little bit off 08 29 04</p> <p>15 track with that 08 29 07</p> <p>16 I was asking you about when the board 08 29 08</p> <p>17 implemented, and -- and you had indicated in an 08 29 10</p> <p>18 earlier response that there was a lot of 08 29 13</p> <p>19 discussion about some of the risks inherent in 08 29 16</p> <p>20 this plan, in Project Alpha 08 29 20</p> <p>21 Can you tell us what some of the risks 08 29 23</p> <p>22 were that the board felt were important enough to 08 29 25</p> <p>23 discuss? 08 29 29</p> <p>24 A. The -- let me be specific, and let me be 08 29 31</p> <p>25 general. Let me give you a specific risk 08 29 37</p>
25	<p>1 associated with the elimination of pack-away 08 29 40</p> <p>2 In -- in the pack-away strategy for 08 29 50</p> <p>3 merchandising, you really don't take discounts, so 08 29 51</p> <p>4 your margin isn't nearly as at risk as it is under 08 30 00</p> <p>5 the elimination and where you've got to go on and 08 30 04</p> <p>6 move that good out 08 30 07</p> <p>7 Does that make sense? 08 30 11</p> <p>8 Q. Sure 08 30 13</p> <p>9 A. Okay. So the company had run for years 08 30 13</p> <p>10 under a pack-away merchandising strategy, and now 08 30 20</p> <p>11 you're moving to a whole new model. The whole 08 30 24</p> <p>12 merchandising team has to buy differently to be 08 30 28</p> <p>13 able to effectively implement. They have to buy 08 30 35</p> <p>14 goods that are going to move within a certain 08 30 38</p> <p>15 period of time, or they have to take discounts on 08 30 39</p> <p>16 those goods, therefore, your margin is challenged 08 30 42</p> <p>17 Q. Okay. Any other risks that you can think 08 30 47</p> <p>18 of? 08 30 49</p> <p>19 A. Well, generally -- I was going -- this was 08 30 50</p> <p>20 a -- Alpha touched virtually every part of the 08 30 53</p> <p>21 company, so enormous execution challenges given 08 30 59</p> <p>22 the pervasiveness of Alpha, and that's a risk. 08 31 08</p> <p>23 Q. Sure. And -- and was the fact that the 08 31 14</p> <p>24 company, as you had -- have already testified here 08 31 17</p> <p>25 this morning, they had missed the plan for the two 08 31 20</p>

26	<p>1 previous years. Was that a factor in the concern 08 31 23</p> <p>2 of the board in whether or not Project Alpha could 08 31 27</p> <p>3 be executed? 08 31 32</p> <p>4 A Yes 08 31 36</p> <p>5 Q Now, was there a -- a timeline of some 08 31 48</p> <p>6 kind once Project Alpha was to be implemented? 08 31 57</p> <p>7 A Yes 08 32 01</p> <p>8 Q Generally do you recall what that was? 08 32 02</p> <p>9 A The -- well, the real part -- the -- the 08 32 06</p> <p>10 results of -- really started to show through 08 32 11</p> <p>11 in '09. And in between now and '09, you had a 08 32 15</p> <p>12 degradation of performance of the company 08 32 22</p> <p>13 Q And that was because of the change to 08 32 26</p> <p>14 margin and the implementation costs, things like 08 32 30</p> <p>15 that? 08 32 34</p> <p>16 A The -- you want to take big discounts on 08 32 42</p> <p>17 existing inventory to move out a lot of pack-away 08 32 45</p> <p>18 inventory. Those discounts would -- would impact 08 32 50</p> <p>19 the margin. You were going to slow to eliminate, 08 32 53</p> <p>20 really, store growth, so slowing growth or 08 32 55</p> <p>21 eliminating growth impacts -- impacts earnings as 08 33 01</p> <p>22 well 08 33 05</p> <p>23 You had store closures and -- and the 08 33 09</p> <p>24 elimination and the cost associated with store 08 33 15</p> <p>25 closures. Those were some of the major ones 08 33 20</p>
27	<p>1 Q In some of the documents that I've seen, 08 33 23</p> <p>2 there's reference to what's called real estate 08 33 25</p> <p>3 discipline, specifically as to -- I think it was 08 33 27</p> <p>4 really making reference to lack of discipline in 08 33 34</p> <p>5 the past and more discipline with the 08 33 37</p> <p>6 implementation of Project Alpha 08 33 39</p> <p>7 Do you -- do you know what I'm talking 08 33 42</p> <p>8 about when I mention the term real estate 08 33 43</p> <p>9 discipline? 08 33 48</p> <p>10 A I don't know what you're talking about 08 33 52</p> <p>11 because I don't know what you're thinking about, 08 33 54</p> <p>12 but there -- in any store location process, 08 33 58</p> <p>13 there's a lot of sophistication that's brought to 08 34 03</p> <p>14 that if anybody does it well 08 34 08</p> <p>15 Dollar General had -- did not have that 08 34 13</p> <p>16 sophistication in the method it was using to 08 34 16</p> <p>17 locate stores, like really understanding the 08 34 19</p> <p>18 market geographies around that store, like 08 34 25</p> <p>19 understanding the cannibalization that might occur 08 34 29</p> <p>20 of another store when you open this store up 08 34 33</p> <p>21 So what -- what it was doing was bringing 08 34 36</p> <p>22 more intense analysis to the marketplace to try to 08 34 39</p> <p>23 under -- to try to have a more sophisticated store 08 34 45</p> <p>24 opening program as opposed to somebody saying, 08 34 48</p> <p>25 well, our stores have always done well if they 08 34 50</p>
28	<p>1 were, you know, on the southeast corner of 08 34 53</p> <p>2 whatever block of the -- you know, whatever 08 34 54</p> <p>3 Q Okay. Getting back to the -- to the 08 35 00</p> <p>4 timeline, I understand the -- the -- that longer 08 35 02</p> <p>5 term that you were mentioning earlier. But in 08 35 06</p> <p>6 terms of rollout of the project, was there a 08 35 12</p> <p>7 specific timeline? Was it going to be rolled out 08 35 15</p> <p>8 geographically beginning in the southeast, for 08 35 18</p> <p>9 example, and spreading outward, or how was it 08 35 21</p> <p>10 supposed to happen? 08 35 24</p> <p>11 A I -- I don't remember the details. I 08 35 25</p> <p>12 remember the board request was called a plan of 08 35 28</p> <p>13 implementation. That means, what are the 08 35 31</p> <p>14 initiatives? What's -- what's the -- the 08 35 33</p> <p>15 deliverables from those initiatives? When are 08 35 36</p> <p>16 those deliverables going to occur? Who's 08 35 41</p> <p>17 responsible and accountable for those things 08 35 44</p> <p>18 happening? 08 35 46</p> <p>19 So the board was pushing management to not 08 35 47</p> <p>20 just talk about this in a broad aggregate sense 08 35 49</p> <p>21 but to have a detailed plan of implementation. 08 35 53</p> <p>22 We saw in some of this that that -- that 08 35 55</p> <p>23 there -- that the company had prepared those kinds 08 35 57</p> <p>24 of things 08 36 00</p> <p>25 Q Let me just ask you to assume with me for 08 36 03</p>
29	<p>1 a moment that the board determined in late 2006 to 08 36 05</p> <p>2 proceed with Project Alpha. Was there -- 08 36 10</p> <p>3 A Why are you assuming? Just because of -- 08 36 18</p> <p>4 Q I'm just asking you to assume with me for 08 36 21</p> <p>5 the purposes of the next question or two. Just 08 36 24</p> <p>6 assume with me that that did happen 08 36 26</p> <p>7 Do you recall whether or not -- 08 36 29</p> <p>8 A No, it did happen 08 36 30</p> <p>9 Q Okay. It happened. We're together 08 36 32</p> <p>10 Do you recall whether or not there were -- 08 36 39</p> <p>11 there was any either positive or negative news 08 36 44</p> <p>12 within the first, say, 60 days following the 08 36 48</p> <p>13 implementation of Project Alpha? 08 36 51</p> <p>14 MR. SAVITT: I'll object to the form 08 36 58</p> <p>15 of the question 08 36 59</p> <p>16 THE WITNESS: You can't isolate 08 37 03</p> <p>17 That's my -- you can't -- you can't isolate -- 08 37 04</p> <p>18 BY MR. JOHNSTON 08 37 08</p> <p>19 Q I am being -- I agree, and I'm being -- 08 37 08</p> <p>20 A That's very speculative to say that this 08 37 11</p> <p>21 happens and this happens and -- you know, this is 08 37 13</p> <p>22 a dynamic world with a lot of input. You can't 08 37 15</p> <p>23 speculate that. 08 37 17</p> <p>24 Q I'm not asking you to speculate. I'm 08 37 21</p> <p>25 certainly not -- definitely not asking you to 08 37 23</p>

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30	<p>1 speculate And I realize that my time period is 08 37.24</p> <p>2 arbitrary to the question 08 37 30</p> <p>3 A Yeah 08 37 31</p> <p>4 Q. I'm just -- I'm just trying to find out -- 08 37 32</p> <p>5 the board met, for example, in January By the 08 37 39</p> <p>6 January meeting, was there some positive feedback 08 37 45</p> <p>7 that you were getting from management regarding 08 37 50</p> <p>8 implementation of Project Alpha? 08 37 52</p> <p>9 MR. SAVITT Objection 08.37 58</p> <p>10 You can answer 08 38 00</p> <p>11 THE WITNESS Ask me again 08 38 11</p> <p>12 BY MR. JOHNSTON 08 38 12</p> <p>13 Q Sure. By the time the board met in 08 38 12</p> <p>14 January of '07, was there -- I'll change it a 08 38 14</p> <p>15 little bit -- was there either positive or 08 38 18</p> <p>16 negative feedback that the board had gotten from 08 38 20</p> <p>17 management regarding the implementation of 08 38 22</p> <p>18 Project Alpha? 08 38 26</p> <p>19 A So you want to know, what did management 08 38 27</p> <p>20 tell us how Alpha was going? 08 38 29</p> <p>21 Q Yes 08 38 31</p> <p>22 A What I remember is they said it was on 08 38 47</p> <p>23 schedule 08 38 49</p> <p>24 Q. Okay As we sit here today, what 08 38 49</p> <p>25 information do you have as to whether or not the 08 38 57</p>
31	<p>1 implementation has been overall positive or 08 38 59</p> <p>2 negative to date? 08 39 02</p> <p>3 A. I really haven't had any current update on 08 39 07</p> <p>4 how Alpha is going. 08 39 10</p> <p>5 Q Okay So at -- at this point, then, 08 39 14</p> <p>6 you're -- you're not prepared to say whether it's 08 39 16</p> <p>7 a net plus or a net negative on the company? 08 39.22</p> <p>8 A. I -- I'm not current. You know, a lot of 08 39 27</p> <p>9 moving parts I'm not current on how those moving 08 39 30</p> <p>10 parts are moving 08 39.34</p> <p>11 Q I understand 08 39 35</p> <p>12 In the development of Project Alpha, did 08:39 43</p> <p>13 the -- the company hire any consultants? 08 39 45</p> <p>14 A Yes 08 39:52</p> <p>15 Q Who -- who did they hire? 08 39 53</p> <p>16 A Well, when you say the company, you're -- 08 39 56</p> <p>17 you are the board Who do you want to -- do you 08 40 02</p> <p>18 want to know if the company hired consultants or 08 40.04</p> <p>19 the board hired consultants? 08 40.07</p> <p>20 Q Good point, and I -- that's -- I 08 40 09</p> <p>21 appreciate that Let's start with the board 08 40 11</p> <p>22 A Because I don't know what the company 08 40 13</p> <p>23 hired The -- the board -- the board was advised 08 40 15</p> <p>24 by a couple of different parties One was our 08 40 25</p> <p>25 accountants, and the accountants were giving 08 40 31</p>
32	<p>1 advice to the board about -- to the audit 08 40 35</p> <p>2 committee part of the board about -- about, were 08 40 38</p> <p>3 all these things appropriate Accounting 08 40 42</p> <p>4 treatment of this stuff is very complex 08 40 48</p> <p>5 And the board hired an investment banking 08 40 50</p> <p>6 firm, Lazard, to help us do due diligence on the 08 40 55</p> <p>7 assumptions that were within -- within the plan 08 40 59</p> <p>8 Q On -- on the plan for Project Alpha? 08 41 11</p> <p>9 A Correct. 08 41 14</p> <p>10 Q When was Lazard hired to perform that 08 41 18</p> <p>11 function? 08 41 20</p> <p>12 A I don't remember the date 08 41 21</p> <p>13 Q Would it have been in 2006 or before? 08 41.22</p> <p>14 A I don't remember the date It was in 08 41 25</p> <p>15 the -- well, yeah, it would have been -- it 08 41 26</p> <p>16 would -- it would have been in 2006, yeah 08 41 31</p> <p>17 Q After the Project Alpha was first 08 41 33</p> <p>18 presented in -- to the board as you testified 08 41 36</p> <p>19 earlier in the summer of 2005? 08 41 39</p> <p>20 A Yeah Actually, it was sometime in 08 41 41</p> <p>21 October after -- yeah, it was -- it was October 08 41 45</p> <p>22 and November, in that time period, yeah 08 41 47</p> <p>23 Q Okay And Lazard was specifically brought 08 41 50</p> <p>24 onboard to assist in, as you said, performing due 08 41 52</p> <p>25 diligence on the assumptions that had been made 08.41:58</p>
33	<p>1 in -- in preparing Project Alpha? 08 42 02</p> <p>2 A That was one of the things they were 08 42 05</p> <p>3 brought onboard for 08 42:06</p> <p>4 Q What else were they brought onboard for? 08 42 07</p> <p>5 A The -- the company -- it was appropriate 08 42 12</p> <p>6 for the company to consider all its strategic 08 42 14</p> <p>7 alternatives and to -- and -- Alpha being one of 08 42 17</p> <p>8 those alternatives 08 42 27</p> <p>9 Q At the time that Project Alpha was first 08 42 37</p> <p>10 presented to the board in the summer of 2006, was 08 42 39</p> <p>11 there discussion at that board meeting regarding 08 42 44</p> <p>12 other strategic alternatives? 08 42 47</p> <p>13 A I don't recall There may have been a 08 43 02</p> <p>14 broad environmental discussion, but there was no 08 43 04</p> <p>15 specific strategic alternatives discussed 08 43.06</p> <p>16 Q When was the first time after 08:43 14</p> <p>17 Project Alpha was submitted to the board that the 08 43 16</p> <p>18 board began discussing other strategic 08 43 22</p> <p>19 alternatives? 08 43 25</p> <p>20 A Those -- those were after the formation of 08 43 34</p> <p>21 the strategic planning committee 08 43 38</p> <p>22 Q Was Lazard hired before or after the 08 43 55</p> <p>23 strategic planning committee was formed? 08 43 58</p> <p>24 A After, to create independent advice to the 08 44 00</p> <p>25 board 08 44 09</p>

34	<p>1 Q Okay All right. I'm going to come back 08:44:10</p> <p>2 to that in a -- in a minute, but let's -- let's go 08:44:14</p> <p>3 on and talk about how we got started on this, and 08:44:17</p> <p>4 that is, I was asking you about advisers that the 08:44:20</p> <p>5 board had hired regarding Project Alpha. And you 08:44:26</p> <p>6 mentioned the accountants 08:44:30</p> <p>7 A Uh-huh 08:44:31</p> <p>8 Q And now you've mentioned Lazard 08:44:32</p> <p>9 A Uh-huh 08:44:34</p> <p>10 Q Any others? 08:44:34</p> <p>11 A No, you -- Lehman had been hired by the 08:44:40</p> <p>12 management, and Lehman participated in the review 08:44:42</p> <p>13 of Alpha, but they were not hired by the board 08:44:49</p> <p>14 Q Okay 08:44:53</p> <p>15 A Lazard was hired by the board 08:44:53</p> <p>16 Q Right. And -- and you had made that -- 08:44:55</p> <p>17 A Lazard was the board's advisers 08:44:56</p> <p>18 Q Okay. You had made the distinction 08:45:03</p> <p>19 earlier about advisers that had been hired by the 08:45:04</p> <p>20 company, by management as opposed to those who had 08:45:08</p> <p>21 been hired specifically by the board 08:45:12</p> <p>22 A Right. And the auditors, of course, are 08:45:14</p> <p>23 hired by the board 08:45:16</p> <p>24 Q Right. I understand 08:45:18</p> <p>25 You know, when was -- when was Lehman 08:45:19</p>
35	<p>1 hired? 08:45:20</p> <p>2 A Sometime in the fall 08:45:25</p> <p>3 Q Of '06? 08:45:26</p> <p>4 A Yes 08:45:28</p> <p>5 Q And that would -- would that have been 08:45:28</p> <p>6 before or after Lazard was hired? 08:45:31</p> <p>7 A Before 08:45:37</p> <p>8 Q Do you know whether or not management 08:45:40</p> <p>9 had -- or the company had hired any consultants or 08:45:42</p> <p>10 advisers to assist in the workup of Project Alpha 08:45:46</p> <p>11 prior to the time that it was submitted to the 08:45:49</p> <p>12 board in the summer of '06? 08:45:51</p> <p>13 A No. No, I don't know. I think they did, 08:45:57</p> <p>14 but I don't know it, and I don't know who they 08:46:01</p> <p>15 were 08:46:03</p> <p>16 Q Well, that's fine 08:46:12</p> <p>17 In various documents, I've seen references 08:46:23</p> <p>18 to various outside firms, advisers, consultants 08:46:31</p> <p>19 brought in. Let me just ask you about a few of 08:46:34</p> <p>20 those, and you can -- hopefully we won't spend a 08:46:37</p> <p>21 lot of time on this. We've talked a little bit 08:46:42</p> <p>22 about Lehman and Lazard, and we'll come back to 08:46:44</p> <p>23 that. 08:46:48</p> <p>24 I have seen reference in some documents to 08:46:50</p> <p>25 an entity called, I think, Gordon Brothers. Are 08:46:52</p>
36	<p>1 you familiar with Gordon Brothers? 08:46:56</p> <p>2 A Yes 08:46:59</p> <p>3 Q And what is Gordon Brothers? 08:47:00</p> <p>4 A They help in store closures and inventory 08:47:02</p> <p>5 liquidation, and the company did hire them to help 08:47:06</p> <p>6 implement Alpha 08:47:12</p> <p>7 Q When would they have been hired? 08:47:13</p> <p>8 A I don't know 08:47:15</p> <p>9 Q Do you know how anybody knew about 08:47:15</p> <p>10 Gordon Brothers? 08:47:16</p> <p>11 A No 08:47:21</p> <p>12 Q Are they still acting in that role today 08:47:28</p> <p>13 to the best of your knowledge? 08:47:31</p> <p>14 A I do not know 08:47:33</p> <p>15 Q Just to summarize, then, to the best of 08:47:36</p> <p>16 your knowledge, the entity known as 08:47:38</p> <p>17 Gordon Brothers was hired to help implement a part 08:47:41</p> <p>18 of Project Alpha that involved store closures and 08:47:46</p> <p>19 that sort of thing? 08:47:50</p> <p>20 A Correct. 08:47:51</p> <p>21 Q To the best of your knowledge, did they 08:47:55</p> <p>22 have any other role -- 08:47:56</p> <p>23 A Store closures and liquid -- and inventory 08:47:59</p> <p>24 liquidations 08:48:00</p> <p>25 Q Oh, okay. All right. And inventory 08:48:01</p>
37	<p>1 liquidation -- 08:48:04</p> <p>2 A Associated with store closures 08:48:06</p> <p>3 Q As -- as opposed to the going away with 08:48:09</p> <p>4 pack-away generally? 08:48:11</p> <p>5 A Yeah, I -- I don't think they had, but I'm 08:48:13</p> <p>6 not sure. I thought they were focused on store 08:48:16</p> <p>7 closures and the inventory liquidation associated 08:48:18</p> <p>8 with those store closures 08:48:21</p> <p>9 Q Okay. Also in some of the documents I've 08:48:28</p> <p>10 seen, there's been reference to Goldman Sachs that 08:48:33</p> <p>11 had done work in the past, I think, for 08:48:37</p> <p>12 Dollar General. Are you familiar with any work 08:48:41</p> <p>13 that Goldman Sachs has done for Dollar General? 08:48:43</p> <p>14 A The -- they made a presentation to the 08:48:51</p> <p>15 finance committee about the -- about the overall 08:48:53</p> <p>16 environment in retail banking, but I don't know if 08:48:59</p> <p>17 they were hired to do that or rather they just did 08:49:03</p> <p>18 that. Investment bankers do that kind of thing 08:49:05</p> <p>19 from time to time. 08:49:11</p> <p>20 Q. To try to get your business? 08:49:11</p> <p>21 A Yeah 08:49:13</p> <p>22 Q To try to convince you that you need their 08:49:13</p> <p>23 services for some reason? 08:49:15</p> <p>24 A (Witness nodded head) 08:49:17</p> <p>25 Q Do you remember roughly when that -- that 08:49:17</p>

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38	<p>1 presentation took place? 08 49 19</p> <p>2 A I can't -- I can't remember whether it was 08 49 32</p> <p>3 before the strategic planning meeting or after the 08 49 34</p> <p>4 strategic - it would have been sometime in '06 08 49 37</p> <p>5 Q To the best of your recollection, was the 08 49 44</p> <p>6 Goldman Sachs presentation a discreet interaction 08 49 49</p> <p>7 between Goldman Sachs and the company, or was 08 49 53</p> <p>8 there some sort of ongoing relationship that the 08 49 55</p> <p>9 company had with Goldman? 08 50 00</p> <p>10 A I don't know what else the company had 08 50 03</p> <p>11 with Goldman. The -- I just -- I don't know the 08 50 05</p> <p>12 extent of Goldman's relationship with the company 08 50 12</p> <p>13 Q There -- I think I've seen also some 08 50 29</p> <p>14 references to McKinsey and Company. Do you know 08 50 31</p> <p>15 what, if any, relationship Dollar General had with 08 50 38</p> <p>16 McKinsey? 08 50 41</p> <p>17 A Years ago McKinsey helped -- helped the 08 50 44</p> <p>18 company reengineer its -- its rolltainer, the way 08 50 49</p> <p>19 that we distribute inventory from the distribution 08 51 03</p> <p>20 center to the stores to try to reduce the amount 08 51 06</p> <p>21 of handling that occurred of the goods in the 08 51 10</p> <p>22 stores. So that sort of general supply chain sort 08 51 11</p> <p>23 of -- it -- they helped to sort of reengineer that 08 51 14</p> <p>24 thing 08 51 18</p> <p>25 We actually had a name for that -- for 08 51 18</p>
39	<p>1 that initiative, and I've forgotten the name of 08 51 22</p> <p>2 it 08 51 24</p> <p>3 Q How long ago was that approximately? 08 51 25</p> <p>4 A 2 years, 18 months, something like that. 08 51 29</p> <p>5 Q Beyond that role, has Dollar General had 08 51 35</p> <p>6 any relationship with McKinsey? 08 51 37</p> <p>7 A I'm not specifically aware of it. 08 51 41</p> <p>8 There -- there was some discussion that McKinsey 08 51 47</p> <p>9 might participate in the -- in the 08 51 49</p> <p>10 remerchandising. I don't know if there was ever a 08 51 52</p> <p>11 formal relationship with them in that regard or 08 51 55</p> <p>12 not, but there was a discussion about -- I heard 08 51 57</p> <p>13 discussion that they might be participating 08 51 59</p> <p>14 Q Regarding Project Alpha? 08 52 01</p> <p>15 A I don't think it was just narrowly related 08 52 03</p> <p>16 to Project Alpha, it was related to the whole 08 52 08</p> <p>17 merchandising effort 08 52 10</p> <p>18 Q To the best of your recollection, are 08 52 28</p> <p>19 there any other outside advisers that have been 08 52 29</p> <p>20 hired, either by the company or the board for any 08 52 34</p> <p>21 reason, over the last, say, 24 months? 08 52 38</p> <p>22 A I can't remember any 08 52 52</p> <p>23 Q Let's -- let's turn and start talking 08 53 24</p> <p>24 about the other strategic alternatives that we 08 53 27</p> <p>25 mentioned -- you mentioned earlier in your 08 53 32</p>
40	<p>1 testimony 08 53 34</p> <p>2 During the period of '05 or '06 up until 08 53 41</p> <p>3 the fall of '06, so basically calendar year '05, 08 53 45</p> <p>4 the first eight or nine months or so of '06, were 08 53 51</p> <p>5 there specific discussions regarding strategic 08 53 58</p> <p>6 alternatives other than the Project Alpha that the 08 54 04</p> <p>7 board engaged in? 08 54 08</p> <p>8 A From time to time, David Perdue would 08 54 19</p> <p>9 certainly give a broad environmental assessment 08 54 21</p> <p>10 and -- and talk about the potential for a 08 54 26</p> <p>11 consolidating industry internationally not just 08 54 29</p> <p>12 domestically. There was one case in which some 08 54 36</p> <p>13 time ago he even surfaced the possibility of 08 54 43</p> <p>14 Dollar General becoming a major acquirer of other 08 54 47</p> <p>15 institutions, should those consolidations occur 08 54 50</p> <p>16 Q Did those discussions ever go anywhere 08 54 59</p> <p>17 beyond just his suggestion to the board that that 08 55 01</p> <p>18 was a possibility? 08 55 03</p> <p>19 A Not that I know of 08 55 05</p> <p>20 Q For example, there was no Lehman or Lazard 08 55 08</p> <p>21 or some other adviser hired to look into the 08 55 12</p> <p>22 possibility of target companies that 08 55 17</p> <p>23 Dollar General might acquire, for example, in 2005 08 55 19</p> <p>24 or early 2006? 08 55 23</p> <p>25 A There was advice that was being given to 08 55 27</p>
41	<p>1 David Perdue about the broad environment. I'm -- 08 55 29</p> <p>2 I'm not sure what that advice was. He was making 08 55 35</p> <p>3 the presentations to the board 08 55 40</p> <p>4 Q And where was he getting that advice? 08 55 42</p> <p>5 A I'm not sure 08 55 44</p> <p>6 Q Do you know whether or not Mr. Perdue had 08 55 49</p> <p>7 any ties to firms like, for example, Lehman or 08 55 51</p> <p>8 Lazard, where he might get that information? 08 55 59</p> <p>9 A Ties? Tell me what ties are 08 56 05</p> <p>10 Q Well -- 08 56 09</p> <p>11 A. Did he know people? 08 56 09</p> <p>12 Q Did he know people that he occasionally 08 56 11</p> <p>13 just talked to? 08 56 13</p> <p>14 A A lot of people know a lot of people in 08 56 14</p> <p>15 this thing, so my -- my guess is, yeah, he -- I 08 56 16</p> <p>16 don't know exact -- all the people he knew, and I 08 56 19</p> <p>17 don't know who he didn't know 08 56 21</p> <p>18 Q Right. And I understand 08 56 23</p> <p>19 A But it's -- again, you have to understand 08 56 24</p> <p>20 what goes on. There's a lot of conversations that 08 56 26</p> <p>21 go on and these -- 08 56 29</p> <p>22 Q Sure. That -- 08 56 31</p> <p>23 A Investment bankers are trying to advise 08 56 32</p> <p>24 all the time 08 56 34</p> <p>25 Q Of course. And that really wasn't a very 08 56 34</p>

42		44			
1	good question. I realize that. Let me try it a	08 56 37	1	together	09 00 13
2	different way	08 56 46	2	A. Yeah	09 00 17
3	Do you know whether or not there was	08 56 48	3	Q. I apologize for repeating myself	09 00 17
4	anybody in particular that Mr. Perdue liked to	08 56 49	4	Then -- then following that meeting,	09-00 19
5	rely on to provide him that kind of information	08 56 52	5	when -- and, again, I'm not asking you to remember	09 00 22
6	and advice regarding the strategic environment?	08 56 55	6	specific dates. We'll get to that. We'll see	09 00 25
7	A. No	08 57 01	7	those, and it's not important that you don't	09-00 28
8	Q. Just to -- just to recap then, to the best	08 57 13	8	remember specific dates when meetings occur	09 00 30
9	of your knowledge, beyond just general discussions	08 57 17	9	But -- but what is your best recollection	09 00 33
10	about the overall environment, the board never had	08 57 21	10	as to the very first time that there were	09 00 35
11	specific discussions about strategic alternatives	08 57 28	11	strategic alternatives brought to the board for	09 00 40
12	beyond Project Alpha in either 2005 or the first	08 57 36	12	their discussion or consideration after the	09 00 43
13	three quarters of calendar 2006?	08 57 39	13	strategic planning meeting in the summer of '06?	09 00 46
14	A. No, there was discussion at the previous	08 57 43	14	A. You're talking about specific?	09-00 50
15	strategic planning committee, not the one in the	08 57 49	15	Q. Yes	09 00 53
16	summer of '06 but the one that occurred prior to	08 57 52	16	A. Yeah. In early October --	09 00 53
17	that, about Dollar General potentially being an	08 57 56	17	Q. In --	09 01 05
18	acquirer. And -- and there were some potential	08 57 59	18	A. -- David Perdue came to me, and	09 01 07
19	targets that Dollar General might acquire	08 58 04	19	David Wilds came to me and said that they had	09 01 10
20	Q. And who are those targets?	08 58 10	20	participated in a meeting a few days before with	09 01 14
21	A. There was a discussion about a firm out on	08 58 13	21	KKR, in which KKR said basically they had an	09 01 17
22	the West Coast, 99 Cents or -- I forget. There --	08 58 15	22	interest in buying the company	09 01 23
23	there was some discussion about Family Dollar	08 58 23	23	Q. And do you know who else was in -- if	09 01 24
24	And the board advised David Perdue that we didn't	08 58 28	24	anybody, was in that meeting?	09 01 28
25	have the management depth to be thinking about	08 58 32	25	A. I was told Cal Turner also was there	09 01 31
43		45			
1	expanding -- being an acquirer	08 58 35	1	Q. Mr. Turner is the son of the founder or	09 01 34
2	Q. In that answer, you said the strategic	08 58 43	2	grandson?	09 01 36
3	planning committee	08 58 46	3	A. Grandson -- I think grandson	09 01 38
4	A. Did I --	08 58 47	4	Q. Grandson?	09 01 40
5	Q. You meant strategic planning meeting of	08 58 48	5	And --	09 01 41
6	the board?	08 58 50	6	A. Yeah, Mr. -- Mr. Turner's father --	09 01 43
7	A. Correct.	08 58 53	7	Cal Turner, Sr.'s father really founded the	09 01 45
8	Q. Okay	08 58 53	8	company, didn't he? Isn't that right?	09-01 48
9	All right. Let -- let's come forward,	08 59 16	9	MR. BARRETT. Yeah, excuse me	09-01 53
10	then, and talk about when -- when was the first	08 59 18	10	BY MR. JOHNSTON	09 01 54
11	time -- well, hold on. Let me -- let's go back to	08 59 23	11	Q. I thought originally it was Mr. J.H.	09 01 54
12	the strategic planning meeting in the summer of	08 59 27	12	Turner, and then Cal Turner, Sr., and then	09 01 57
13	2006. At that meeting, were there specific	08 59 30	13	Cal Turner, Jr.?	09 02 00
14	strategic alternatives beyond Project Alpha that	08 59 39	14	A. That's what -- I think it's something like	09 02 01
15	were discussed by the board?	08 59 43	15	that too	09 02 04
16	A. Yeah, you asked me that a minute ago	08 59 44	16	Q. Okay. Whatever	09 02 05
17	Q. I -- I thought I did in -- in a way, but I	08 59 47	17	Now, just --	09 02 11
18	wasn't sure -- I'm not sure that I know what the	08 59 49	18	A. There's a bunch of Turners	09 02 13
19	answer is. I apologize if I'm repeating myself	08 59 54	19	Q. Yeah. And while we're on that subject,	09 02 14
20	and I'm not getting your answers, but --	08 59 54	20	let's clarify, the Turner family -- there's no	09 02 17
21	A. We could have her read it back.	08 59 57	21	member of the Turner family currently on the	09 02 20
22	That was a general -- what I remember was	09 00 00	22	board; is that right?	09 02 23
23	some general discussion, no specific question,	09 00 04	23	A. No. Correct	09 02 23
24	that meeting was primarily focused on Alpha	09 00 07	24	Q. However, the Turner family is still a	09 02 25
25	Q. Okay. All right. That -- we are	09 00 10	25	major shareholder in the company, would that be	09 02:27

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46	<p>1 far? 09 02 29</p> <p>2 A Yes, as far as we know 09 02 30</p> <p>3 MR. SAVITT Objection. 09 02 30</p> <p>4 BY MR. JOHNSTON 09 02 30</p> <p>5 Q They own approximately 15 percent or so? 09 02 31</p> <p>6 A Don't know. Do not know 09 02 35</p> <p>7 Q Okay Would it make sense to you that a 09 02 37</p> <p>8 potential acquirer or a potential strategic 09 02 41</p> <p>9 alternative partner might want to meet with and 09 02 46</p> <p>10 discuss those possibilities with some member of 09 02 51</p> <p>11 the Turner family? 09 02 54</p> <p>12 MR. SAVITT Objection 09 02 55</p> <p>13 MR. McEVROY Object to form 09 03 02</p> <p>14 THE WITNESS That's kind of 09 03 07</p> <p>15 speculation on my part, so 09 03 08</p> <p>16 MR. SAVITT If I could just 09 03 12</p> <p>17 interject on this, if we could agree that 09 03 13</p> <p>18 objections by any party are good for everybody, it 09 03 15</p> <p>19 will make things go a little faster 09 03 19</p> <p>20 MR. JOHNSTON Sure 09 03 21</p> <p>21 MR. McEVROY. That will be fine 09 03 22</p> <p>22 BY MR. JOHNSTON 09 03 29</p> <p>23 Q All right Then let's go back What 09 03 30</p> <p>24 did -- what specifically do you remember about 09 03 32</p> <p>25 what Mr -- either Mr. Perdue or Mr. Wicks told 09 03 34</p>
47	<p>1 you about what happened in this meeting? 09 03 38</p> <p>2 A First they told me they were coming to see 09 03 41</p> <p>3 me as the chair of the governance committee They 09 03 43</p> <p>4 told me they had had a meeting, and they told me 09 03 48</p> <p>5 that KKR had expressed an interest in making an 09 03 51</p> <p>6 offer for the company and were requesting the 09 03 56</p> <p>7 ability to do due diligence on the company in 09 03 58</p> <p>8 order to determine the amount of that offer 09 04 02</p> <p>9 They asked me as the chair of the 09 04 06</p> <p>10 governance committee to talk about really how we 09 04 12</p> <p>11 should respond to that 09 04 16</p> <p>12 Q Okay And what did you tell them? 09 04 19</p> <p>13 A Call a board meeting 09 04 24</p> <p>14 Q Did you do that -- or did they do that? 09 04 26</p> <p>15 A Yeah, shortly thereafter 09 04 28</p> <p>16 Q And what happened at that board meeting? 09 04 33</p> <p>17 A We -- we talked about what was the right 09 04 37</p> <p>18 way to respond We talked about that the company 09 04 40</p> <p>19 had adopted a strategy of independence and that -- 09 04 46</p> <p>20 and that we should not deviate from that strategy 09 04 52</p> <p>21 of independence 09 04 55</p> <p>22 We talked about the need to get further 09 05 00</p> <p>23 advice and counsel, given that we had -- that -- 09 05 02</p> <p>24 that really carried out our fiduciary 09 05 10</p> <p>25 responsibilities but also didn't compromise our 09 05 13</p>
48	<p>1 position 09 05 16</p> <p>2 Q Okay. Prior to this board meeting, had 09 05 24</p> <p>3 the board ever -- well, let me -- let me -- let's 09 05 29</p> <p>4 go back 09 05 31</p> <p>5 How long have you been a board member 09 05 33</p> <p>6 approximately? 09 05 36</p> <p>7 A Yeah, let's see, I've got to think Ten 09 05 37</p> <p>8 years I would have to look. 09 05 44</p> <p>9 Q I was just going to say to help you out, 09 05 45</p> <p>10 has it been at least ten years? 09 05 47</p> <p>11 A What is this? What year is this? 09 05 50</p> <p>12 MR. BARRETT '07 09 05 52</p> <p>13 THE WITNESS Yeah, it was probably 09 05 54</p> <p>14 the late '90s sometime 09 05 55</p> <p>15 BY MR. JOHNSTON 09 05 58</p> <p>16 Q Okay During the period of time that you 09 05 58</p> <p>17 have been on the board, has the board of 09 05 59</p> <p>18 Dollar General ever received either a hostile or 09 06 07</p> <p>19 friendly takeover offer? 09 06 09</p> <p>20 A I would consider this KKR offer as a 09 06 13</p> <p>21 friendly offer to buy the company 09 06 19</p> <p>22 Q Prior to that, had -- since -- in the time 09 06 21</p> <p>23 that you've been on the board, had they ever 09 06 24</p> <p>24 received -- 09 06 26</p> <p>25 A Not that I recall, no. 09 06 26</p>
49	<p>1 Q Okay And -- and beyond the general 09 06 27</p> <p>2 discussions of the overall environment regarding 09 06 33</p> <p>3 strategic alternatives, there's never really been 09 06 40</p> <p>4 a discussion of a specific strategic alternative, 09 06 43</p> <p>5 other than what you've already told me so far, 09 06 46</p> <p>6 right? 09 06 50</p> <p>7 MR. SAVITT Could you read that 09 06 50</p> <p>8 question back. 09 06 51</p> <p>9 (Reporter read back requested 09 07 14</p> <p>10 material) 09 07 14</p> <p>11 THE WITNESS What have I told you so 09 07 15</p> <p>12 far? 09 07 16</p> <p>13 BY MR. JOHNSTON 09 07 17</p> <p>14 Q Well, I think what you've told me about so 09 07 17</p> <p>15 far is a Project Alpha in the summer, and in the 09 07 20</p> <p>16 prior strategic planning meeting you told me 09 07 23</p> <p>17 about -- whatever it was you told me about I 09 07 26</p> <p>18 can't even remember 09 07 31</p> <p>19 A Dollar General talking about being an 09 07 32</p> <p>20 acquirer 09 07 33</p> <p>21 Q Being an acquirer, of course 09 07 35</p> <p>22 Beyond those two things and just the 09 07 38</p> <p>23 general discussions that you've said -- I think 09 07 40</p> <p>24 you told me that Mr. Perdue would do this 09 07 41</p> <p>25 periodically 09 07 44</p>

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50	<p>1 Beyond those things, during the period of 09 07 46 2 time that you've been on the board, there's not 09 07 47 3 been any discussions of other specific strategic 09 07 49 4 alternatives, correct? 09 07 54 5 A. Other than in the context of a broad 09 07 58 6 environmental review. When Goldman Sachs and 09 08 00 7 Lehman Brothers did a presentation to the finance 09 08 06 8 committee, there was a lot of alternatives run at 09 08 09 9 that time. But those -- but those are sort of to 09 08 13 10 set a context. 09 08 18 11 Q. And when was that done, that presentation 09 08 22 12 you're talking -- you've just mentioned? 09 08 24 13 A. That's what -- I couldn't remember if it's 09 08 26 14 before the strategic planning meeting of the board 09 08 28 15 or after the summer of '06. It was sometime 09 08 31 16 in '06 that there was a review done -- and the 09 08 34 17 board had actually said, David, you've been giving 09 08 38 18 us these conversations. We ought to hear directly 09 08 42 19 from some of the people that you've been talking 09 08 44 20 to that gives us the broad overview of the 09 08 46 21 environment in more specifics. 09 08 49 22 Q. Okay. And -- and this was a presentation 09 08 52 23 in which a number of other entities within the 09 08 55 24 retail sector were examined by these advisers 09 09 01 25 and -- and just sort of gave the board a general 09 09 10</p>
51	<p>1 overall view who those people might be, level of 09 09 13 2 interest or lack thereof, pluses and minuses 09 09 15 3 regarding each one, that sort of thing? 09 09 20 4 A. Yeah. You -- unless you've done a lot of 09 09 22 5 this, you don't understand that those are very 09 09 25 6 commonplace that are done by investment bankers, 09 09 27 7 so it's a commonplace presentation that reviews 09 09 33 8 the broad landscape and -- and gets into sort of 09 09 37 9 specific alternatives within that landscape. 09 09 40 10 Q. Okay. 09 09 44 11 A. Both of those firms did that kind of thing 09 09 44 12 for us. 09 09 46 13 Q. What do you remember about specific 09 09 49 14 alternatives during those presentations? 09 09 50 15 A. [-- what I remember was that a lot of the 09 09 59 16 things they did with -- were illustrative as 09 10 05 17 opposed to precise. They did cover a landscape 09 10 11 18 that looked at -- it looked at things like the 09 10 15 19 whole international play. We looked at some of 09 10 18 20 the international companies that were entering in 09 10 20 21 I remember we looked at -- in there we 09 10 24 22 looked at the movement in private equity that was 09 10 26 23 occurring. I think we ran some numbers on -- on 09 10 28 24 stock buybacks and things of that sort. 09 10 33 25 So it was -- you know, here's a bunch of 09 10 38</p>
52	<p>1 different things that this company can be thinking 09 10 41 2 about, however, these are more illustrative 09 10 43 3 because the numbers are not -- are not scrubbed 09 10 45 4 and honed and so forth. 09 10 48 5 Q. Okay. And -- I'm glad you brought that 09 10 51 6 up. That reminds me of an aspect of all of this 09 10 54 7 that I want to ask you about before we go too much 09 10 57 8 further, and that is, there appear to be from the 09 11 00 9 documents various what I'm going to call 09 11 04 10 iterations of Project Alpha, one of which 09 11 08 11 included -- at least one of which included a stock 09 11 12 12 buyback aspect. 09 11 17 13 Was that something that was part of the 09 11 18 14 presentation by management to the board at the 09 11 25 15 strategic planning meeting in the summer of '06? 09 11 28 16 A. There was some discussion. I can't 09 11 36 17 remember if it was a formal presentation, but 09 11 37 18 there was certainly some discussion at that 09 11 41 19 meeting about stock buyback program. 09 11 42 20 Q. During the period of time that you've been 09 11 45 21 on the board, how often has Dollar General engaged 09 11 47 22 in stock buyback programs? 09 11 50 23 A. It's almost been a continuous effort 09 11 58 24 process. The finance committee, though, is -- 09 12 02 25 felt very strongly that stock buyback programs 09 12 10</p>
53	<p>1 should be done out of surplus cash flow not out of 09 12 13 2 leverage. 09 12 17 3 Q. Okay. In '06, was there a concern about 09 12 22 4 surplus cash flow? 09 12 27 5 A. No. 09 12 29 6 Q. When Project Alpha was initiated in 09 12 40 7 late '06, was there a stock buyback aspect that 09 12 43 8 was implemented? 09 12 48 9 A. I think there was a framework that talked 09 12 55 10 about if you had excess cash flow, you could 09 13 00 11 implement a stock buyback program. I don't recall 09 13 03 12 rolling out a specific program but basically 09 13 07 13 setting the tone that the company was favorably 09 13 11 14 disposed -- disposed to stock buybacks. 09 13 15 15 Q. Between November of '06 and today, has 09 13 20 16 there -- has the company engaged in stock buyback 09 13 23 17 at all? 09 13 25 18 A. I do not know if they've bought any 09 13 30 19 shares. You know, you set in place an 09 13 32 20 authorization. Then -- then that's executed by 09 13 34 21 management. I don't -- I don't -- I don't know 09 13 39 22 that kind of thing, and I -- I don't recall 09 13 41 23 whether there was some authorized amount that -- 09 13 43 24 that had not been fulfilled. So I don't know 09 13 46 25 Q. All right. We were -- we were talking 09 14 02</p>

54	<p>1 about strategic alternatives, and you had 09 14 06</p> <p>2 mentioned to me earlier about the meeting that you 09 14 08</p> <p>3 had with Mr. Perdue and Mr. Wilds and how that led 09 14 10</p> <p>4 to -- was that a specially called board meeting 09 14 14</p> <p>5 for that purpose? 09 14 17</p> <p>6 A Yes. Remember, they asked me, what did I 09 14 18</p> <p>7 think, and I said immediately, you ought to talk 09 14 21</p> <p>8 to the board, the board needs to be informed of 09 14 23</p> <p>9 this, and then we need to talk about what our next 09 14 25</p> <p>10 steps are 09 14 28</p> <p>11 Q All right. Let's go back to that. I 09 14 30</p> <p>12 think we mentioned briefly about that board 09 14 31</p> <p>13 meeting. Mr. Perdue and Mr. Wilds told the board 09 14 33</p> <p>14 what had happened, is that fair? 09 14 37</p> <p>15 A Yes 09 14 39</p> <p>16 Q And what, if anything, did the board tell 09 14 41</p> <p>17 Mr. Perdue or Mr. Wilds they should do, vis-a-vis 09 14 45</p> <p>18 this interest from KKR? 09 14 50</p> <p>19 A We -- we decided that basically the board 09 14 53</p> <p>20 should take control of this process and that we 09 15 00</p> <p>21 needed to ensure that we had a good independent 09 15 05</p> <p>22 method for responding and processing it. So 09 15 08</p> <p>23 Mr. Wilds and -- and Mr. Perdue were asked to sort 09 15 14</p> <p>24 of step aside, let the governance committee 09 15 19</p> <p>25 consider it and make recommendations back to the 09 15 22</p>
55	<p>1 board after counsel about what the steps should 09 15 26</p> <p>2 be 09 15 28</p> <p>3 Q Okay. And so what happened then? What 09 15 29</p> <p>4 was the next thing that occurred? 09 15 34</p> <p>5 A We had a governance meeting with our -- 09 15 36</p> <p>6 our counsel and got advice from them. We invited 09 15 39</p> <p>7 other board members to attend that meeting, which 09 15 44</p> <p>8 is always the case at Dollar General. And as I 09 15 49</p> <p>9 recall, some other members did, but I can't 09 15 51</p> <p>10 remember who they were 09 15 55</p> <p>11 But -- so we had a governance meeting to 09 15 57</p> <p>12 sort of process all of this 09 15 59</p> <p>13 Q When you say a governance meeting, you're 09 16 01</p> <p>14 talking about a governance committee meeting? 09 16 04</p> <p>15 A At that time, I was chair of the 09 16 06</p> <p>16 governance committee, correct. 09 16 08</p> <p>17 Q And you mentioned that the governance 09 16 10</p> <p>18 committee and its counsel. Are you talking about 09 16 11</p> <p>19 outside counsel specific to the governance 09 16 13</p> <p>20 committee? 09 16 16</p> <p>21 A No. At that time, the counsel was the 09 16 16</p> <p>22 company's counsel that we drew on, Debevoise 09 16 19</p> <p>23 Q For the committee, for the board, for the 09 16 25</p> <p>24 company? 09 16 28</p> <p>25 A For the company 09 16 29</p>
56	<p>1 Q For the company? And -- and that was for 09 16 31</p> <p>2 what purpose? Hiring Debevoise was for what 09 16 32</p> <p>3 purpose? 09 16 39</p> <p>4 A They're -- they're company counsel. I 09 16 41</p> <p>5 don't -- you would have to -- they've been company 09 16 41</p> <p>6 counsel for years. So -- so basically the -- what 09 16 44</p> <p>7 the governance committee said is, we need some 09 16 47</p> <p>8 advice. Let's get some advice. We have company 09 16 51</p> <p>9 counsel already. Let's hear what that company 09 16 54</p> <p>10 counsel says 09 16 57</p> <p>11 Q Okay. That -- 09 16 57</p> <p>12 A What came out of that was saying, the 09 16 59</p> <p>13 board needs its own counsel, and the -- and its 09 17 01</p> <p>14 own advisers. That was one thing that came out of 09 17 05</p> <p>15 that 09 17 08</p> <p>16 Q All right. And so what did the board do 09 17 09</p> <p>17 as a result of that counsel? 09 17 11</p> <p>18 A Well, the -- 09 17 15</p> <p>19 MR. SAVITT: Objection 09 17 16</p> <p>20 You can answer the question 09 17 16</p> <p>21 THE WITNESS: I guess that's legal 09 17 20</p> <p>22 advice we got, right? Ask me -- 09 17 21</p> <p>23 MR. SAVITT: No, I'm not instructing 09 17 24</p> <p>24 you not to answer the question 09 17 25</p> <p>25</p>
57	<p>1 BY MR. JOHNSTON 09 17 27</p> <p>2 Q Just tell me what you did, regardless -- 09 17 27</p> <p>3 MR. SAVITT: No, he can answer this 09 17 29</p> <p>4 question 09 17 30</p> <p>5 THE WITNESS: Yeah. What -- the 09 17 31</p> <p>6 governance committee looked at our whole 09 17 37</p> <p>7 governance process, which it was time to do 09 17 39</p> <p>8 anyway, and -- and decided to recommend to the 09 17 42</p> <p>9 board several actions 09 17 49</p> <p>10 One of those actions was, we need to 09 17 52</p> <p>11 set up a board independent process for handling 09 17 55</p> <p>12 our response to KKR, because they had asked to 09 18 00</p> <p>13 come in and do diligence, and for thinking about 09 18 04</p> <p>14 our strategic options in a broad, comprehensive 09 18 09</p> <p>15 process, that we should form a strategic planning 09 18 15</p> <p>16 committee because there's going to be a lot of 09 18 23</p> <p>17 work done in that. That would basically help 09 18 25</p> <p>18 process that and advise the board 09 18 29</p> <p>19 And we came -- and that we ought to 09 18 33</p> <p>20 have independent counsel and advisors to the board 09 18 36</p> <p>21 to -- to review that -- to assist us in that 09 18 43</p> <p>22 effort 09 18 46</p> <p>23 BY MR. JOHNSTON 09 18 47</p> <p>24 Q Okay. And so what specific steps did the 09 18 48</p> <p>25 board take, beyond hiring outside counsel, to 09 18 52</p>

15 (Pages 54 to 57)

58	<p>1 ensure that independence that you've talked about? 09 18 57</p> <p>2 A Well, one, we -- we -- we picked a 09 19 02</p> <p>3 committee We had no management people on that 09 19 07</p> <p>4 committee And -- and we didn't even have 09 19 13</p> <p>5 David Wilds on it because he had been in the 09 19 19</p> <p>6 meeting with KKR 09 19 21</p> <p>7 Q And why is that important? 09 19 22</p> <p>8 A We didn't want anybody that had had 09 19 24</p> <p>9 conversations with KKR to be part of this 09 19 28</p> <p>10 Q Mr Wilds was the lead independent 09 19 30</p> <p>11 director at that time? 09 19 32</p> <p>12 A Correct, he's the lead director Correct. 09 19 33</p> <p>13 Q Okay I'm sorry, I interrupted you Go 09 19 38</p> <p>14 ahead 09 19 40</p> <p>15 A So what was the rest of your -- 09 19 41</p> <p>16 Q I was asking you what specific steps that 09 19 43</p> <p>17 you took to ensure that independence that you had 09 19 45</p> <p>18 talked about earlier 09 19 47</p> <p>19 A One, we -- we set up -- we picked the 09 19 48</p> <p>20 directors We excluded management from the 09 19 53</p> <p>21 process We said it was going to be a board led 09 19 55</p> <p>22 process, and we talked about hiring independent 09 19 58</p> <p>23 counsel and advisers by the board to advise. 09 20 01</p> <p>24 So the steps were to -- to basically make 09 20 04</p> <p>25 it -- do everything we could do to make it a board 09 20 06</p>
59	<p>1 led review of the strategic alternatives 09 20 09</p> <p>2 Strate -- one of which strongly included 09 20 14</p> <p>3 staying independent, and we recommended to the 09 20 18</p> <p>4 board that we reaffirm our independent strategy 09 20 22</p> <p>5 and that the response to KKR should be, we had 09 20 26</p> <p>6 adopted a -- a -- that we had adopted a plan of 09 20 30</p> <p>7 independence, and thank you very much, but we were 09 20 34</p> <p>8 going to pursue that plan 09 20 37</p> <p>9 Q And -- and that plan included the 09 20 39</p> <p>10 Project Alpha? 09 20 41</p> <p>11 A Yeah, Alpha was part of the -- a part of 09 20 43</p> <p>12 implementing an independent strategy 09 20 46</p> <p>13 Q I hate to keep jumping around like this, 09 20 49</p> <p>14 but, you know, once you get over 50, sometimes you 09 20 51</p> <p>15 don't remember things the way you used to 09 20 56</p> <p>16 A Well until you get over 60 09 20 59</p> <p>17 Q It's not too far away 09 21 01</p> <p>18 Let me go back again to Project Alpha I 09 21 04</p> <p>19 mentioned to you earlier about different 09 21 08</p> <p>20 iterations that we -- we talked about one of 09 21 10</p> <p>21 those And another iteration, there seemed to be 09 21 15</p> <p>22 at least from my review of the records -- there 09 21 21</p> <p>23 seemed to be an iteration of Project Alpha without 09 21 23</p> <p>24 some sort of, quote, real estate or revised real 09 21 26</p> <p>25 estate function I'm not sure what I -- what 09 21 32</p>
60	<p>1 those things are. Can you explain those? 09 21 34</p> <p>2 A Yeah, the -- the speed with which you open 09 21 36</p> <p>3 stores was what the various real estate 09 21 48</p> <p>4 alternatives were all about. What -- the -- there 09 21 53</p> <p>5 was some reluctance to slow the store openings too 09 22 00</p> <p>6 much because one of the major considerations that 09 22 06</p> <p>7 the market looks at is same store sales growth 09 22 16</p> <p>8 The number of stores that you open will have an 09 22 21</p> <p>9 impact on the same store sales growth 09 22 24</p> <p>10 The -- so there's a lot of discussion 09 22 32</p> <p>11 about, wait, we've got to get the foundation 09 22 35</p> <p>12 solid. We may take -- we may -- ought to take the 09 22 39</p> <p>13 same store sales growth -- I mean, the store 09 22 40</p> <p>14 openings to zero until we get the foundation solid 09 22 41</p> <p>15 and then can open them again 09 22 45</p> <p>16 So there was a lot of discussion about how 09 22 47</p> <p>17 that would, though, impact the same store sales 09 22 49</p> <p>18 growth, just the way the math works And so these 09 22 53</p> <p>19 iterations were looking at the impact of slower 09 22 55</p> <p>20 store openings on same store sales growth, on 09 22 59</p> <p>21 earnings per share growth and so forth Versus 09 23 01</p> <p>22 sort of the, wait, we've got to get the foundation 09 23 06</p> <p>23 solid before we start growing on the base 09 23 09</p> <p>24 Q In -- in these various real estate 09 23 12</p> <p>25 iterations, did -- was there any difference among 09 23 13</p>
61	<p>1 them in the rate in which stores would close? 09 23 20</p> <p>2 A I -- I don't remember anything other than 09 23 30</p> <p>3 refinement to the store closure It was, we ought 09 23 33</p> <p>4 to develop a clear criteria as to what acceptable 09 23 37</p> <p>5 store is We ought to run that criteria 09 23 40</p> <p>6 against -- acceptable performance We ought to 09 23 42</p> <p>7 run that criteria against our -- all our stores 09 23 44</p> <p>8 We ought to figure out who doesn't make those, and 09 23 47</p> <p>9 we ought to then let that define how many stores 09 23 49</p> <p>10 get closed 09 23 52</p> <p>11 That sounds easy, but there -- you know -- 09 23 53</p> <p>12 so there was always a -- there was -- you know, it 09 23 56</p> <p>13 wasn't like -- there was a lot of discussion going 09 23 59</p> <p>14 on, is it X number of stores or Y, so that was 09 24 01</p> <p>15 all -- store closures were all refinement to 09 24 04</p> <p>16 trying to implement that criteria 09 24 08</p> <p>17 Q Okay 09 24 12</p> <p>18 MR SAVITT Doug, I -- we have been 09 24 13</p> <p>19 going for an hour or 20 minutes or so, any time 09 24 14</p> <p>20 convenient to take a break? 09 24 17</p> <p>21 MR JOHNSTON That's fine We can 09 24 18</p> <p>22 take one right now 09 24 19</p> <p>23 THE VIDEOGRAPHER Going off the 09 24 21</p> <p>24 record, time now is 9 23 a m 09 24 21</p> <p>25 (Brief recess observed) 09 24 25</p>

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62	<p>1 THE VIDEOGRAPHER: The time is 09 35 27 2 9 34 a m We're back on record 09 35 28 3 MR. SAVITT If I could take this 09 35 32 4 opportunity to designate the deposition, the 09 35 33 5 transcript, all the pages and exhibits, as 09 35 36 6 confidential subject to the protective order, and 09 35 38 7 we'll reserve the right to designate portions as 09 35 40 8 highly confidential when it seems appropriate 09 35 44 9 BY MR. JOHNSTON 09 35 51 10 Q Before we got off on the last couple of 09 35 52 11 questions regarding real estate iterations, we 09 35 54 12 were talking about -- 09 35 56 13 A You said you got off the subject there 09 35 59 14 Q We'll probably do that several more times 09 36 01 15 during the course of this deposition 09 36 03 16 Before we got off on that, we were talking 09 36 10 17 about what the board was doing to ensure 09 36 12 18 independence, as you testified earlier, and you 09 36 15 19 mentioned that -- one of the things that you 09 36 17 20 mentioned was hiring of outside counsel. Who did 09 36 23 21 you hire? 09 36 26 22 A We ultimately hired Wachtell, Lipton to 09 36 26 23 advise -- to advise the board and -- the committee 09 36 30 24 and the board 09 36 34 25 Q Specifically as to strategic alternatives? 09 36 35</p>
63	<p>1 A If you -- yes, which means from 09 36 41 2 independence to whatever other alternatives might 09 36 44 3 be available 09 36 47 4 Q Right Okay 09 36 48 5 A All strategic alternatives 09 36 50 6 Q All strategic alternatives including 09 36 51 7 remaining independent? 09 36 54 8 A Correct 09 36 56 9 Q Right Okay By the time that Wachtell 09 36 57 10 was hired, Project Alpha was on the verge of being 09 37 03 11 approved and implemented, is that -- is that far? 09 37 10 12 The board had not made a decision, but it was 09 37 14 13 close to the point where a decision was going to 09 37 17 14 be made and ultimately was implemented? 09 37 19 15 MR. SAVITT Object to the form 09 37 21 16 BY MR. JOHNSTON 09 37 22 17 Q Is that -- is that fair? 09 37 22 18 A Yeah, be more specific 09 37 25 19 Q Well, all I'm really trying to do is, 09 37 28 20 Wachtell's hiring didn't have anything to do with 09 37 32 21 Project Alpha, except in so far as Project Alpha 09 37 34 22 was part of the company's overall strategy in 09 37 39 23 remaining independent, or whatever it ultimately 09 37 42 24 became, correct? 09 37 45 25 MR. SAVITT Object to the form 09 37 48</p>
64	<p>1 THE WITNESS Yeah, I -- I don't know 09 37 56 2 exactly what you're trying to ask, Doug Could 09 37 56 3 you be a little shorter and a little more precise 09 38 02 4 in -- 09 38 05 5 BY MR. JOHNSTON 09 38 05 6 Q I'll try 09 38 06 7 A Okay 09 38 06 8 Q Did the hiring of Wachtell in any way 09 38 09 9 impact on the board's consideration of 09 38 11 10 Project Alpha? 09 38 15 11 A No 09 38 19 12 Q Was the hiring of Wachtell intended to in 09 38 19 13 any way impact the board's consideration of 09 38 21 14 Project Alpha? 09 38 24 15 A No, except to ensure that the board was 09 38 31 16 discharging its fiduciary responsibility as it 09 38 34 17 related to maximizing and serving the shareholder 09 38 38 18 Q Okay Why is it that you hired Wachtell 09 38 49 19 as opposed to any of the hundreds of them? Did 09 38 52 20 somebody have a relationship with someone at 09 39 00 21 Wachtell or is -- 09 39 02 22 A Oh -- on the strategic planning committee, 09 39 04 23 there was a former vice chair of CS First Boston 09 39 07 24 That person knows all the players in -- in 09 39 14 25 New York -- or really the world And we talked 09 39 17</p>
65	<p>1 about, here's what our needs are Who are the 09 39 25 2 best to advise us as a committee in these 09 39 28 3 categories, from the lawyer to the -- to the 09 39 31 4 investment banker 09 39 35 5 Q Is that Mr. Thornburgh? 09 39 36 6 A That's Mr. Thornburgh 09 39 39 7 Q And Mr. Thornburgh joined the board in the 09 39 41 8 summer of '06? 09 39 44 9 A That sounds about right, in '06 sometime, 09 39 45 10 approximately 09 39 47 11 Q And -- and you mentioned that he was 09 39 50 12 formerly with CS First Boston What does he do 09 39 51 13 currently? 09 40 00 14 A He's a partner with Corsar 09 40 01 15 Q What is Corsar? 09 40 05 16 A Corsar is a private equity firm that 09 40 06 17 specializes in financial institutions. 09 40 09 18 Q All right What -- what other advisers 09 40 21 19 did the board hire in this process of attempting 09 40 24 20 to -- 09 40 27 21 A We hired Lazard 09 40 28 22 Q Lazard? 09 40 29 23 A But specifically we were focused on two 09 40 31 24 people We were focused on Chuck Ward, who's the 09 40 33 25 president of Lazard, and we were focused on 09 40 37</p>

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66	<p>1 Ed Herlihy, who is a senior member of the Wachtell 09 40 40</p> <p>2 firm and who has specific expertise in advising 09 40 45</p> <p>3 companies as they go through thinking about their 09 40 49</p> <p>4 strategic alternatives. 09 40 52</p> <p>5 Q You were focused on these two people 09 40 54</p> <p>6 because Mr. Thornburgh -- 09 40 56</p> <p>7 A Said -- 09 40 58</p> <p>8 Q -- knew them and said these people were 09 40 58</p> <p>9 good or -- 09 41 00</p> <p>10 A Yeah 09 41 01</p> <p>11 Q -- or presumably said they were good? 09 41 01</p> <p>12 A Yeah Not good The best. 09 41 05</p> <p>13 Q The best? Okay 09 41 07</p> <p>14 All right. So then these advisers were 09 41 13</p> <p>15 tired, and -- and then take me beyond that. What 09 41 17</p> <p>16 happened -- what happened next? What was the next 09 41 20</p> <p>17 step that the board took and/or the special 09 41 23</p> <p>18 planning committee? 09 41 27</p> <p>19 MR. SAVITT Objection, strategic 09 41 29</p> <p>20 planning committee 09 41 30</p> <p>21 THE WITNESS Strategic planning 09 41 34</p> <p>22 committee 09 41 36</p> <p>23 BY MR. JOHNSTON, 09 41 37</p> <p>24 Q What did -- what did I say? 09 41 37</p> <p>25 A. Special 09 41 40</p>	68	<p>1 and we had the advisers led by Lazard to go into 09 43 23</p> <p>2 and critique the assumptions that management had 09 43 32</p> <p>3 made so that we could understand what the risk and 09 43 34</p> <p>4 opportunities were from Alpha 09 43 40</p> <p>5 We began to look at the horizon for all 09 43 46</p> <p>6 strategic partners and strategic combinations and 09 43 53</p> <p>7 say, who is out there that might represent for us 09 43 56</p> <p>8 a strategic combination alternative 09 44 01</p> <p>9 And we looked at specifically what might a 09 44 06</p> <p>10 private equity firm pay for the company as well 09 44 11</p> <p>11 So we -- we looked at independence, we 09 44 18</p> <p>12 looked at strategic combinations, and we looked 09 44 20</p> <p>13 at -- we also, though, did even look in there at 09 44 24</p> <p>14 also sort of financial strategies, which would 09 44 27</p> <p>15 include -- which would include aggressive stock 09 44 33</p> <p>16 buybacks 09 44 35</p> <p>17 Q What do you mean by aggressive stock 09 44 38</p> <p>18 buybacks? 09 44 40</p> <p>19 A Borrowing a lot of money to leverage the 09 44 40</p> <p>20 company and buying a lot of stock. 09 44 42</p> <p>21 Q. Doing exactly what the company -- what you 09 44 45</p> <p>22 had said the company's philosophy was not to do in 09 44 47</p> <p>23 the past? 09 44 50</p> <p>24 A We thought that we should be objective and 09 44 51</p> <p>25 look at everything and do pros and cons on every 09 44 55</p>
67	<p>1 Q I'm sorry I apologize I meant the 09 41 40</p> <p>2 strategic planning committee, correct. 09 41 44</p> <p>3 A We defined a process 09 41 50</p> <p>4 Q You say you defined the process? 09 41 54</p> <p>5 A We defined a process, yes 09 41 56</p> <p>6 Q Okay And -- and what was that process 09 41 59</p> <p>7 that you defined? 09 42 00</p> <p>8 A That the company should take a 09 42 05</p> <p>9 comprehensive look at all of its options, 09 42 06</p> <p>10 implement Alpha And we created actually a 09 42 11</p> <p>11 decision tree that -- that would lead us through 09 42 19</p> <p>12 how we thought about everything that we ought to 09 42 21</p> <p>13 be thinking about to make sure that this was a 09 42 24</p> <p>14 robust, comprehensive process 09 42 27</p> <p>15 Q Okay When you say we did this, are you 09 42 31</p> <p>16 talking about the strategic planning committee? 09 42 39</p> <p>17 A Strategic planning committee, defined it, 09 42 42</p> <p>18 recommended it to the board 09 42 44</p> <p>19 Q All right. 09 42 46</p> <p>20 A The board approved -- approved going 09 42 46</p> <p>21 through those -- that -- that process 09 42 52</p> <p>22 Q Okay And so once that process was 09 42 56</p> <p>23 approved, what, if anything, did the board do? 09 42 59</p> <p>24 A One, we -- well, one was to really do an 09 43 09</p> <p>25 in-depth view of all assumptions related to Alpha, 09 43 13</p>	69	<p>1 alternative available to the company. 09 44 59</p> <p>2 Q All right. Now -- 09 45 00</p> <p>3 A We shouldn't eliminate any possibilities 09 45 03</p> <p>4 Q All right. Now, in terms of the strategic 09 45 05</p> <p>5 alternatives beyond remaining independent and 09 45 07</p> <p>6 being bought by a private company, was there 09 45 12</p> <p>7 discussion or -- well, was there discussion 09 45 19</p> <p>8 regarding Dollar General becoming an acquirer? 09 45 22</p> <p>9 A Dollar -- was there discussion? Yes 09 45 30</p> <p>10 That took about 15 seconds Dollar General was 09 45 32</p> <p>11 not in the position, did not have the strength to 09 45 37</p> <p>12 become an acquirer, so it was either a sale or a 09 45 40</p> <p>13 merger of equals approach to strategic 09 45 46</p> <p>14 combination 09 45 51</p> <p>15 Q Okay And in regard to mergers of equals, 09 45 52</p> <p>16 were there other equals out there that the board 09 45 57</p> <p>17 focused on? 09 46 01</p> <p>18 A The -- merger of equal is a term almost of 09 46 06</p> <p>19 art, and so there was -- there was no transaction 09 46 12</p> <p>20 that would qualify for that term 09 46 13</p> <p>21 Q All right. And why was -- why was that? 09 46 18</p> <p>22 There are no equals? 09 46 24</p> <p>23 A Well, there's a bunch of things that have 09 46 25</p> <p>24 to occur in order for -- for that to happen You 09 46 28</p> <p>25 know, you would have to understand that term, just 09 46 30</p>

70	<p>1 that -- so it was really acquire -- it was really 09 46 33</p> <p>2 only -- we only looked at really sales 09 46 35</p> <p>3 Q Okay That's really where I was going 09 46 38</p> <p>4 A Right 09 46 40</p> <p>5 Q The bottom line was -- 09 46 40</p> <p>6 A We couldn't buy anything There was 09 46 41</p> <p>7 nothing that met the technical term of -- to merge 09 46 43</p> <p>8 of equal The only possibilities were sales 09 46 45</p> <p>9 Q Okay Now, in terms of sales, other than 09 46 49</p> <p>10 to a private equity firm, were there specific 09 46 52</p> <p>11 entities out there that were identified as 09 46 56</p> <p>12 potential acquirers? 09 46 58</p> <p>13 A We -- we ran -- we looked at a whole list 09 47 01</p> <p>14 of -- of potential -- of potential acquirers 09 47 04</p> <p>15 There was only one that surfaced as a real 09 47 12</p> <p>16 possibility 09 47 15</p> <p>17 Q And what was that one? 09 47 16</p> <p>18 A Family Dollar 09 47 18</p> <p>19 Q What, if anything, was done to let 09 47 23</p> <p>20 Family Dollar know that you were potentially for 09 47 25</p> <p>21 sale -- you, Dollar General, were potentially for 09 47 29</p> <p>22 sale? 09 47 32</p> <p>23 A There was never a direct conversation with 09 47 37</p> <p>24 Family Dollar There was a lot of analysis done 09 47 39</p> <p>25 that looked at a combination But Family Dollar 09 47 43</p>
71	<p>1 ended up having issues in filing its 10K 09 47 49</p> <p>2 And with their uncertainty about their 09 47 53</p> <p>3 position, we held it out to try to figure out 09 47 55</p> <p>4 whether or not they will clean that up, but we -- 09 47 58</p> <p>5 but given the only way there could have been a 09 48 03</p> <p>6 combination is our shareholders take stock. We 09 48 07</p> <p>7 weren't going to talk to a company that right now 09 48 10</p> <p>8 had uncertain SEC issues in about taking their 09 48 14</p> <p>9 stock. 09 48 17</p> <p>10 So we said, let's -- let's give them a 09 48 18</p> <p>11 chance to clear that up before there's any sort of 09 48 20</p> <p>12 direct dialogue with them But we were doing a 09 48 22</p> <p>13 lot of analysis work, you know, what were -- you 09 48 25</p> <p>14 know, so forth and so on 09 48 28</p> <p>15 Q The issues you were talking about with 09 48 30</p> <p>16 Family Dollar relate to the backdating of options 09 48 32</p> <p>17 investigations that were going on? 09 48 34</p> <p>18 A It related to they had an issue and 09 48 37</p> <p>19 couldn't get a 10K filed We didn't know -- we 09 48 40</p> <p>20 had -- we did not know the extent of that -- of 09 48 43</p> <p>21 that 09 48 46</p> <p>22 Q Okay To the best of your knowledge, 09 48 50</p> <p>23 were -- was there ever any other company that was 09 48 52</p> <p>24 notified formally or informally that 09 48 55</p> <p>25 Dollar General was potentially for sale beyond -- 09 48 59</p>
72	<p>1 beyond the private equity firms that ultimately 09 49 03</p> <p>2 did due diligence? 09 49 05</p> <p>3 A The -- the process for considering other 09 49 07</p> <p>4 alternatives was robust. By that, if you'd gone 09 49 11</p> <p>5 through this before, Doug, you would know that you 09 49 17</p> <p>6 do all of your -- your analysis before you have 09 49 19</p> <p>7 dialogue So we did enormous analysis on a -- on 09 49 22</p> <p>8 a bunch of other companies That analysis led us 09 49 30</p> <p>9 to only one place, Family Dollar 09 49 33</p> <p>10 And Family Dollar then was -- we were -- 09 49 34</p> <p>11 we were waiting to see whether or not they were 09 49 38</p> <p>12 going to cure their problem. 09 49 40</p> <p>13 Q Sure 09 49 42</p> <p>14 A Before having a dialogue with them 09 49 45</p> <p>15 Q I don't believe that ever happened, that 09 49 46</p> <p>16 they cured their problem, at least not to date 09 49 48</p> <p>17 A Uh-huh 09 49 51</p> <p>18 Q Does that mean that there was no dialogue 09 49 52</p> <p>19 that occurred between Dollar General and 09 49 55</p> <p>20 Family Dollar? 09 50 00</p> <p>21 A There was -- not that I know of 09 50 01</p> <p>22 Q Okay And -- and I take it from what 09 50 05</p> <p>23 you're saying -- correct me if I'm wrong -- 09 50 07</p> <p>24 that -- that beyond the consideration of potential 09 50 09</p> <p>25 other acquirers, there was no direct communication 09 50 14</p>
73	<p>1 with any of those potential acquirers regarding 09 50 20</p> <p>2 the fact that Dollar General might be potentially 09 50 27</p> <p>3 for sale? 09 50 29</p> <p>4 A Yeah 09 50 30</p> <p>5 Q Is that -- is that right? 09 50 30</p> <p>6 A I know of no communication that the 09 50 31</p> <p>7 investment bankers had Could there have been 09 50 34</p> <p>8 some that did not divulge confidentiality -- 09 50 39</p> <p>9 confidential information -- you have to remember, 09 50 45</p> <p>10 during this process, we were also very concerned 09 50 47</p> <p>11 about leaks and confidentiality 09 50 50</p> <p>12 And so -- so could they have had some 09 50 54</p> <p>13 exploratory conversations that did not -- that did 09 50 56</p> <p>14 not divulge where Dollar General was? They could 09 50 59</p> <p>15 have, but I don't know of those 09 51 02</p> <p>16 Q Okay You had testified earlier that the 09 51 09</p> <p>17 board reiterated its position regarding 09 51 12</p> <p>18 independence Was there any instruction to anyone 09 51 14</p> <p>19 to communicate that to KKR? 09 51 19</p> <p>20 A Yes The response to KKR -- first of all, 09 51 26</p> <p>21 the company had put in place what is called, you 09 51 33</p> <p>22 know, the appropriate response -- appropriate 09 51 37</p> <p>23 method That had happened some time ago We 09 51 43</p> <p>24 reaffirmed that position, one of independence, 09 51 46</p> <p>25 and -- and had David Perdue go back to KKR and 09 51 51</p>

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74		76	
1	say, the company heard what you said, but	09 51 59	
2	basically we have adopted a strategy of	09 52 02	
3	independence, and that's what we're pursuing	09 52 05	
4	Q Now, you had mentioned that Mr. Perdue had	09 52 08	
5	raised these issues periodically. During the	09 52 10	
6	summer of 2006, did Mr. Perdue tell the board that	09 52 15	
7	he had been contacted specifically by private	09 52 18	
8	equity firms regarding a potential acquisition of	09 52 23	
9	Dollar General?	09 52 27	
10	A He -- he was talking about general, very	09 52 29	
11	broad -- in very broad, general terms that he	09 52 33	
12	was -- that he was trying to be sure he understood	09 52 35	
13	the landscape. But -- but the specific	09 52 39	
14	conversation that came to our attention was the	09 52 45	
15	October meeting with KKR, immediately after which	09 52 49	
16	the board set in place an independent process to	09 52 53	
17	consider what the company ought to be doing	09 52 57	
18	Q What is your understanding of how the	09 52 59	
19	meeting with KKR -- between KKR and Mr. Turner	09 53 01	
20	came about? Was that -- for example, did KKR	09 53 05	
21	contact Mr. Turner directly? Did they go through	09 53 09	
22	Mr. Perdue?	09 53 12	
23	A. I do not know. I do not know the genesis	09 53 13	
24	of that meeting	09 53 15	
25	Q Okay. During the period of time we have	09 53 16	
75		77	
1	been talking about, which, in essence, is October,	09 53 31	
2	November, maybe early December of 2006, had -- was	09 53 32	
3	KKR provided access to any Dollar General	09 53 37	
4	information that was nonpublic?	09 53 41	
5	MR. SAVITT: Could you read the	09 53 49	
6	question back?	09 53 51	
7	THE WITNESS: Yeah, I was going to	09 53 54	
8	clarify his question	09 53 54	
9	(Reporter read back requested	09 53 55	
10	material.)	09 53 55	
11	MR. SAVITT: I'll object to the	09 54 09	
12	question	09 54 10	
13	BY MR. JOHNSTON,	09 54 10	
14	Q I think actually my question was October,	09 54 10	
15	November, and the first part of December of '06	09 54 14	
16	A. There was no public information -- no	09 54 19	
17	nonpublic information given to KKR prior to a	09 54 21	
18	decision by the board to -- to get their	09 54 27	
19	indication of the interest.	09 54 30	
20	BY MR. JOHNSTON:	09 54 32	
21	Q All right. And we now know that that was	09 54 33	
22	given. Do you know approximately when that	09 54 37	
23	permission was given?	09 54 39	
24	A. Yes	09 54 40	
25	Q When?	09 54 41	
1	A. Well, I know when we talked to them the	09 54 48	
2	permission was given at the board meeting prior to	09 54 50	
3	that date. In early December, the strategic	09 54 53	
4	planning committee had a meeting with KKR and	09 54 55	
5	Bain, one other firm, to talk about that we --	09 54 58	
6	that -- getting their indication of interest	09 55 03	
7	Q Okay. How did Bain get involved?	09 55 08	
8	A. The company -- the company had reaffirmed	09 55 17	
9	its -- and approved Alpha. Alpha was under	09 55 20	
10	implementation. We recognized there was enormous	09 55 23	
11	risk associated with the implementation of Alpha	09 55 28	
12	and -- and that the -- we -- we understood what	09 55 31	
13	the value might be given those implementation	09 55 34	
14	risks	09 55 38	
15	We felt that it was important to -- we --	09 55 40	
16	to understand from our fiduciary responsibility	09 55 45	
17	what these firms -- a firm who had said they had an	09 55 51	
18	interest in the company might be willing to do so	09 55 55	
19	that we could have a concrete something to compare	09 55 59	
20	against what we felt the value of Alpha was	09 56 04	
21	We did not want to talk with just one	09 56 07	
22	firm. We -- so we decided that we would -- and	09 56 09	
23	talk to two. And the -- and we were balancing,	09 56 16	
24	though, the confidentiality issues and the -- and	09 56 19	
25	the -- and the interference that would occur,	09 56 24	
1	because we knew these people would have to have	09 56 31	
2	information, the interference that would occur	09 56 34	
3	with the execution of Alpha	09 56 36	
4	So we -- we, the strategic planning	09 56 39	
5	committee, tried to think about who would be a	09 56 42	
6	good second party that -- so we could validate	09 56 46	
7	really the -- and get an indication of interest.	09 56 49	
8	We picked Bain -- this is your question --	09 56 53	
9	because Bain had had substantial -- had had	09 56 58	
10	previous experience in this sector, the dollar	09 57 03	
11	sector, had a good retail practice, understood the	09 57 06	
12	retail practice, had substantial capabilities, and	09 57 12	
13	we thought maybe even sufficient capabilities to	09 57 14	
14	be able to write an equity check of that size by	09 57 17	
15	themselves, which we also knew that KKR might	09 57 21	
16	have -- might have that capability	09 57 26	
17	Again, worried about confidentiality as	09 57 29	
18	part of that	09 57 31	
19	Q Now, how did you get all of this	09 57 35	
20	information about Bain? Where did it come from?	09 57 37	
21	A. It came from our advisers, Lazard	09 57 40	
22	Q Lazard? Had they had dealings with Bain	09 57 43	
23	in the past?	09 57 45	
24	A. I don't know	09 57 46	
25	Q Did they recommend any other private	09 57 49	

20 (Pages 74 to 77)

78		80	
1	equity firms beyond Ban? 09 57 51	1	of that prior answer. Let me go back to the 10 00 28
2	A We looked at a whole list of firms, and we 09 57 56	2	question I just asked you that -- that prompted 10 00 30
3	looked at pros and cons of those other firms and 09 57 58	3	that, and that is, what -- what is the additional 10 00 32
4	decided that Ban was -- had the best -- had the 09 58 02	4	burden on management if there's more than two? 10 00 34
5	best fit 09 58 07	5	A You really -- I can't answer you 10 00 41
6	Q You -- you mentioned that one of the 09 58 09	6	specifically, but I'm going to tell you, if you 10 00 44
7	reasons -- I think you mentioned this. Again, 09 58 10	7	really want to find out, you need to go -- you 10 00 46
8	this is one of those times I'm telling you what 09 58 13	8	need to get into how pervasive these processes 10 00 50
9	I -- I heard you testify to. So if I'm wrong, 09 58 15	9	are. It is an enormous burden on management to 10 00 54
10	tell me 09 58 19	10	respond to these private equity firms about 10 00 57
11	But what I think what you did was you 09 58 20	11	information that way. It is enormous 10 00 59
12	mentioned that one of the things that you and the 09 58 23	12	Q. And I'm certainly not disputing that in 10 01 06
13	board were concerned about was confidentiality 09 58 26	13	any question I'm asking. What I'm trying to find 10 01 08
14	issues and another was the impact on management in 09 58 29	14	out is -- is why it is that -- if you know, why it 10 01 10
15	regard to providing information to these entities, 09 58 34	15	is that if you have three that's far more -- far 10 01 14
16	and I think that's why you said you wanted to keep 09 58 37	16	worse for management than if you have two? 10 01 19
17	these to a minimum, to two 09 58 43	17	A It -- it just goes up geometrically in 10 01 26
18	What greater impact on -- 09 58 49	18	terms of -- the amount of questions -- this one 10 01 30
19	A Yeah, go ahead 09 58 52	19	asks different questions than that one, and, you 10 01 33
20	Q What greater impact on management would 09 58 53	20	know, it's just -- there's an enormous amount of 10 01 36
21	there be, if, for example, there were three or 09 58 55	21	data that has to be supplied. You -- you need to 10 01 40
22	four or five private equity firms involved in the 09 58 58	22	ask somebody else that, but it -- but I can tell 10 01 42
23	process? 09 59 00	23	you it was an enormous burden on management just 10 01 45
24	A I left one thing out on that thing too 09 59 06	24	given the way -- given only two firms being 10 01 48
25	The -- the company had adopted a position of 09 59 08	25	involved 10 01 50
79		81	
1	independence. We had not said, we're going to 09 59 13	1	But what I can also tell you is -- is we 10 01 54
2	sell the company. And so if you go out to five or 09 59 16	2	create a competition between those two firms to 10 01 57
3	six and run a book, you not only have 09 59 24	3	understand really the value that the company 10 02 00
4	confidentiality problems, you not only have the 09 59 26	4	might -- might have out there 10 02 03
5	problem of the -- the burden of -- on management 09 59 29	5	Q Okay. During this process, once KKR 10 02 18
6	going up, what I understand, geometrically by 09 59 32	6	expressed its interest and all -- all of the 10 02 24
7	every one of these firms you bring in, but -- but 09 59 35	7	things that occurred after that, after you hired 10 02 28
8	you also go down a process that does -- that 09 59 39	8	Lehman and Lazard, were those two firms 10 02 31
9	reduces the options that you have 09 59 44	9	essentially doing the same function? 10 02 33
10	When you go out to five or six firms, 09 59 46	10	A We didn't -- 10 02 36
11	you've almost made the decision, I'm going to sell 09 59 49	11	MR. SAVITT Object to the form 10 02 37
12	the company 09 59 52	12	THE WITNESS Yeah, we didn't hire 10 02 38
13	And so what we were all -- all we were 09 59 52	13	Lehman, the company hired Lehman 10 02 39
14	doing was giving an indication of interest to get 09 59 55	14	BY MR. JOHNSTON 10 02 41
15	some sense as to range of value that they might be 09 59 57	15	Q Okay 10 02 41
16	willing to pay. 10 00 01	16	A The board hired Lazard 10 02 42
17	So this was a very controlled process 10 00 02	17	Q Were they -- were they essentially 10 02 43
18	that -- that looked at maintaining our flexibility 10 00 06	18	forming -- were they essentially performing the 10 02 45
19	to say no and stay independent if that was what 10 00 10	19	same function? 10 02 47
20	was in the best interest of the company, but also 10 00 12	20	A No 10 02 49
21	carry on our fiduciary responsibility and 10 00 16	21	Q What were the differences? 10 02 50
22	understand what value might be there versus the 10 00 17	22	A Lazard -- Lazard was advising the board 10 02 55
23	value that could come from Alpha and -- and the 10 00 20	23	They had -- Lazard had the right to draw on Lehman 10 02 56
24	independent strategy 10 00 23	24	as a support function for them, but we expected 10 03 02
25	Q Okay. And I appreciate that explanation 10 00 25	25	the objectivity to come from Lazard. Lazard was 10 03 08

82			84		
1	advising the board Independence	10 03 11	1	Alpha	10 06 46
2	Q Did the implementation of Project Alpha	10 03 45	2	One of the risks was Lazard had told	10 06 52
3	have any impact on the -- the dealings with either	10 03 48	3	us that there was a possibility that during that	10 06 57
4	KKR or Bain between December and February or	10 03 55	4	implementation period while earnings are	10 07 01
5	March?	10 04 00	5	fluctuating dramatically, that the stock price	10 07 06
6	A. Yeah, I -- I don't know what you -- get	10 04 01	6	could also fluctuate dramatically, and might even	10 07 12
7	more precise Any impact, what -- what do you	10 04 02	7	drop to single digit numbers	10 07 16
8	mean by impact?	10 04 08	8	We wanted -- in carrying out our	10 07 26
9	Q I tell you what, let's -- we'll put that	10 04 11	9	fiduciary responsibility, they said, we've had	10 07 28
10	aside because I'm going to come back to these	10 04 14	10	somebody out here tell us that they want to make	10 07 30
11	issues when we get into some documents in a few	10 04 17	11	an offer for this company We need -- we don't --	10 07 33
12	minutes, and we'll talk about that then	10 04 19	12	we don't really know what they're talking about	10 07 35
13	You're kind of -- we're -- we started this	10 04 28	13	We need to get them to give us an indication of	10 07 37
14	process a long time ago You're kind of taking us	10 04 30	14	interest, but we don't want to just talk to KKR	10 07 39
15	through now, and we've gotten to the point where	10 04 34	15	We want another firm to sort of validate that	10 07 46
16	the board is considering what to do with the KKR	10 04 37	16	range We chose Bain They gave us their	10 07 49
17	approach You've hired your -- you've hired	10 04 42	17	indication of interest. So the -- we asked them	10 07 57
18	Wachtell, you've hired Lazard	10 04 44	18	for that, they gave it to us	10 08 01
19	The board did meet, and they did vote to	10 04 51	19	That enabled us to then look at that	10 08 04
20	proceed with KKR, and you've told us how they	10 04 58	20	range of what they thought the value for the	10 08 06
21	brought in -- how you brought in Bain	10 05 01	21	company would be versus the alternative of	10 08 08
22	A -- as I recall, there was a data bank	10 05 06	22	implementing Alpha That range was of sufficient	10 08 14
23	set up sometime in January or February Between	10 05 11	23	height that the next step was, we need to	10 08 23
24	the time that the board authorized Bain to come	10 05 16	24	determine, is that a real offer, or is that just a	10 08 29
25	into the process and the time that the data bank	10 05 21	25	soft offer So the next step was to allow them to	10 08 34
83			85		
1	was set up, just tell us what happened regarding	10 05 25	1	actually do the due diligence that was necessary	10 08 37
2	this process	10 05 30	2	to be able to give us an offer	10 08 41
3	MR SAVITT I'm going to object to	10 05 38	3	All along, though, we were	10 08 46
4	the form of that.	10 05 39	4	maintaining our flexibility as a company to say no	10 08 48
5	THE WITNESS Yeah, I mean, you've	10 05 40	5	to whatever offer came if we didn't think that	10 08 53
6	got so much in that, I can't -- I can't process it	10 05 41	6	offer was in the best interest of the	10 08 56
7	all	10 05 44	7	shareholders	10 09 00
8	BY MR JOHNSTON	10 05 44	8	BY MR JOHNSTON	10 09 00
9	Q I'm really just -- all I'm really trying	10 05 44	9	Q When you received the --	10 09 00
10	to do is narrow the time frames down	10 05 47	10	A And -- I'm sorry, we kept alive the	10 09 03
11	A Your question then -- yeah	10 05 50	11	strategic alternative of a combination with	10 09 08
12	Q What I'm trying to do is just to get you	10 05 52	12	Family Dollar if and when we could ever get	10 09 11
13	generally to explain to me what has gone on after	10 05 54	13	comfortable that they -- that they were -- that	10 09 13
14	Bain was brought into the process and then before	10 05 58	14	they had -- that they were a company that we	10 09 15
15	the data bank was set up in early 2007 What	10 06 02	15	really had -- would have an interest in taking	10 09 17
16	steps did the board take?	10 06 08	16	their securities on. So we were managing all of	10 09 20
17	MR SAVITT I'll have to object to	10 06 13	17	that, but we needed to keep the option of	10 09 23
18	the form of the question	10 06 14	18	independence alive and well	10 09 28
19	Please go ahead and answer	10 06 15	19	Q Okay When you received the indication of	10 09 30
20	THE WITNESS First of all, we had	10 06 20	20	interest from Bain, was their proposal based	10 09 34
21	approved a strategy of independence We had	10 06 21	21	entirely on, to the best of your knowledge, public	10 09 42
22	authorized the implementation of Alpha -- the	10 06 26	22	information?	10 09 45
23	implementation of Alpha consistent with that	10 06 31	23	A I know we didn't let them talk to	10 09 57
24	strategy We had a good understanding as a board	10 06 34	24	management No, we gave -- we had a	10 10 00
25	as to the opportunities and risks associated with	10 06 43	25	confidentiality agreement, and we -- and we gave	10 10 06

86	<p>1 them some information, like Alpha, et cetera, so 10 10 08</p> <p>2 that they could give us an indication of -- that's 10 10 13</p> <p>3 what I remember. But they did not have -- they at 10 10 16</p> <p>4 that stage were not really as pervasive as -- as 10 10 20</p> <p>5 they were after they wanted to move into due 10 10 28</p> <p>6 diligence 10:10 32</p> <p>7 Q As we sit here today, have you heard or 10 10 33</p> <p>8 read anything about the U.S. Department of Justice 10 10 40</p> <p>9 investigating private equity firms for collusion? 10 10 45</p> <p>10 A No, I'm -- I don't know anything about 10 10 50</p> <p>11 that. 10 10 53</p> <p>12 Q. Is my asking you this question the first 10 10 53</p> <p>13 time that that issue has been raised to you? 10 10 57</p> <p>14 A Yes, yeah 10 11:01</p> <p>15 Q Just assume with me for a moment that what 10 11 28</p> <p>16 I just said is correct, that the Department of 10 11 28</p> <p>17 Justice is investigating in some way private 10 11 30</p> <p>18 equity firms for colluding in these various deals 10 11 35</p> <p>19 if you had known at the end of 2006, beginning of 10 11 42</p> <p>20 2007 that that was a fact, would you have -- you 10 11 47</p> <p>21 as a member of the board done anything 10 11 50</p> <p>22 differently? 10 11 52</p> <p>23 MR. SAVITT: Objection to the form of 10 11 53</p> <p>24 the hypothetical question 10 11 54</p> <p>25 THE WITNESS: Yeah, I didn't know 10 11 57</p>	88	<p>1 think we gave them some information when we 10 20 05</p> <p>2 allowed them to participate in the process to give 10 20 08</p> <p>3 us an indication of interest 10 20 11</p> <p>4 Q Okay. So you think there was some 10 20 14</p> <p>5 nonpublic information that was provided to both 10 20 16</p> <p>6 company -- either or both companies? 10 20 18</p> <p>7 A Yeah. You're not going to give something 10 20 20</p> <p>8 to one you're not going to give to another 10 20 23</p> <p>9 Q Okay. Are you reasonably certain that 10 20 25</p> <p>10 whatever information you had provided to KKR you 10 20 27</p> <p>11 also provided to Bain that was nonpublic 10 20 30</p> <p>12 information? 10 20 34</p> <p>13 A You would need to ask Lazard because they 10 20 34</p> <p>14 were the deal, but -- that was -- the instructions 10 20 36</p> <p>15 was to -- to make sure that these people were on 10 20 40</p> <p>16 equal playing ground 10 20 43</p> <p>17 Q Okay. I may have asked you this earlier 10 20 45</p> <p>18 but -- and apologize if I did. Do you know 10 20 54</p> <p>19 whether or not Lazard had had prior dealings with 10 20 59</p> <p>20 Bain? 10 21 02</p> <p>21 A I do not. 10 21 02</p> <p>22 Q Do you know whether or not Lehman Brothers 10 21 03</p> <p>23 had had prior dealings with Bain? 10 21 04</p> <p>24 A I do not know that. 10 21 09</p> <p>25 Q Now, ultimately both of the firms, Bain 10 21 18</p>
87	<p>1 about that, so I can't say that we would have done 10 11 58</p> <p>2 something differently. I think we ran a very 10 12 00</p> <p>3 competitive process 10 12 03</p> <p>4 BY MR. JOHNSTON 10 12 07</p> <p>5 Q Okay 10 12 07</p> <p>6 A And -- and I need a break 10 12 09</p> <p>7 MR. JOHNSTON: Sure 10 12 13</p> <p>8 THE WITNESS: When you are over 60, 10 12 13</p> <p>9 you will know that. 10 12 16</p> <p>10 THE VIDEOGRAPHER: We are going off 10 12 19</p> <p>11 the record. The time now is 10 11 a.m. 10 12 19</p> <p>12 (Brief recess observed) 10 12 30</p> <p>13 THE VIDEOGRAPHER: This is Tape 2. 10 18 59</p> <p>14 Today's date is 2 June, 2007, and the time is 10 19 01</p> <p>15 10 18 a.m. 10 19 05</p> <p>16 BY MR. JOHNSTON 10 19 12</p> <p>17 Q I'm not sure I remember exactly where we 10 19 13</p> <p>18 left off, but I think what we were doing was 10 19 15</p> <p>19 talking about the process, same thing we have been 10 19 18</p> <p>20 talking about for some time 10 19 22</p> <p>21 What, if anything -- let me back up. When 10 19 38</p> <p>22 was it that the board authorized both KKR and/or 10 19 43</p> <p>23 Bain access to nonpublic information about 10 19 51</p> <p>24 Dollar General? 10 19 56</p> <p>25 A I think we gave them some information -- I 10 19 58</p>	89	<p>1 and KKR, were provided access to a lot of 10 21 21</p> <p>2 nonpublic information about Dollar General, 10 21 25</p> <p>3 correct? 10 21 27</p> <p>4 A What did you say, ultimately? 10 21 28</p> <p>5 Q Ultimately, yes 10 21 31</p> <p>6 A You mean through the whole process? 10 21 33</p> <p>7 Q Yes 10 21 35</p> <p>8 A Yes, they -- they ultimately did due 10 21 35</p> <p>9 diligence on the company and asked many, many 10 21 38</p> <p>10 questions, and that's the data room and all that 10 21 40</p> <p>11 stuff 10 21 42</p> <p>12 Q. Right. And interviews with members of 10 21 42</p> <p>13 senior management and -- 10 21 46</p> <p>14 A Correct 10 21 48</p> <p>15 Q Do you know whether or not the information 10 21 48</p> <p>16 that was sought by Bain and KKR was relatively 10 21 50</p> <p>17 close to the same, substantially different, or 10 21 55</p> <p>18 something in between? 10 21 59</p> <p>19 A. What I understand is, when anybody asks a 10 22 03</p> <p>20 question, that information is filed in the data 10 22 06</p> <p>21 room, and then -- then all parties have access to 10 22 08</p> <p>22 the same information in the data room 10 22 11</p> <p>23 Q All right. So even though Bain would have 10 22 13</p> <p>24 asked different questions of management or sought 10 22 15</p> <p>25 different information than -- from what -- from 10 22 18</p>

23 (Pages 86 to 89)

90	<p>1 the information that KKR sought, ultimately they 10 22 20 2 would have had access to whatever the other one 10 22 23 3 requested? 10 22 26 4 A That's my understanding 10 22 26 5 Q All right. That was certainly the 10 22 29 6 intention of the board, right? 10 22 31 7 A That was 10 22 32 8 Q At the point where the board authorized 10 22 48 9 access to nonpublic information for Bain and for 10 22 52 10 KKR, was there any further discussion regarding 10 22 56 11 providing access to, for example, the data bank to 10 23 05 12 any other firm? 10 23 12 13 A. Bain -- Bain told us that the size of the 10 23 16 14 equity check would be more than they could do or 10 23 19 15 were willing to do on their own, and they asked us 10 23:24 16 permission to bring in another party 10 23 30 17 Q To partner with them? 10 23 33 18 A To partner with them 10 23.35 19 Q Did KKR do the same thing? 10 23:36 20 A Not at that time 10 23 38 21 Q They did ultimately? 10 23.39 22 A Ultimately they did 10 23 40 23 Q Who did they -- 10 23 42 24 A. Between the indications of interest and 10 23 43 25 before the final bid. 10 23 46</p>
91	<p>1 Q All right. The -- the other firms then 10 23 48 2 that were provided the nonpublic information were 10 23 52 3 firms that had been brought in by the private 10 23 55 4 equity firms themselves to partner with them 10 23 59 5 respectively and to which the board assented? 10 24 03 6 A. Yes 10 24 13 7 Q Beyond that, was there any discussion once 10 24 14 8 there was a decision made to provide nonpublic 10 24 16 9 information to provide that information to any 10 24 19 10 other entity? 10 24 21 11 A There was substantial discussion weighing 10 24 25 12 pros and cons of whether or not to broaden the 10 24 29 13 process or keep the process focused, and what 10 24:36 14 the -- and what the positives and negatives, pros 10 24 39 15 and cons were of having a broad process 10 24 45 16 We worried about confidentiality, we 10 24 49 17 worried -- we worried about the burden on 10 24 52 18 management, and we worried about maintaining our 10 24 54 19 flexibility to always say no. And those things 10 24 57 20 were being considered throughout the process about 10 25 03 21 broadening out 10 25 06 22 Q And was the answer then, taking into 10 25 09 23 consideration all of those things that you just 10 25 14 24 mentioned, that you were not going to broaden 10 25 16 25 that -- that pool of parties that would have</p>
92	<p>1 access to nonpublic information? 10 25 23 2 A We decided not to do that, that we felt 10 25 25 3 like that we -- we -- we had a robust competitive 10 25 29 4 process that would -- that would yield an 10 25 33 5 indication of a highest value possible right out 10 25.42 6 there 10 25 47 7 Q Now, the company through its audit people, 10:25 49 8 both in-house and its outside auditors, are -- the 10 25 54 9 company is constantly reviewing the latest figures 10 26 00 10 and -- and looking at those and examining those, 10 26 03 11 and revising projections, is that -- is that a 10 26 09 12 fair statement of -- of the way in which 10 26 13 13 Dollar General operates? 10 26 16 14 A No. 10 26 18 15 Q What's not fair about that? 10 26 19 16 A What were you talking about the outside 10 26 22 17 auditors? 10 26 24 18 Q Well, I -- perhaps using that -- 10 26 25 19 A They look back, they don't look forward 10 26 31 20 Q Yeah, let's just push them out for a 10 26 33 21 moment 10 26 35 22 Dollar General, like any other company, is 10 26 39 23 going to be looking constantly at numbers as they 10 26 41 24 come in; is that fair? 10 26 44 25 A Yes 10 26 49</p>
93	<p>1 Q And when you have implemented something 10:26.49 2 like, for example, Project Alpha, you are 10 26.51 3 especially interested in the numbers that start 10 26 55 4 coming in to see -- to help you determine whether 10 26 56 5 or not it's on track, it's off track, how you put 10 26 59 6 it back on track if it's off, that sort of thing, 10 27 03 7 would that be fair? 10 27 07 8 MR SAVITT: Objection. 10 27 08 9 THE WITNESS: Yeah, you are 10 27 09 10 oversimplifying Alpha 10 27 14 11 BY MR. JOHNSTON 10 27 16 12 Q How am I oversimplifying Alpha? 10 27 16 13 A Early monitoring on Alpha was about -- was 10 27 19 14 about mistakes, not necessarily -- not 10 27 23 15 necessarily bundling that all up into -- into 10 27 27 16 numbers. So, you know -- store closures 10 27 29 17 Q Okay 10 27 35 18 A Are we on track to be able to close this 10 27 35 19 many stores? 10 27 38 20 What are you trying to get to, Doug, here? 10 27 50 21 Q I'll tell you in a minute. Let me -- let 10:27 52 22 me -- 10 27 56 23 A Do you know, Doug? 10 27 58 24 Q -- let me try to do this a little bit 10 27 59 25 different way 10 28 00</p>

24 (Pages 90 to 93)

94	<p>1 Were either Lehman or Lazard between 10 28 04</p> <p>2 December and March -- December of '06, March 10 28 08</p> <p>3 of '07, reviewing Dollar General numbers as they 10 28 10</p> <p>4 came in? 10 28 16</p> <p>5 A I don't recall 10 28 19</p> <p>6 Q Did the board review projections 10 28 32</p> <p>7 specifically regarding Project Alpha after its 10 28 46</p> <p>8 implementation and before the KKR number -- offer 10 28 53</p> <p>9 came in? 10 28 57</p> <p>10 A Say that again now 10 29 05</p> <p>11 Q Sure I'm just asking you if you remember 10 29 07</p> <p>12 whether or not the board reviewed projections. 10 29 11</p> <p>13 A Are you asking, did the Alpha plan change 10 29 15</p> <p>14 in that -- in that period? Are you asking -- 10 29 21</p> <p>15 Q No 10 29 23</p> <p>16 A -- did it change? 10 29 25</p> <p>17 Q No, I'm not asking that at all I'm 10 29 27</p> <p>18 asking whether or not there were financial 10 29 29</p> <p>19 projections based in part on implementation of 10 29 31</p> <p>20 Project Alpha that the board reviewed between the 10 29 36</p> <p>21 time of implementation and the time that the KK 10 29 39</p> <p>22 offer -- KKR offer was presented 10 29 43</p> <p>23 A We had an Alpha plan, if that's what 10 29 51</p> <p>24 you're calling projections Are you -- the Alpha 10 29 53</p> <p>25 plan said, if we do these things, we will produce 10 29 58</p>
95	<p>1 these results 10 30 01</p> <p>2 We had in there a scenario -- a band of 10 30 03</p> <p>3 results that could occur, and we continued -- 10 30 09</p> <p>4 there was nothing that happened that caused us to 10 30 15</p> <p>5 feel like the Alpha plan was anything other than 10:30 18</p> <p>6 what was indicated when it was approved 10 30:25</p> <p>7 Q Okay We'll shift gears a little bit 10 30 31</p> <p>8 What I'm going to do here is go through some 10 30 48</p> <p>9 minutes -- board minutes and minutes of the 10:30 50</p> <p>10 strategic planning committee I'll try to do this 10 30 53</p> <p>11 somewhat chronologically, but I can't guarantee 10 30 58</p> <p>12 that that's going to -- to happen 10 31 01</p> <p>13 I'll tell you right up-front I probably am 10:31 04</p> <p>14 not going to use all of the board minutes from 10 31 07</p> <p>15 2006 or 2007, but I'll use many of them 10 31 13</p> <p>16 And let me also say that to the extent 10 31 23</p> <p>17 that there are exhibits that are attached to those 10 31 25</p> <p>18 minutes, sometimes they're going to be included 10 31 27</p> <p>19 here, and sometimes they're not. Sometimes we 10 31 29</p> <p>20 will look at those after we get through with that, 10 31 32</p> <p>21 but I'm telling you right up-front that -- that 10 31 34</p> <p>22 some of them that have exhibits are not going to 10 31 38</p> <p>23 be included here 10 31 40</p> <p>24 Let me hand you a copy of -- 10 32 13</p> <p>25 MR JOHNSTON I'm sorry, I've only 10 32 17</p>
96	<p>1 got a couple of these 10 32 18</p> <p>2 MR. BARRETT. Off the record Have 10 32 27</p> <p>3 her mark the first one 10 32 30</p> <p>4 MR. SAVITT: You keep a copy. 10 32 34</p> <p>5 MR. BARRETT. I was going to have her 10 32 37</p> <p>6 mark it and give it back to Denny 10 32 38</p> <p>7 MR. SAVITT That's fine 10 32 40</p> <p>8 MR. BARRETT Just get it identified 10 32 42</p> <p>9 (Marked Exhibit No. 1) 10 32 53</p> <p>10 BY MR. JOHNSTON 10 32 56</p> <p>11 Q They're the same, but why don't you look 10 32 58</p> <p>12 at the one that she's marked, 10:33 00</p> <p>13 A Okay 10 35 09</p> <p>14 Q You have had an opportunity to look over 10 35 12</p> <p>15 this document. Does this document help to refresh 10:35 13</p> <p>16 your recollection as to the specially called board 10 35 17</p> <p>17 meeting from October the 8th, 2006? 10:35 20</p> <p>18 A Yes. 10 35:26</p> <p>19 Q Just a couple of general questions under 10 35 26</p> <p>20 the summary of events section Mr. Perdue is 10 35 28</p> <p>21 reminding the board that he had been contacted, 10 35 38</p> <p>22 and I think you testified to that earlier 10 35 40</p> <p>23 It says here he noted he discussed those 10 35 42</p> <p>24 contacts and, further, that two investment banking 10 35 45</p> <p>25 firms had recently presented to the finance 10 35 48</p>
97	<p>1 committee a summary of Dollar General's current 10 35 53</p> <p>2 position Who were the two investment banking 10 35 55</p> <p>3 firms? 10 35 58</p> <p>4 A That -- that would have been Goldman and 10 36 07</p> <p>5 Lehman, right? 10 36 09</p> <p>6 MR. SAVITT Okay 10 36 10</p> <p>7 THE WITNESS He's saying, I think, 10 36 11</p> <p>8 contacted by investment banking firms You said 10 36 13</p> <p>9 contacted by God or somebody He's been contacted 10 36 18</p> <p>10 by investment banking firms is what this says 10 36:23</p> <p>11 BY MR. JOHNSTON 10 36 25</p> <p>12 Q Okay And to the best of your 10 36 26</p> <p>13 recollection, that would have been Lehman and 10 36 27</p> <p>14 Goldman Sachs? 10 36 30</p> <p>15 A Yeah, that -- that's what I think he is 10 36 30</p> <p>16 referring to is that finance committee meeting 10 36:32</p> <p>17 that I -- that I referred to earlier 10 36 34</p> <p>18 Q Okay And then he goes on to say -- 10:36 36</p> <p>19 A Well, there's a difference I have been 10 36 42</p> <p>20 contacted by several Two have presented to the 10 36 44</p> <p>21 board, to the finance committee 10 36 47</p> <p>22 Q Correct Right And that was my 10 36 50</p> <p>23 question, who those two were 10 36 52</p> <p>24 A Right 10 36 54</p> <p>25 Q Then he goes on to explain in the last -- 10 36 57</p>

25 (Pages 94 to 97)

98	<p>1 in that last paragraph on the first page, taken no 10 36 59</p> <p>2 position with any of these firms but he did 10 37 02</p> <p>3 facilitate a conversation among representatives of 10 37 05</p> <p>4 KKR, Mr. Perdue, Mr. Wilds and Cal Turner 10 37 09</p> <p>5 So was Mr. Perdue stating there that -- 10 37 12</p> <p>6 that he was the one that set up this meeting? 10 37 16</p> <p>7 MR. SAVITT: Objection 10 37 21</p> <p>8 THE WITNESS: Yeah, I -- I don't 10 37 21</p> <p>9 know. You would have to ask him if that's what he 10 37 22</p> <p>10 was stating 10 37 24</p> <p>11 BY MR. JOHNSTON 10 37 42</p> <p>12 Q: Okay. Over on the next page in the 10 37 42</p> <p>13 paragraph just before where it says discussion 10 37 44</p> <p>14 talking about you 10 37 51</p> <p>15 A: Uh-huh 10 37 52</p> <p>16 Q: Do you see that? 10 37 52</p> <p>17 A: Uh-huh 10 37 53</p> <p>18 Q: It says, "Mr. Bottorff reminded the board 10 37 53</p> <p>19 that it had previously adopted a policy to be 10 37 55</p> <p>20 followed in the event of an unsolicited contact 10 37 57</p> <p>21 from a potential suitor?" 10 37 59</p> <p>22 A: Uh-huh 10 38 02</p> <p>23 Q: What was that policy? 10 38 02</p> <p>24 A: I think it -- I -- if I recall, it had the 10 38 04</p> <p>25 board serving as the entire body that would 10 38 08</p>
99	<p>1 consider these matters and -- which is a very 10 38 11</p> <p>2 cumbersome approach, and so -- and -- and it may 10 38 17</p> <p>3 have named -- I think it did name the CEO as the 10 38 22</p> <p>4 chief spokesperson 10 38 28</p> <p>5 We felt like those -- well, the governance 10 38 32</p> <p>6 committee felt those two items didn't create 10 38 34</p> <p>7 the -- No. 1, the independence that we needed, and 10 38 37</p> <p>8 No. 2 -- and No. 2, the ability to react -- to do 10 38 39</p> <p>9 all the work that needed to be worked -- done, 10 38 45</p> <p>10 given -- in a comprehensive fashion, so we felt 10 38 48</p> <p>11 like we needed a smaller body to work with that, 10 38 52</p> <p>12 and that's what our recommendation was 10 38 55</p> <p>13 Q: Why would that not have created the 10 38 57</p> <p>14 independence that you were looking for? 10 38 59</p> <p>15 A: Well, we felt like this should be a board 10 39 01</p> <p>16 led process and that management should be -- 10 39 05</p> <p>17 should be on the sideline, and that was the best 10 39 09</p> <p>18 way to ensure that what we were doing as a board 10 39 13</p> <p>19 was having -- was representing the shareholder -- 10 39 17</p> <p>20 we were discharging our duty as a board to 10 39 21</p> <p>21 represent the shareholders rather than that 10 39 22</p> <p>22 information being filtered to us by management. 10 39 25</p> <p>23 So the board -- you know -- and, again, 10 39 28</p> <p>24 David Perdue had been in the meeting with KKR, so 10 39 31</p> <p>25 we really felt like our primary focus is on 10 39 34</p>
100	<p>1 shareholder value, not other issues that sometimes 10 39 40</p> <p>2 occur in these matters 10 39 42</p> <p>3 Q: Okay. In the second paragraph under 10 39 45</p> <p>4 discussion, Mr. Perdue is noting here that he saw 10 39 48</p> <p>5 "compelling reasons for and against the 10 39 54</p> <p>6 consideration of an offer." Do you recall what 10 39 57</p> <p>7 any of the compelling reasons were that he 10 39 59</p> <p>8 mentioned, if he mentioned any? 10 40 01</p> <p>9 A: No 10 40 03</p> <p>10 Q: In the next paragraph, there's reference 10 40 17</p> <p>11 made to Mr. Turner and his intentions and 10 40 20</p> <p>12 opinions, and Mr. Wilds is reporting that to the 10 40 22</p> <p>13 best of his knowledge Mr. Turner had not made any 10 40 27</p> <p>14 arrangements with KKR 10 40 30</p> <p>15 Did the -- did the board request any 10 40 34</p> <p>16 person to go to Mr. Turner and ask him about what, 10 40 36</p> <p>17 if anything, he may have -- what, if any, 10 40 40</p> <p>18 arrangements he may have made with KKR to assure 10 40 47</p> <p>19 that that was the case? 10 40 50</p> <p>20 A: No, I don't remember that happening 10 40 54</p> <p>21 Q: Did you have any discussions with 10 40 59</p> <p>22 Mr. Turner in October of 2006 regarding KKR and 10 41 00</p> <p>23 its expressing of interest at that meeting, that 10 41 09</p> <p>24 sort of thing? 10 41 12</p> <p>25 A: I don't recall any. I did note how I said 10 41 13</p>
101	<p>1 this needed to be very thoughtful in 10 41 40</p> <p>2 deliberations. You can point that out. 10 41 43</p> <p>3 Q: I didn't have any questions about that. 10 41 45</p> <p>4 As a result of this initial meeting, the 10 42 01</p> <p>5 strategic planning committee was established, 10 42 04</p> <p>6 correct, pursuant to what you had suggested? 10 42 08</p> <p>7 A: As a result of this -- what is this 10 42 11</p> <p>8 initial meeting? 10 42 13</p> <p>9 Q: This meeting you're looking at. 10 42 14</p> <p>10 A: The board meeting 10 42 16</p> <p>11 Q: October the 8th 10 42 17</p> <p>12 A: Right 10 42 19</p> <p>13 Q: Is that correct? 10 42 20</p> <p>14 A: Well, as a result of this meeting, the 10 42 20</p> <p>15 governance committee met to consider -- with 10 42 23</p> <p>16 counsel to consider really what -- what our 10 42 27</p> <p>17 response ought to be, and -- and the governance 10 42 33</p> <p>18 committee recommended back to the board the 10 42 39</p> <p>19 establishment of a strategic plan meeting, which 10 42 42</p> <p>20 occurred later 10 42 45</p> <p>21 So -- so we had to go -- we went through 10 42 45</p> <p>22 steps. One, think about this, governance 10 42 47</p> <p>23 committee. Governance committee, what do you 10 42 49</p> <p>24 recommend? We came back later with the 10 42 51</p> <p>25 recommendation for establishment of the strategic 10 42 53</p>

102	<p>1 planning committee 10 42 56</p> <p>2 Q Was there a formal board meeting that was 10 42 57</p> <p>3 held that established the strategic planning 10 42 59</p> <p>4 committee? 10 43 02</p> <p>5 A Yes, and they adopted a charter and -- and 10 43 03</p> <p>6 everything 10 43 07</p> <p>7 Q Do you know when that took place? 10 43 08</p> <p>8 A After October 8 10 43 09</p> <p>9 Q And I'm about to show you the minutes of 10 43 10</p> <p>10 the first meeting that appeared -- of the 10 43 12</p> <p>11 strategic planning committee that appeared to have 10 43 14</p> <p>12 occurred on November 1st. So it would have been 10 43 16</p> <p>13 before November 1st but after October the 8th? 10 43 21</p> <p>14 A Yeah 10 43 23</p> <p>15 (Marked Exhibit No. 2) 10 43 39</p> <p>16 THE WITNESS Did you not see some 10 43 40</p> <p>17 minutes in between? Now, this is a meeting of 10 43 41</p> <p>18 strategic -- no, this is of -- uh-huh, okay 10 43 47</p> <p>19 BY MR. JOHNSTON: 10 45 48</p> <p>20 Q Again, did this document help refresh your 10 45 49</p> <p>21 recollection as to what occurred on November the 10 45 54</p> <p>22 1st, 2006, at the meeting of the strategic 10 45 56</p> <p>23 planning committee? 10 45 58</p> <p>24 A Yes 10 45 59</p> <p>25 Q Does this appear to be the very first 10 46 09</p>
103	<p>1 meeting of the strategic planning committee? 10 46 11</p> <p>2 A Yeah, I'm -- what I'm trying to think 10 46 21</p> <p>3 about is -- yes I'm looking at the decision 10 46 24</p> <p>4 tree, but that was -- that was sent to people -- 10 46 30</p> <p>5 correct, yeah, first meeting. 10 46 34</p> <p>6 Q Okay And you were elected the chairman, 10 46 35</p> <p>7 and -- at that meeting, which would have been done 10 46 38</p> <p>8 at the first meeting, correct? 10 46 42</p> <p>9 A Uh-huh 10 46 44</p> <p>10 Q Okay Now, in the third paragraph, it's 10 46 44</p> <p>11 noted that Ms. Lanigan, who's here today, and 10 46 50</p> <p>12 Mr. Herlihy of Wachtell, Lipton discussed the 10 46 53</p> <p>13 summary of the legal and fiduciary obligations 10 47 01</p> <p>14 that the board held And then there's a 10 47 07</p> <p>15 parenthetical qualifier It says, "When the 10 47 09</p> <p>16 company receives an overture from a private equity 10 47 15</p> <p>17 or other group while preparing to consider 10 47 19</p> <p>18 a significant change in strategic course such as 10 47 23</p> <p>19 Project Alpha." Do you see that? 10 47 23</p> <p>20 A Yes 10 47 27</p> <p>21 Q Was it your understanding at the time that 10 47 28</p> <p>22 the fiduciary obligation of a board or a board 10 47 31</p> <p>23 member when a company receives an overture from a 10 47 38</p> <p>24 private equity or other group is any different 10 47 41</p> <p>25 when it is preparing to consider a significant 10 47 45</p>
104	<p>1 change in strategic course such as Project Alpha? 10 47 50</p> <p>2 MR. SAVITT I just counsel the 10 47 54</p> <p>3 witness to not reveal any communications with 10 47 55</p> <p>4 counsel in answering that question 10 47 57</p> <p>5 BY MR. JOHNSTON 10 48 00</p> <p>6 Q And I'm not asking for any communications, 10 48 00</p> <p>7 I'm just asking your understanding 10 48 01</p> <p>8 A The -- the way you approach these type of 10 48 06</p> <p>9 things is you have to understand the company's 10 48 08</p> <p>10 strategy The company has to have a strategic 10 48 11</p> <p>11 plan, you have to understand that company's 10 48 15</p> <p>12 strategy, and you have to take that into 10 48 17</p> <p>13 consideration versus its other alternatives 10 48 19</p> <p>14 This is the same thing they're talking 10 48 22</p> <p>15 about here is understanding the company's 10 48 24</p> <p>16 strategy. 10 48 26</p> <p>17 Q. And I understand that, and perhaps my 10 48 26</p> <p>18 question wasn't clear What -- what you're 10 48 32</p> <p>19 telling me is that a board member, in order to 10 48 36</p> <p>20 carry out its fiduciary duty to the shareholders, 10 48 41</p> <p>21 has to understand the overall strategy, is that -- 10 48 47</p> <p>22 is that fair? 10 48 49</p> <p>23 A. Correct 10 48 49</p> <p>24 Q All right My question, though, is a 10 48 50</p> <p>25 little bit more pointed. Is -- was it your 10 48 51</p>
105	<p>1 understanding at the time that your fiduciary 10 48 54</p> <p>2 obligation when you received an overture like you 10 48 57</p> <p>3 had from KKR was different when you were preparing 10 49 01</p> <p>4 to consider a -- a major change in -- in the 10 49 07</p> <p>5 company's strategic course? 10 49 11</p> <p>6 MR. SAVITT Let me interject the 10 49 14</p> <p>7 same caution and object to the extent that the 10 49 15</p> <p>8 question calls for a legal conclusion. 10 49 17</p> <p>9 THE WITNESS Yeah, I don't know what 10 49 19</p> <p>10 you're asking really I don't. I mean, I don't 10 49 20</p> <p>11 know why -- I don't know what's -- you have to 10 49 24</p> <p>12 think about strategy, and you have to think about 10 49 26</p> <p>13 your alternatives, and that's the two charges you 10 49 28</p> <p>14 have to deal with. 10 49 31</p> <p>15 BY MR. JOHNSTON, 10 49 31</p> <p>16 Q Is there ever a time when a company does 10 49 32</p> <p>17 not have a strategy? 10 49 34</p> <p>18 A Yes 10 49 35</p> <p>19 Q Has there been a time -- 10 49 36</p> <p>20 A When a company -- yes 10 49 38</p> <p>21 Q Has there been a time -- 10 49 39</p> <p>22 A Lots of companies 10 49 40</p> <p>23 Q Has there been a time since you've been on 10 49 41</p> <p>24 the board of Dollar General when Dollar General 10 49 44</p> <p>25 has not had a strategy? 10 49 45</p>

27 (Pages 102 to 105)

106	<p>1 A There have been times when Dollar General 10 49 51 2 has not had a strategic plan. 10 49 52 3 Q Okay. 10 49 56 4 A And you have to deal -- those two things 10 49 57 5 are a little bit different, strategy and results 10 49 58 6 of that in a strategic plan, yes But 10 50 01 7 Dollar General was honing its strategic plan all 10 50 07 8 the time 10 50 12 9 Q All right. And how -- how do you 10 50 16 10 differentiate -- I'm not sure that I'm 10 50 18 11 understanding your differentiation between 10 50 20 12 strategy and strategic plan. Can you explain that 10 50 22 13 to me? 10 50 24 14 A The strategy is to take that mountain 10 50 28 15 The strategic plan talks about, what are the 10 50 32 16 things you're going to do to take that mountain 10 50 35 17 Q Okay 10 50 37 18 A That help you? 10 50 38 19 Q All right. 10 50 39 20 A Alpha, I'm going to say to you, is -- is 10 50 45 21 an interim program leading to a long-term strategy 10 50 48 22 implementation 10 50 54 23 Q Was it your understanding that the board's 10 51 01 24 consideration of Project Alpha in some way changed 10 51 03 25 your fiduciary duty once you received the 10 51 06</p>	108	<p>1 substantial degradation in its earnings before the 10 52 35 2 results of Alpha were going to be realized 10 52 39 3 Q And, again, we -- we've talked about that. 10 52 44 4 briefly The -- the degradation in earnings would 10 52 46 5 result from implementation costs and -- 10 52 49 6 A Closing -- closing offices, taking 10 52 53 7 inventory markdowns, you know, expenses associated 10 52 59 8 with all that sort of stuff 10 53 04 9 Q Okay. And -- 10 53 06 10 A One of the risks to that was, you know, if 10 53 06 11 you've got a company who's not making a buck or 10 53 09 12 five, a buck ten a share, and you've got a 10 53 13 13 forecast that says it's going to make 50 cents a 10 53 16 14 share, there's a big risk to what's the stock 10 53 19 15 price going to be 10 53 22 16 Q In the next paragraph at the bottom of the 10 53 24 17 page, there is a discussion of "the current state 10 53 28 18 of the European deep discount sector and the 10 53 32 19 potential -- potential interest of one or more of 10 53 35 20 those companies in moving into the U.S. market." 10 53 37 21 Do you recall any of the entities that 10 53 42 22 were discussed there? 10 53 44 23 A. There's a French company, care -- care 10 53 48 24 something, care for something. That's the one I 10 53 51 25 recall 10 53 55</p>
107	<p>1 indication of interest from KKR? 10 51 10 2 A No 10 51 12 3 Q Okay 10 51 13 4 A Our fiduciary duty is clear 10 51 13 5 Q Okay. The next paragraph after that is 10 51 20 6 a -- sort of a general discussion of -- of 10 51 22 7 Project Alpha. It notes attached is an Exhibit A 10 51 25 8 We do not have the Exhibit A attached to this 10 51 33 9 document that we've marked now as Exhibit 2. 10 51 37 10 The very last two sentences of that 10 51 44 11 paragraph, do you see, "Mr. Perdue noted that it 10 51 47 12 would likely take approximately 18 months to fully 10 51 49 13 transition, and he discussed the execution risks 10 51 52 14 inherent in the project?" Do you see that? 10 51 56 15 A Yes 10 51 58 16 Q And then the next sentence, "There 10 52 00 17 followed a lengthy discussion." Do you recall 10 52 02 18 anything about that lengthy discussion, what the 10 52 05 19 risks were, what was discussed, who discussed 10 52 07 20 them, that sort of thing? 10 52 10 21 A I -- I don't recall any of the whos 10 52 14 22 We've talked about some of the risks, what -- what 10 52 18 23 this also had with it was some financial 10 52 23 24 projections, the results of the initiatives. It 10 52 28 25 demonstrated a company that was going to have a 10 52 31</p>	109	<p>1 Q And -- 10 53 57 2 A There were some others 10 53 58 3 Q You had told us earlier that ultimately it 10 53 59 4 was determined that the likelihood of interest in 10 54 03 5 any of these other entities was none? 10 54 07 6 A. Yeah. 10 54 14 7 Q. How did you make that determination -- 10 54 14 8 A No, I think small 10 54 16 9 Q All right. Small. How did you make that 10 54 17 10 determination in regard to the -- these European 10 54 19 11 entities? 10 54 24 12 A The investment bankers presented us a 10 54 24 13 comprehensive summary of a whole list and -- and 10 54 27 14 they -- and they -- they rated those based upon a 10 54 32 15 number of things and -- so that it was their 10 54 38 16 assessment to -- to us. And so we relied on their 10 54 41 17 assessment of those parties' interest. And when I 10 54 49 18 say investment bankers, it was Lazard 10 54 52 19 Q In the sort of bottom third of that page, 10 55 08 20 second page, there's a discussion about engaging 10 55 11 21 an investment banker 10 55 17 22 A Yeah, Lazard 10 55 18 23 Q Do you see that? 10 55 19 24 A Uh-huh 10 55 20 25 Q And they're talking about, first of all, 10 55 21</p>

28 (Pages 106 to 109)

110	<p>1 Lehman and then ultimately asking Lazard -- 10 55 22</p> <p>2 actually, yeah, Lazard to -- 10 55 27</p> <p>3 A. Represent the committee and the board 10 55 29</p> <p>4 Q Right. And it -- and it -- what it says 10 55 31</p> <p>5 here, I think, is the committee unanimously 10 55 33</p> <p>6 decided to recommend to the board that it ask 10 55 36</p> <p>7 Lehman to perform the financial analysis discussed 10 55 38</p> <p>8 above, that is, the Project Alpha projections and 10 55:41</p> <p>9 that sort of thing, but it also retained another 10 55 46</p> <p>10 firm with no existing ties to review the work done 10 55 49</p> <p>11 by Lehman and advise the board particularly on 10 55 52</p> <p>12 market reaction alternatives and environment 10 55 56</p> <p>13 So was the decision to bring in Lazard, 10 56 00</p> <p>14 then, mainly geared towards Project Alpha? 10 56 03</p> <p>15 A No, it was about the whole -- 10:56:09</p> <p>16 Q Okay 10 56 11</p> <p>17 A It was about all of the scenarios. And 10 56 11</p> <p>18 there is -- there's something I ought to clarify 10 56 17</p> <p>19 about this thing because I -- I remember 10 56 20</p> <p>20 specifically asking the question. If -- if we're 10 56 21</p> <p>21 going to ask Leh -- Lehman to -- to review Alpha 10 56 26</p> <p>22 and give us their thoughts, how are we going to 10 56 31</p> <p>23 know that those are -- that we're getting 10:56:36</p> <p>24 completely independent advice? 10 56 38</p> <p>25 And the answer was, well, wait, Lazard is 10 56 40</p>
111	<p>1 used to critiquing things from other investment 10 56 43</p> <p>2 bankers. And they will make sure that what you're 10 56 50</p> <p>3 given has their stamp of approval on it. 10:56:54</p> <p>4 They -- they may rely on some comments, 10 56 56</p> <p>5 but it's going to be their final thought. So 10 56 58</p> <p>6 really Lazard was our adviser. Even though Lehman 10 57 01</p> <p>7 provided support, it was support for Lazard, not 10 57 04</p> <p>8 support for the board 10 57 08</p> <p>9 Q Okay 10 57 14</p> <p>10 A We wanted an independent party advising 10 57 15</p> <p>11 the board that we knew was hired by the board and 10 57 16</p> <p>12 could be fired by the board. 10 57 20</p> <p>13 Q Okay. Now, you had -- I'm going to do 10 57:30</p> <p>14 this real briefly if I've got -- I don't have any 10 57 33</p> <p>15 more. Yeah 10 57 37</p> <p>16 MR. SAVITT: Doug, are you finished 10 57 41</p> <p>17 with this one? 10 57 42</p> <p>18 MR. JOHNSTON: Yes 10 57 43</p> <p>19 MR. BARRETT: That's Exhibit 3? 10 57 51</p> <p>20 MR. JOHNSTON: Exhibit 3, go ahead 10 58 01</p> <p>21 and mark 10 58 03</p> <p>22 (Marked Exhibit No. 3) 10 58 03</p> <p>23 BY MR. JOHNSTON 10 58 04</p> <p>24 Q You had discussed earlier about a decision 10 58 05</p> <p>25 tree that was provided to the special committee 10 58 07</p>
112	<p>1 Is this the document that you were making 10 58 11</p> <p>2 reference to earlier? 10:58:13</p> <p>3 A Yes 10 58 14</p> <p>4 Q And -- and does this outline the decision 10 58 15</p> <p>5 approach that the special committee took? 10 58 21</p> <p>6 A Yes 10 58 24</p> <p>7 Q That's fine. Let's just put Exhibit 3 10 58 37</p> <p>8 aside. I may want to come back to that in a 10 58 39</p> <p>9 little bit. 10 58 41</p> <p>10 Let me next show you a copy of what I 10:58:59</p> <p>11 believe are the minutes from the board's meeting 10 59:01</p> <p>12 on November the 3rd, 2006 10:59:05</p> <p>13 MR. JOHNSTON: We'll mark that as 10 59 09</p> <p>14 Exhibit 4 10 59 11</p> <p>15 (Marked Exhibit No. 4) 10 59 11</p> <p>16 THE WITNESS: Okay. 11 01 22</p> <p>17 BY MR. JOHNSTON 11 01 24</p> <p>18 Q Again, does reviewing this document 11 01 24</p> <p>19 refresh your recollection as to the actual events 11 01 26</p> <p>20 of the board of directors' meeting on November 3, 11 01 30</p> <p>21 2006? 11 01 36</p> <p>22 A Yes 11 01 36</p> <p>23 Q Now, let me assert to you that I don't 11 01 36</p> <p>24 think I have any minutes from the -- any board 11 01 38</p> <p>25 meeting between October the 8th and November the 11 01 43</p>
113	<p>1 3rd. It's entirely possible that there is some 11 01 44</p> <p>2 there. I'm certainly not suggesting that I 11 01 47</p> <p>3 haven't been provided something. I just don't 11 01 52</p> <p>4 think I recall seeing them 11 01 55</p> <p>5 Do you -- can you say whether or not for 11 01 57</p> <p>6 sure there was a board meeting, either special or 11 01 59</p> <p>7 regular, that occurred between October the 8th and 11 02 04</p> <p>8 November the 3rd? 11 02 07</p> <p>9 A There -- there had to be a meeting that 11 02 09</p> <p>10 sanctioned the strategic planning committee being 11 02 11</p> <p>11 formed. There was a report at that meeting 11:02:13</p> <p>12 that -- of the governance committee that talked 11 02 18</p> <p>13 about the population of all the committees 11 02 20</p> <p>14 included, and that was sanctioned by the board 11 02 23</p> <p>15 And so I don't know -- there -- there was 11 02 27</p> <p>16 no strategic planning committee until the board -- 11 02 32</p> <p>17 Q Authorized? 11 02 38</p> <p>18 A -- formed one, so 11 02 39</p> <p>19 Q That's fine. That's fine 11 02 41</p> <p>20 Now, on the document we've now marked as 11 02 43</p> <p>21 Exhibit 4, it lists a number of people who were in 11 02 45</p> <p>22 attendance at this board meeting. Just briefly, 11 02 49</p> <p>23 can you tell us who these people are, their 11:02:53</p> <p>24 name -- I assume, first of all, they're all people 11 02 58</p> <p>25 who are associated with the company in some way, 11 03 01</p>

114	<p>1 employees? 11:03:03</p> <p>2 A You're talking about people other than the 11:03:06</p> <p>3 board that you expected to be there? 11:03:08</p> <p>4 Q Yeah, other than the board, right. 11:03:10</p> <p>5 A Yeah, it -- it appears to me, it might -- 11:03:12</p> <p>6 and we had -- we had -- I remember Project Alpha 11:03:13</p> <p>7 merchandising, real estate, operations function 11:03:18</p> <p>8 You know, you had people in the company involved 11:03:21</p> <p>9 with those functions who were at the -- in 11:03:23</p> <p>10 attendance 11:03:27</p> <p>11 Q And specifically just tell us as you go 11:03:27</p> <p>12 through this who's who 11:03:30</p> <p>13 A Who's who? Well, David Tehle, he's the 11:03:32</p> <p>14 CFO, he normally comes Beryl Buley is the -- was 11:03:35</p> <p>15 the chief merchant Kathleen Guion ran store ops 11:03:38</p> <p>16 Susan Langan is -- is the general counsel 11:03:44</p> <p>17 Chellis Lowe was the head of human resources 11:03:46</p> <p>18 Anita Elliott works in the -- she's controller, I 11:03:49</p> <p>19 believe Wayne Gibson was responsible for the DG 11:03:52</p> <p>20 markets Spencer Ferebee is the internal auditor 11:03:58</p> <p>21 Christine Connolly is the secretary And Clayton 11:04:03</p> <p>22 Con -- Klutts is the staff person who works in the 11:04:06</p> <p>23 financial management area and basically prepares a 11:04:11</p> <p>24 lot of the models 11:04:14</p> <p>25 Q On the second page at the bottom of the 11:04:31</p>	116	<p>1 share and EBITDA for 2007, 2008, 2009? 11:05:45</p> <p>2 A Yeah 11:05:52</p> <p>3 Q Among other things? 11:05:53</p> <p>4 A Right, right 11:05:54</p> <p>5 Q They're not limited to that, but for 11:05:54</p> <p>6 example those things. 11:05:56</p> <p>7 Do you know how it is that those 11:05:58</p> <p>8 projections are made? 11:06:00</p> <p>9 A My understanding it's a bottom-up process, 11:06:04</p> <p>10 a lot of input by all those people on the previous 11:06:08</p> <p>11 page It's not some macro model that's being run 11:06:12</p> <p>12 There's a lot of input that comes from the people 11:06:16</p> <p>13 that ultimately have to implement that. And the 11:06:17</p> <p>14 CFO serves as a coordinating body and validating 11:06:20</p> <p>15 body to that 11:06:24</p> <p>16 Q Okay Further on in that paragraph, it's 11:06:30</p> <p>17 talking about the base case scenario? 11:06:38</p> <p>18 A Yes 11:06:41</p> <p>19 Q We were talking about various iterations 11:06:42</p> <p>20 earlier. This discusses it in terms of scenarios 11:06:45</p> <p>21 I think it's basically the same thing we were 11:06:49</p> <p>22 talking about. 11:06:52</p> <p>23 First of all, just tell us, what is the 11:06:52</p> <p>24 base case scenario for Project Alpha 11:06:55</p> <p>25 A I -- I think the base case is what the 11:07:01</p>
115	<p>1 page, they briefly mention Gordon Brothers? 11:04:33</p> <p>2 A Yes 11:04:37</p> <p>3 Q And we talked about that earlier These 11:04:37</p> <p>4 were people that were brought in to assist the 11:04:39</p> <p>5 company in its strategy of closing unproductive 11:04:41</p> <p>6 stores, is that right? 11:04:45</p> <p>7 A Yes 11:04:46</p> <p>8 Q And their involvement with Dollar General 11:04:47</p> <p>9 is basically limited to that function, is -- as we 11:04:51</p> <p>10 discussed earlier? 11:04:55</p> <p>11 A Yes And as I said, in my understanding 11:04:56</p> <p>12 was to help also liquidate the inventory from 11:04:58</p> <p>13 those closing stores 11:05:01</p> <p>14 Q Right 11:05:03</p> <p>15 On Page 3 in the middle of the page, the 11:05:04</p> <p>16 individual that you've identified as the -- the 11:05:10</p> <p>17 CFO -- 11:05:14</p> <p>18 A Uh-huh 11:05:19</p> <p>19 Q -- is talking about the consideration of 11:05:19</p> <p>20 risks, determining the -- when determining the 11:05:21</p> <p>21 company's post-Alpha financial projections, and 11:05:23</p> <p>22 notes that they are likely skewed, the 11:05:29</p> <p>23 projections, to the conservative end 11:05:32</p> <p>24 Now, those projections, as -- as you 11:05:35</p> <p>25 recall them, include such things as earnings per 11:05:37</p>	117	<p>1 company would do if it did not implement Alpha 11:07:06</p> <p>2 Now, let me read this again and see 11:07:19</p> <p>3 something Yeah 11:07:20</p> <p>4 Q Okay So base -- base case is non-Alpha? 11:07:28</p> <p>5 A Then Alpha, then some Alpha iterations of 11:07:32</p> <p>6 alternate real estate 11:07:35</p> <p>7 Q All right. And was it your understanding 11:07:39</p> <p>8 and is it your understanding as we sit here today 11:07:41</p> <p>9 that the projections for all of those were 11:07:44</p> <p>10 essentially conservative projections? 11:07:47</p> <p>11 A Yeah 11:07:49</p> <p>12 Q And that's what you would expect, correct? 11:07:49</p> <p>13 A Well, remember now, we had had two 11:07:52</p> <p>14 conservative plans before from this company that 11:07:54</p> <p>15 they had failed to meet 11:07:56</p> <p>16 Q So you want these to be conservative? 11:07:57</p> <p>17 A Well, the -- you -- we had had two 11:07:59</p> <p>18 conservative plans from the management before that 11:08:03</p> <p>19 they had failed to meet, and so, you know, 11:08:05</p> <p>20 management really doesn't want to give us, the 11:08:10</p> <p>21 board, a set of projections that they miss again 11:08:12</p> <p>22 So I think -- I think the question is -- 11:08:17</p> <p>23 and they're trying to say to us, hey, look, we 11:08:18</p> <p>24 know we've missed the last two plans we've given 11:08:21</p> <p>25 you We think we can make this plan That's what 11:08:24</p>

30 (Pages 114 to 117)

118		120	
1	they're trying to say 11 08 26	1	As we sit here today, do you know whether 11 11 17
2	Q Okay Why had they missed the last two 11 08 29	2	or not the implement -- implementation of 11 11 21
3	plans? 11 08 32	3	Project Alpha to date, to the extent that it has 11 11 26
4	A Things didn't turn out like they thought 11 08 37	4	been implemented, is on plan or off track? 11 11 29
5	they were going to 11 08 39	5	A Yeah, I -- I'm -- I am not current -- 11 11 35
6	Q Any more specifics than that? 11 08 46	6	Q Okay 11 11 37
7	A Well, the inventory -- the inventory 11 08 47	7	A -- about how Alpha is moving to date 11 11 38
8	didn't sell like they thought it was going to 11 08 48	8	Q That would be better addressed to somebody 11 11 41
9	sell They -- some of the store openings didn't 11 08 50	9	in management, right? 11 11 44
10	turn out to be sort of as productive as they 11 08 52	10	A Yes. 11 11 45
11	thought they were going to be at the -- and, you 11 08 55	11	(Marked Exhibit No 5) 10 21 57
12	know -- at the core, you know, you go back to 11 08 57	12	BY MR. JOHNSTON 11 12 11
13	these two fundamental things, merchandising 11 09 00	13	Q The notes that we just looked at make 11 12 11
14	policy, pack-away, and real estate. As you say, 11 09 04	14	reference to an Exhibit A, which I think this is, 11 12 13
15	those -- as I said, the company had outgrown its 11 09 08	15	but I can't absolutely swear to that. 11 12 16
16	infrastructure Those things were not honed, well 11 09 11	16	A Before we go ahead, my oversized prostrate 11 12 46
17	running kinds of things 11 09 15	17	is getting to me again 11 12 48
18	And so those -- it was difficult for them 11 09 16	18	THE VIDEOGRAPHER Off the record 11 12 53
19	to - to figure out -- to project what would 11 09 20	19	We're off the record Time now is 11 12 11 12 58
20	happen, given the status of the merchandising 11 09 24	20	(Brief recess observed) 11 13 02
21	effort and the -- and the store ops, including 11 09 28	21	THE VIDEOGRAPHER We're back on the 11 19 03
22	store openings effort. 11 09 31	22	record The time now is 11 18 11 19 04
23	Q In -- in your mind as a board member, were 11 09 37	23	BY MR. JOHNSTON 11 19 07
24	there members of management whose jobs may have 11 09 40	24	Q Mr Bottorff, while we were on the short 11 19 07
25	been on the line if Project Alpha didn't turn out? 11 09 46	25	break, Mr Savitt was kind enough to provide 11 19 10
119		121	
1	A All managements live or die ultimately by 11 09 52	1	copies of a board of directors meeting minutes for 11 19 13
2	their results And if you've got a company that 11 09 55	2	October the 19th Before we get to the document 11 19 17
3	hasn't made its plan in two years, then it's a 11 10 00	3	that we've marked as Exhibit 5, since we did 11 19 20
4	question of how long you're going to go before you 11 10 03	4	mention this, let me just go ahead and show you a 11 19 22
5	say, wait, we've got a management issue here And 11 10 05	5	copy of those 11 19 25
6	so that's -- that's not Dollar General That's -- 11 10 09	6	(Marked Exhibit No 6) 11 19 39
7	that's the world out there 11 10 11	7	MR SAVITT Are you marking this as 11 20 01
8	Q Sure 11 10 13	8	No 6? 11 20 02
9	A And so, yeah, people -- people in these 11 10 14	9	MR JOHNSTON Yes 11 20 03
10	positions know that they live or die by the 11 10 17	10	THE WITNESS Okay 11 20 03
11	results ultimately 11 10 20	11	BY MR. JOHNSTON 11 20 04
12	Q Had there been discussion among board 11 10 21	12	Q All right. And is this the meeting in 11 20 04
13	members regarding Mr. Perdue in particular in his 11 10 25	13	which the new committee was formed and authorized? 11 20 06
14	management of the company over the period of time 11 10 29	14	A Yes 11 20 21
15	that he had been CEO, and specifically in regard 11 10 32	15	Q This also discusses changes in committee 11 20 21
16	to the two years of missed plan? 11 10 38	16	memberships? 11 20 24
17	A Yeah The answer is yes You missed 11 10 41	17	A Yes 11 20 25
18	plan, there is discussions about why you missed 11 10 44	18	Q You were mentioning earlier that you 11 20 25
19	plan And is that, you know -- and ultimately the 11 10 49	19	served on a number, and they changed during the 11 20 27
20	CEO has to bear the burden for success or 11 10 52	20	period of time that we were talking about, which 11 20 29
21	nonsuccess So, yes, there was talking about 11 10 54	21	was summer of '06, fall of '06, and winter 11 20 31
22	that 11 11 01	22	of '06 07? 11 20 35
23	Q I asked you a form of this question 11 11 06	23	A This is when the change occurred 11 20 37
24	earlier, but let me just go back and -- and ask it 11 11 10	24	Q Right Okay 11 20 39
25	a little bit differently, I hope 11 11 14	25	MR JOHNSTON It's marked as 11 20 40

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122	<p>1 Exhibit 6. We'll put that aside. 11:20:40</p> <p>2 BY MR. JOHNSTON 11:20:44</p> <p>3 Q Have you had an opportunity to look at the 11:20:45</p> <p>4 document that we've marked as Exhibit 5? 11:20:46</p> <p>5 A No, I'm just looking at it. 11:20:49</p> <p>6 Q Okay. 11:20:52</p> <p>7 A Okay 11:21:43</p> <p>8 Q Only have a couple of questions about this 11:21:43</p> <p>9 document. It contains a number of things 11:21:45</p> <p>10 Specifically let me ask you to turn to Page 6 11:21:48</p> <p>11 where it has some of the numbers that are included 11:21:51</p> <p>12 in this overall document, projected EPS 11:21:54</p> <p>13 You were mentioning that you understand -- 11:22:04</p> <p>14 your understanding of a base case earlier, the 11:22:07</p> <p>15 Alpha case, and then a -- one of the iterations 11:22:09</p> <p>16 here being with a real estate component. The 11:22:12</p> <p>17 projected EPS for '06 and '07 for both of those 11:22:15</p> <p>18 latter scenarios is substantially less than the 11:22:21</p> <p>19 base case. And that is -- is that because of what 11:22:24</p> <p>20 you discussed earlier, the implementation costs 11:22:27</p> <p>21 and the other things that we had already 11:22:31</p> <p>22 discussed? 11:22:34</p> <p>23 A Yes 11:22:36</p> <p>24 Q All right. And this is what you were 11:22:36</p> <p>25 making reference to when you were talking about 11:22:37</p>
123	<p>1 the potential hit on the stock price and that kind 11:22:39</p> <p>2 of thing that we -- all of which we talked about 11:22:42</p> <p>3 earlier? 11:22:45</p> <p>4 A. Yes 11:22:46</p> <p>5 Q It also shows the projections outward 11:22:46</p> <p>6 And, again, this is the -- this represents the 11:22:53</p> <p>7 strategy, and there was a strategic plan to 11:22:58</p> <p>8 implement this strategy, would that be right? You 11:22:59</p> <p>9 were talking about the mountain in the distance, 11:23:02</p> <p>10 and what you wanted was '08 EPS of \$1.12 or \$1.07? 11:23:05</p> <p>11 A Yes 11:23:13</p> <p>12 Q Greater than the base case EPS? 11:23:14</p> <p>13 A Yeah. Technically speaking, this 11:23:17</p> <p>14 represents a transition program to get to the 11:23:19</p> <p>15 ultimate strategy. Base -- you know, when you -- 11:23:23</p> <p>16 when you are -- when you've got some things that 11:23:33</p> <p>17 aren't working in the company, you have to fix 11:23:35</p> <p>18 those things before you can really ultimately get 11:23:39</p> <p>19 to where you want to get. 11:23:42</p> <p>20 Q Sure 11:23:45</p> <p>21 A And one of those things is really a very 11:23:45</p> <p>22 different merchandising approach, not just 11:23:48</p> <p>23 pack-away, but responsiveness to -- to different 11:23:50</p> <p>24 buying habits in different locales, you know, you 11:23:53</p> <p>25 know 11:23:59</p>
124	<p>1 Q. Correct 11:24:00</p> <p>2 A You buy sombreros maybe in Texas; you 11:24:00</p> <p>3 don't buy sombreros in Tennessee, things like 11:24:04</p> <p>4 that. 11:24:07</p> <p>5 Q The Project Alpha that we -- we have 11:24:12</p> <p>6 talked about and may even be included in here, the 11:24:15</p> <p>7 plan was an 18-month rollout to full 11:24:18</p> <p>8 implementation, is that your recollection? 11:24:22</p> <p>9 A. That -- yeah, that's what was referred to, 11:24:25</p> <p>10 correct. 11:24:27</p> <p>11 Q Okay. So the first full year, fiscal year 11:24:28</p> <p>12 for Dollar General in which the implementation 11:24:31</p> <p>13 of -- or the effects of the implementation would 11:24:36</p> <p>14 be really fiscal '09, first full fiscal year, 11:24:41</p> <p>15 correct? 11:24:46</p> <p>16 A Yeah, that sounds right, yeah 11:24:46</p> <p>17 Q. I mean, roughly implement -- 11:24:49</p> <p>18 A. Right. 11:24:51</p> <p>19 Q Assuming that implementation went as 11:24:52</p> <p>20 planned and it was 18 months, that would put you 11:24:53</p> <p>21 in roughly the middle of '08? 11:24:55</p> <p>22 A Okay 11:24:58</p> <p>23 Q So the first full fiscal year would 11:24:58</p> <p>24 be '09? 11:25:00</p> <p>25 A Okay 11:25:02</p>
125	<p>1 Q. And that's what is reflected here. And 11:25:02</p> <p>2 these are, granted, projections, but they are 11:25:05</p> <p>3 conservative projections? 11:25:09</p> <p>4 MR. SAVITT Object. 11:25:14</p> <p>5 BY MR. JOHNSTON. 11:25:16</p> <p>6 Q Is that right? 11:25:16</p> <p>7 A Remember what I told you about 11:25:17</p> <p>8 conservative? Management had missed its plan on 11:25:19</p> <p>9 multiple occasions. Management had been saying 11:25:21</p> <p>10 they had already been given as conservative. So 11:25:24</p> <p>11 if I'm sitting here evaluating what is the 11:25:26</p> <p>12 definition of conservative, I'm not quite sure -- 11:25:29</p> <p>13 if -- I'm not quite sure the definition is 11:25:31</p> <p>14 something that is, quote, slam dunk, whatever. We 11:25:34</p> <p>15 had been getting conservative plans for two years 11:25:37</p> <p>16 that hadn't been met. 11:25:39</p> <p>17 Q Okay. I'm going to try to move through 11:25:41</p> <p>18 some of these minutes quickly so that we can get 11:25:48</p> <p>19 on to some other things. There's not a lot I want 11:25:50</p> <p>20 to ask you about many of them. 11:25:53</p> <p>21 The next strategic planning committee 11:25:56</p> <p>22 meeting that I've got minutes for here is November 11:25:57</p> <p>23 the 16th. 11:26:01</p> <p>24 (Marked Exhibit No. 7) 11:26:07</p> <p>25 MR. BARRETT Exhibit 7 11:26:13</p>

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126	<p>1 BY MR. JOHNSTON 11 26 24</p> <p>2 Q While you're looking at that, let me just 11 26 24</p> <p>3 say, all I'm going to ask you about is a statement 11 26 26</p> <p>4 in the last paragraph 11 26 29</p> <p>5 A The meeting adjourned at 3 00. 11 26 33</p> <p>6 Q The last multiline paragraph. Excuse me 11 26 38</p> <p>7 I stand corrected. 11:26 42</p> <p>8 A All right. 11 26 43</p> <p>9 Go on and ask me it. 11 27 20</p> <p>10 Q Okay. The last sentence of that multiline 11 27 24</p> <p>11 paragraph, "The committee considered the potential 11 27 26</p> <p>12 impact of the Project Alpha initiatives on the 11 27 28</p> <p>13 process the committee was considering in response 11 27 32</p> <p>14 to the request from KKR to perform due diligence 11 27:35</p> <p>15 investigation." 11 27 40</p> <p>16 What was the potential impact of 11 27 41</p> <p>17 Project Alpha initiatives on that process? 11 27 44</p> <p>18 A I think what this was really referring to 11 28 13</p> <p>19 was that the company -- that -- that we had 11 28 17</p> <p>20 outlined in Exhibit 3 a -- a broad comprehensive 11 28 25</p> <p>21 process, and -- and so we were talking about Alpha 11 28 35</p> <p>22 and the -- and the substantial execution challenge 11:28 45</p> <p>23 associated with Alpha and the implications that 11:28 53</p> <p>24 might have on our ability to think through all of 11 28:55</p> <p>25 these other strategic alternatives available to 11 28 58</p>
127	<p>1 the company with -- and get good information 11 29 00</p> <p>2 So it was really talking about this -- 11 29 05</p> <p>3 this chart, 3, and talking about Alpha as one of 11 29 07</p> <p>4 the decision trees, you know, implement, do not 11 29 13</p> <p>5 implement Alpha as it related to -- so it's just a 11:29 18</p> <p>6 rote -- you know, a big discussion about all of 11:29 22</p> <p>7 the -- you know, what are the implications that 11 29 24</p> <p>8 this has on -- on our need to be comprehensive in 11:29 26</p> <p>9 our evaluation 11 29 32</p> <p>10 Q So then it -- and I -- I appreciate that. 11 29 34</p> <p>11 explanation. It's not so much that the 11 29 37</p> <p>12 Project Alpha's implementation is going to somehow 11 29 44</p> <p>13 ad- -- adversely impact the company's ability to 11 29 47</p> <p>14 respond appropriately to the KKR expression of 11 29 52</p> <p>15 interest or anything like that; is that -- is that 11 29 56</p> <p>16 fair? 11 30 02</p> <p>17 MR. McEVROY Object to form. 11 30 06</p> <p>18 THE WITNESS Yeah, respond 11 30 08</p> <p>19 appropriately? I'm not sure what you mean by 11 30 09</p> <p>20 respond appropriately. 11:30 14</p> <p>21 BY MR. JOHNSTON 11 30 16</p> <p>22 Q. Respond in any way 11 30 16</p> <p>23 A Well, no response is a response. I mean, 11 30 18</p> <p>24 the -- it's -- it's -- we felt like that the 11 30 23</p> <p>25 company needed to -- in order to discharge its 11 30 29</p>
128	<p>1 fiduciary responsibility was to be able to think 11 30 31</p> <p>2 about all of these branches and compare what the 11:30:34</p> <p>3 value the company might have for its shareholders 11 30 42</p> <p>4 under any of those different branches, strategic 11 30 44</p> <p>5 alternatives 11 30 47</p> <p>6 Alpha was just one of the results. Alpha 11 30 50</p> <p>7 was just one of the alternatives that produced 11 30 55</p> <p>8 results, and we felt like we had to be able to 11 30 59</p> <p>9 compare that against other options that could be 11 31 02</p> <p>10 available to the company 11 31 06</p> <p>11 And all of that is -- and you got a heavy 11 31 09</p> <p>12 execution challenge associated with Alpha, so, you 11 31 12</p> <p>13 know, we want to implement Alpha, but we may need 11 31 20</p> <p>14 some information over here in order to be able to 11 31 23</p> <p>15 properly go down some of these other branches 11 31 25</p> <p>16 And so it's -- it's really a very involved 11 31 27</p> <p>17 discussion, it's not -- it's not discreet if -- I 11 31 30</p> <p>18 mean, it's not, like, appropriately respond 11 31 34</p> <p>19 That's -- that's not -- it's -- it is, how do we 11 31 39</p> <p>20 implement this process, which we felt was what we 11 31 40</p> <p>21 needed to do, a comprehensive investigation of all 11 31 43</p> <p>22 alternatives and the values associated with that 11 31 46</p> <p>23 would enable us to best decide as a board what we 11 31 50</p> <p>24 ought to do for the shareholders 11 31 53</p> <p>25 Q Okay 11:31 57</p>
129	<p>1 MR. SAVITT. Just so the record is 11 31 57</p> <p>2 clear, during that last response when the witness 11 31 58</p> <p>3 spoke of branches, he was making reference to 11 32 01</p> <p>4 Exhibit No. 3 11 32:04</p> <p>5 THE WITNESS Right. 11 32 06</p> <p>6 MR. JOHNSTON To the tree 11 32 07</p> <p>7 THE WITNESS. To the tree, right. 11 32 08</p> <p>8 BY MR. JOHNSTON 11 32 10</p> <p>9 Q While we're looking at Exhibit 7, and not 11 32 10</p> <p>10 necessarily exclusively about Exhibit 7, I -- I 11 32 13</p> <p>11 want to ask you a couple of questions just about 11 32 16</p> <p>12 minutes in general. It noted on here that 11 32 18</p> <p>13 Ms. Langan is acting as the secretary of the 11 32 20</p> <p>14 meeting and recorded the minutes 11 32 23</p> <p>15 As a general proposition, did Ms. Langan 11 32 29</p> <p>16 act as secretary to the board as well and record 11 32 33</p> <p>17 the minutes of those meetings? 11 32 36</p> <p>18 A No, I think Christine Connolly is the 11 32 37</p> <p>19 secretary of the board 11 32 40</p> <p>20 Q Okay. All right. 11 32 41</p> <p>21 A But there was always somebody from the -- 11 32 42</p> <p>22 from the general counsel's office who -- who 11 32 44</p> <p>23 supported the various committees 11 32 48</p> <p>24 Q And acted as secretary to the board or the 11 32 51</p> <p>25 committee or the -- 11 32 54</p>

130	<p>1 A To the committee 11 32 55</p> <p>2 Q Right. 11 32 56</p> <p>3 A In the case of strategic planning, there 11 32 57</p> <p>4 were times when no one from the company 11 32 59</p> <p>5 participated in -- nobody from the general 11 33 02</p> <p>6 counsel's office participated in which case we'd 11 33 03</p> <p>7 use Wachtel, Lupton to -- to be in that role when 11 33 08</p> <p>8 someone from the company was not in that role 11 33:13</p> <p>9 Q As -- as chair of this committee, were you 11 33 16</p> <p>10 tasked with responsibility for reviewing the 11 33 22</p> <p>11 minutes as recorded prior to the time that they 11:33 26</p> <p>12 were typed up in the form we see here? 11 33 28</p> <p>13 A Yes 11 33 31</p> <p>14 Q And -- and generally what form is that in? 11 33 33</p> <p>15 A I would generally get a written draft of 11 33 38</p> <p>16 the minutes looking very much like this form, 11 33 42</p> <p>17 which then I'm asked to -- is this really 11 33 47</p> <p>18 representative? You got any changes, et cetera 11 33 50</p> <p>19 and so on 11 33 53</p> <p>20 Q And for this committee in particular, how 11 33:56</p> <p>21 are these minutes kept? Are they -- does somebody 11 33 58</p> <p>22 sit there with a pen and pencil or record it? 11 34 01</p> <p>23 A Yeah, I don't -- I don't have any idea 11 34 05</p> <p>24 what the person who prepared the minute -- what 11 34 06</p> <p>25 their process was, whether they do notes or -- I 11 34 09</p>
131	<p>1 don't have any idea what they had to do to -- in 11 34 12</p> <p>2 order to -- to prepare these minutes. 11 34 15</p> <p>3 Q That's fine 11 34 17</p> <p>4 Was there any occasion or -- specifically 11 34 20</p> <p>5 regarding the strategic planning committee, 11 34 24</p> <p>6 that -- where you were provided a draft of minutes 11 34 28</p> <p>7 that -- to which you made changes? 11 34 33</p> <p>8 A Yes. You know, if I didn't think they 11 34 35</p> <p>9 were an accurate reflection of what went on, I -- 11 34 37</p> <p>10 I might adjust those, correct. 11 34 40</p> <p>11 Q And did that specifically happen in regard 11 34 42</p> <p>12 to this committee? 11 34 43</p> <p>13 A I -- I really don't -- it -- it's -- it's 11 34 47</p> <p>14 just -- I don't recall having adjusted or not 11 34 50</p> <p>15 adjusted. You know, I make changes if I think 11 34 53</p> <p>16 they're appropriate, and I don't make changes if I 11 34 55</p> <p>17 don't think they're appropriate. You know, there 11 34 58</p> <p>18 were a bunch of meetings. I don't know which ones 11 34 59</p> <p>19 I said, whoops, maybe we need to do this and just, 11 35 01</p> <p>20 you know, logical. 11 35 05</p> <p>21 Q If I asked you that same set of questions 11 35 06</p> <p>22 regarding the board, are your answers going to be 11 35 09</p> <p>23 basically the same? 11 35 12</p> <p>24 A. Yeah, that's right, they will 11 35 13</p> <p>25 Q. In whatever form they are in when they are 11 35 17</p>
132	<p>1 recorded, whether it's on tape or a computer or 11 35 20</p> <p>2 pencil and paper, do you know whether or not those 11 35 25</p> <p>3 are kept somewhere? 11 35 29</p> <p>4 A No, I don't know whether 11 35 31</p> <p>5 Q Now, in November there was also a change 11 36 18</p> <p>6 in the management of the company, is that right? 11 36 22</p> <p>7 A. Yes. 11 36 24</p> <p>8 Q. And that involved Mr -- 11 36:24</p> <p>9 A An addition to management. 11 36 26</p> <p>10 Q Correct. And that involved Mr -- is it 11 36 28</p> <p>11 Beré? 11 36 30</p> <p>12 A Yes 11 36 31</p> <p>13 Q Is that how you pronounce his name? 11 36 31</p> <p>14 A Yes 11 36:34</p> <p>15 Q Tell us about that. What happened? 11 36 34</p> <p>16 A Well, Alpha had with it substantial 11 36:42</p> <p>17 execution challenges. David Perdue had been 11 36:44</p> <p>18 serving as both the chief executive and chief 11:36 49</p> <p>19 operating officer of the company. The -- the 11 36 52</p> <p>20 board felt that given the order of magnitude of 11 36 59</p> <p>21 a -- of the execution challenges that we needed 11 37 02</p> <p>22 a -- we needed a chief operating officer in the 11 37 05</p> <p>23 company, did not feel that we had time to go out 11 37 08</p> <p>24 and hire one. Felt like David Beré had the skill 11 37 16</p> <p>25 set to be a chief operating officer 11 37 28</p>
133	<p>1 And so we really talked to David Perdue 11 37 34</p> <p>2 about David Beré as a potential candidate for that 11 37 37</p> <p>3 job or solution for that job and felt like that 11 37 41</p> <p>4 the two of them needed to talk about that, which 11 37 44</p> <p>5 they did, and came back and agreed that that was a 11 37 46</p> <p>6 solution 11 37 50</p> <p>7 Q Okay. And then when he became a part of 11 37:55</p> <p>8 management, he dropped off of your strategic 11 37 58</p> <p>9 planning -- 11 38 00</p> <p>10 A Correct. 11 38 00</p> <p>11 Q -- committee? He was no longer someone 11 38 01</p> <p>12 that would be independent, as you've described. 11 38 03</p> <p>13 that earlier? 11 38 05</p> <p>14 A That's correct. Thank you for noting 11 38 08</p> <p>15 that. 11 38 12</p> <p>16 Q Let me show you a copy of the board 11 38 20</p> <p>17 minutes from November the 20th, which we'll mark 11 38 22</p> <p>18 as the next exhibit. 11 38 27</p> <p>19 (Marked Exhibit No. 8.) 11 38 35</p> <p>20 THE WITNESS Okay 11 41 06</p> <p>21 BY MR. JOHNSTON 11 41 07</p> <p>22 Q Again, does reviewing this set of minutes 11 41 07</p> <p>23 refresh your recollection as to what occurred 11 41 09</p> <p>24 during the board meeting of November 20, 2006? 11 41 11</p> <p>25 A Yes 11 41 14</p>

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134	<p>1 Q. Now, just to clarify, the -- part of what 11 41 17 2 occurred at this meeting was a joint presentation 11 41 23 3 to the board by Lehman and Lazard, correct? 11:41:26 4 A Yeah, it was really overseen by Lazard, 11 41 32 5 but it -- but both parties participated in it. 11 41 37 6 Q Okay And those -- those two parties, 11 41 40 7 Lazard and Lehman, had -- at the meeting we just 11 41 44 8 discussed earlier, November 16 of the special 11 41 50 9 committee, had presented separate presentations to 11 41 53 10 that committee? 11 41 57 11 A That's correct. 11 41 58 12 Q And we'll look at those in just a minute, 11 42 02 13 but I want to -- I want to ask you just a couple 11 42 04 14 of things about some of the items in here. 11 42 07 15 A. Let me go back I wanted to be sure that 11 42 10 16 Lazard was in charge, that there wasn't any 11 42 12 17 confusion, and that -- and that anything that -- 11 42:14 18 that Lehman put in there Lazard had signed off on 11 42 17 19 And so that's why we asked for it to be a single 11:42:20 20 presentation to the board rather than separate 11 42 23 21 presentation so that Lazard took responsibility 11 42 25 22 for whatever Lehman said 11 42 27 23 There was maybe one difference to that, 11 42 30 24 and that was they -- they each ran independent 11:42:32 25 valuation analysis 11 42:36</p>
136	<p>1 Q Yeah, right. And we talked about that 11 43 56 2 earlier. 11 43 59 3 A Right. 11 44 00 4 Q Okay 11 44 00 5 In the middle of the next paragraph, this 11 44:06 6 Ms -- Mr Wilkerson I believe is -- is talking. 11:44:10 7 He says, "He then reviewed the company's current 11 44 13 8 valuation multiples versus its peers explaining 11 44 16 9 that the company appears to not be getting credit 11 44 18 10 for its growth projections." What is he talking 11 44 22 11 about there? 11 44 25 12 MR SAVITT Object to form. 11 44:28 13 THE WITNESS Specifically -- why 11 44 37 14 don't you ask it a little more -- 11 44 38 15 BY MR JOHNSTON 11 44 41 16 Q Do you remember what he was talking about? 11 44 41 17 A I don't remember the specific reference 11:44 58 18 to -- to not getting credit for its growth 11 45 02 19 projections. 11 45 05 20 Q Then he mentions Bank of America's recent 11 45:06 21 upgrade of the company Tell us about that. What 11 45 09 22 had they done? 11 45 12 23 A They just put out an analyst report that 11 45 12 24 upgraded the company 11 45 15 25 Q From what to what? 11 45 16</p>
135	<p>1 Q. I appreciate that You anticipated a 11 42 37 2 question I was going to ask as soon as I finished 11 42 39 3 with these, so we've gotten over that hurdle 11 42:41 4 Thank you 11 42 45 5 Looking at Page 2 of these minutes, the 11 42 52 6 second paragraph on that, it's Mr Taussig is 11 42 55 7 talking discussing Project Alpha, and the last 11 42 59 8 sentence of that paragraph says that he's assessed 11 43 03 9 the risks, notes his views of how analysts would 11 43 06 10 react to the adoption of Project Alpha Do you 11 43:10 11 recall what those views were? 11 43 13 12 A I think it was like, if this, then that, 11 43 22 13 which means it was couched with a lot of 11 43 25 14 assumptions as opposed to say, boom, this is 11 43 28 15 what's going to happen 11 43 32 16 Q And -- and do you remember what any of the 11 43 35 17 theses or that were? 11 43 37 18 A. If you do a really good communications job 11 43 39 19 and everybody really understands and you can get 11 43 41 20 them to look past the near term out to way out 11 43 43 21 there, then you ought to be able to not have too 11 43 48 22 much negative impact on the stock. 11 43 50 23 Q Okay All right. 11 43 52 24 A But if they start to focus on the short 11 43 54 25 run, it's going to hurt. 11 43 56</p>
137	<p>1 A I don't remember. 11 45 18 2 Q Was that supposed to have had some sort of 11 45 22 3 a positive impact on its stock price or otherwise 11 45 24 4 on the company? 11 45:29 5 A Those can, or -- they may or may not have 11 45 32 6 an impact 11 45 34 7 Q Do you know whether or not that did? 11 45:37 8 A I don't recall what happened that 11 45 41 9 particular time 11 45 42 10 Q Continuing over onto Page 3, towards the 11 45 48 11 bottom, do you see there's references to Exhibit B 11 45 53 12 and then Exhibit C, and just below that where the 11 45:57 13 paragraph begins "Mr Ward indicated"? 11 46 03 14 A Mr Ward -- yeah, okay 11 46 07 15 Q And his indication is that both Lazard and 11 46 13 16 Lehman Brothers believe the best alternative is 11 46 16 17 revised Alpha real estate alternative Do you see 11 46 18 18 that? 11 46 24 19 A Yes 11 46 24 20 Q And do you remember why he felt that way? 11:46 24 21 A Yeah, now, when they're talking about best 11 46 32 22 alternative, they're talking about best Alpha 11 46 35 23 alternative 11:46 38 24 Q Correct 11 46 39 25 A Right They -- they believed that a 11 46 39</p>

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138	<p>1 slower store closing -- I mean, opening scenario 11:46:56</p> <p>2 was better, reduction in new store growth, again, 11:47:04</p> <p>3 for this reason that -- that you have to get it 11:47:07</p> <p>4 fixed before you grow it 11:47:09</p> <p>5 In -- in -- in -- and they were the -- I 11:47:16</p> <p>6 mean, I think the 500 million share purchase 11:47:20</p> <p>7 program was consistent with cash flow as being 11:47:24</p> <p>8 developed out of -- out of earnings over time 11:47:26</p> <p>9 Q Okay Now, at this meeting, there was 11:47:35</p> <p>10 this -- this what I referred to as a joint 11:47:37</p> <p>11 presentation between Lehman and Lazard to the 11:47:40</p> <p>12 board, and I want to get to that in just a minute, 11:47:44</p> <p>13 but to -- 11:47:46</p> <p>14 A. And to which I have said Lazard was in 11:47:49</p> <p>15 charge, not Lehman 11:47:52</p> <p>16 Q Right, correct. And I'm not -- 11:47:53</p> <p>17 A Yeah. 11:47:55</p> <p>18 Q I'm not trying to undercut that at all 11:47:55</p> <p>19 I'm -- okay 11:47:57</p> <p>20 Let me show you -- I'm going to go back 11:47:59</p> <p>21 for just a minute before we look at the document 11:48:02</p> <p>22 that came with this presentation 11:48:04</p> <p>23 I want to go back to July, and this, I 11:48:07</p> <p>24 think, is the strategic planning meeting of the 11:48:09</p> <p>25 board 11:48:12</p>
139	<p>1 (Marked Exhibit No. 9) 11:48:28</p> <p>2 MR. SAVITT, This is No. 9? 11:49:02</p> <p>3 BY MR. JOHNSTON 11:49:13</p> <p>4 Q While you're looking at this, my first 11:49:14</p> <p>5 question is going to be to you -- and take your 11:49:16</p> <p>6 time looking at it. But my first question is 11:49:19</p> <p>7 going to be, is this a presentation that was made 11:49:22</p> <p>8 at the summer strategic planning meeting that 11:49:26</p> <p>9 we've discussed earlier? 11:49:31</p> <p>10 A Yeah, presentations, right, uh-huh. It's 11:49:37</p> <p>11 multiple presentations, I think. 11:49:41</p> <p>12 Q Okay. And can I ask you some questions? 11:49:53</p> <p>13 A Sure 11:49:55</p> <p>14 Q Are you -- okay. All I really want to do 11:49:55</p> <p>15 is call your attention to Page 22, which has some 11:49:57</p> <p>16 of the projected numbers. Do you see that? 11:50:05</p> <p>17 A Yes 11:50:20</p> <p>18 Q All right. And it is projecting earnings 11:50:21</p> <p>19 per share for fiscal 2006, which had not ended 11:50:24</p> <p>20 yet, 2007, 2008, and 2009, as well as the -- well, 11:50:28</p> <p>21 I guess as the actuals for 2005, is that accurate? 11:50:35</p> <p>22 A Yeah, let me try to find the context on 11:50:39</p> <p>23 this. Yes 11:50:42</p> <p>24 Q. Up at the top of that page -- 11:51:01</p> <p>25 A. Yeah, go ahead 11:51:08</p>
140	<p>1 Q Okay. Up at the top of that page, it 11:51:08</p> <p>2 says, "DG projections," and then dash, 11:51:10</p> <p>3 "restructure stores and inventory," open 11:51:13</p> <p>4 parenthesis, "reduced markdowns, 300BP mix shift." 11:51:16</p> <p>5 What does that mean? 11:51:21</p> <p>6 A Which -- where are you now? 11:51:25</p> <p>7 Q At the very top of that page, "Restructure 11:51:28</p> <p>8 stores and inventory." Do you see that? 11:51:30</p> <p>9 A Yeah, I'm trying to figure out which 11:51:37</p> <p>10 scenario this is. I'm having a little difficulty 11:51:39</p> <p>11 Yeah, I don't recall. We had a lot of different 11:52:11</p> <p>12 scenarios, and this one doesn't jog any memories 11:52:13</p> <p>13 right now to me, so 11:52:16</p> <p>14 Q So are you saying you don't know what this 11:52:19</p> <p>15 means, "Reduced markdowns, 300BP"? Is that basis 11:52:21</p> <p>16 points? 11:52:26</p> <p>17 A I don't know what it's reduced from or to 11:52:26</p> <p>18 or -- you know, I -- it's -- if you -- there's a 11:52:30</p> <p>19 lot of different scenarios in here. I don't -- I 11:52:34</p> <p>20 don't -- I just don't -- I can't zero in on which 11:52:37</p> <p>21 one of the iterations this was 11:52:42</p> <p>22 Q In terms of the projections for 2006, 11:52:48</p> <p>23 2007, 2008, and 2009, was it your understanding at 11:52:51</p> <p>24 the time that these were the best available 11:52:54</p> <p>25 numbers that you had? 11:52:56</p>
141	<p>1 MR. SAVITT. I'll object to the form 11:53:01</p> <p>2 of the question 11:53:02</p> <p>3 THE WITNESS. I'll just say 11:53:18</p> <p>4 oftentimes in strategic planning efforts, you sort 11:53:19</p> <p>5 of model different scenarios. Those scenarios are 11:53:22</p> <p>6 not necessarily built up with a lot of inputs 11:53:26</p> <p>7 And this looks like, to me, a series of models 11:53:30</p> <p>8 that were run as opposed to -- just to sort of 11:53:34</p> <p>9 frame -- they're not projections. They're sort of 11:53:38</p> <p>10 framing the environment, if that makes any sense 11:53:41</p> <p>11 BY MR. JOHNSTON 11:53:43</p> <p>12 Q Sure. And -- and let me -- let me just be 11:53:44</p> <p>13 clear because I don't want anyone to think that 11:53:46</p> <p>14 I'm trying to suggest otherwise 11:53:49</p> <p>15 On Page 19, there's an explanation here so 11:53:51</p> <p>16 that 2006, 2007 don't have any restructuring 11:53:55</p> <p>17 charges. And that may be why there's a difference 11:54:01</p> <p>18 in the numbers that you are looking at from the 11:54:04</p> <p>19 earlier exhibit. 11:54:06</p> <p>20 A Yeah, but what -- what I'm really focused 11:54:07</p> <p>21 on is -- is -- is -- you used the word 11:54:09</p> <p>22 projections, didn't you? 11:54:13</p> <p>23 Q Yeah, that's my understanding of what this 11:54:15</p> <p>24 is based on what it says on the document itself 11:54:16</p> <p>25 A. Yeah. In -- and there's projections, and 11:54:19</p>

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142	<p>1 then there's modeling. A projection says, this is 11:54:24</p> <p>2 what I think we can do 11:54:27</p> <p>3 Q Right 11:54:29</p> <p>4 A This is -- here is a -- here is -- at 11:54:29</p> <p>5 strategic planning time, oftentimes you run models 11:54:34</p> <p>6 that are not necessarily a plan. You know, 11:54:37</p> <p>7 you're -- am I -- you're framing sort of the 11:54:40</p> <p>8 environment. Am I making sense in terms of the 11:54:44</p> <p>9 distinction to you? 11:54:46</p> <p>10 Q Sure. Absolutely. I'm just looking at 11:54:48</p> <p>11 the document itself and I see on Page 18 it says 11:54:49</p> <p>12 projection, so I'm taking it as being projections. 11:54:52</p> <p>13 A. Yeah. And -- and my sense is that if you 11:54:56</p> <p>14 were going to try to value the company, you would 11:54:58</p> <p>15 not sit down and use a set of models. What you 11:55:00</p> <p>16 would do is hone in on and get what really people 11:55:04</p> <p>17 think are the accurate results that are going to 11:55:09</p> <p>18 occur. 11:55:11</p> <p>19 I think this was a modeling effort, not -- 11:55:11</p> <p>20 not where management had gone through, like we 11:55:14</p> <p>21 talked about the -- the Alpha plan that was built 11:55:18</p> <p>22 up with inputs from the -- this, I think, was a 11:55:19</p> <p>23 modeling effort to sort of lay it out, some 11:55:22</p> <p>24 different kinds of -- again, it sort of, if this 11:55:26</p> <p>25 happens, then this can happen. So it's got a lot 11:55:29</p>
144	<p>1 they are. I'm not sure why Perdue 00048 comes 11:58:25</p> <p>2 between 00047 and 00051. But in any event, that's 11:58:33</p> <p>3 what -- it's there, so -- let me just ask -- 11:58:40</p> <p>4 looking at the second page of the document that 11:58:45</p> <p>5 lists the base case, Project Alpha, Project Alpha 11:58:48</p> <p>6 real estate strategy, and Alpha plus RE/revise 11:58:53</p> <p>7 A. Uh-huh. 11:58:58</p> <p>8 Q. Is this in its proper place, to the best 11:58:58</p> <p>9 of your recollection, or not? 11:59:01</p> <p>10 A. You mean in this -- 11:59:02</p> <p>11 Q. In this document. Or do you have any 11:59:03</p> <p>12 idea? 11:59:07</p> <p>13 A. I don't know why it was down there. 11:59:29</p> <p>14 Q. Okay. In any event, they -- they list 11:59:31</p> <p>15 these various iterations, and there's one down 11:59:34</p> <p>16 here at the bottom that I don't believe we've 11:59:37</p> <p>17 talked about, and that's Alpha plus RE, which I 11:59:39</p> <p>18 assume is real estate, slash, revised. What is 11:59:42</p> <p>19 that? What was revised? 11:59:47</p> <p>20 A. I don't know. I think it was just a 12:00:00</p> <p>21 different store opening policy, but I'm -- I'm not 12:00:01</p> <p>22 sure that that's what it was. 12:00:05</p> <p>23 Q. All right. 12:00:06</p> <p>24 A. We were -- 12:00:07</p> <p>25 Q. In terms of speed? 12:00:07</p>
143	<p>1 of assumptions in it. That's what this looks like 11:55:32</p> <p>2 to me in terms of a document. 11:55:34</p> <p>3 Q. Okay. 11:55:36</p> <p>4 A. So I would discount its value from a 11:55:37</p> <p>5 standpoint of -- of being able to project future 11:55:39</p> <p>6 value for the company. 11:55:43</p> <p>7 Q. Okay. In any event, that is what you were 11:55:45</p> <p>8 looking at in July during the strategic -- 11:55:54</p> <p>9 A. Right. 11:55:56</p> <p>10 Q. -- planning meeting? 11:55:56</p> <p>11 MR. SAVITT: Objection to the form. 11:55:58</p> <p>12 BY MR. JOHNSTON: 11:55:59</p> <p>13 Q. Let's go -- go back to November, the 11:55:59</p> <p>14 November 20th meeting that we were talking about, 11:56:01</p> <p>15 and I believe that the document I'm about to hand 11:56:06</p> <p>16 you is the presentation by Lehman and Lazard that 11:56:08</p> <p>17 I almost called joint, but I'm not going to call 11:56:16</p> <p>18 it that anymore. 11:56:19</p> <p>19 MR. JOHNSTON: Exhibit 10. 11:56:22</p> <p>20 (Marked Exhibit No. 10.) 11:56:32</p> <p>21 BY MR. JOHNSTON: 11:58:11</p> <p>22 Q. Is this, in fact, the presentation -- 11:58:11</p> <p>23 A. Yeah, it looks like it to me. 11:58:16</p> <p>24 Q. Okay. Now, I'm not sure exactly why the 11:58:19</p> <p>25 page numbers or the Bates numbers are the way that 11:58:24</p>
145	<p>1 A. Yes. 12:00:09</p> <p>2 Q. All right. 12:00:11</p> <p>3 A. Speed and timing. 12:00:12</p> <p>4 Q. Now, the -- the page that we're looking at 12:00:13</p> <p>5 here with these various projections, EPS, 12:00:15</p> <p>6 et cetera, is it your understanding that these are 12:00:20</p> <p>7 actual projections for these various scenarios? 12:00:25</p> <p>8 A. Yeah. 12:00:27</p> <p>9 Q. Or are these more of the modeling thing 12:00:28</p> <p>10 that you were talking about earlier? 12:00:30</p> <p>11 A. Very good. These -- these are scrubbed. 12:00:31</p> <p>12 Q. Scrubbed? 12:00:35</p> <p>13 A. Scrubbed. 12:00:36</p> <p>14 Q. What does that mean? 12:00:37</p> <p>15 A. Well, by that it had an enormous amount of 12:00:38</p> <p>16 analysis that was put in place to -- to say that 12:00:41</p> <p>17 the assumptions that are underlying these are 12:00:43</p> <p>18 reasonable assumptions. And part of this meeting 12:00:47</p> <p>19 was about getting input from the advisers where 12:00:52</p> <p>20 they had really tested management's assumptions. 12:00:56</p> <p>21 So there had been some due -- a good bit 12:01:01</p> <p>22 of due diligence done on these, and these became, 12:01:03</p> <p>23 then, the -- the cases under which the est- -- 12:01:06</p> <p>24 best estimates of what would occur from -- from 12:01:10</p> <p>25 these scenarios. 12:01:13</p>

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146	<p>1 Q Okay 12 01 15</p> <p>2 A From these initiatives 12 01 15</p> <p>3 Q All right So these, then, really are -- 12 01 17</p> <p>4 and, again, we're talking about projections 12 01 19</p> <p>5 A Yes 12 01 22</p> <p>6 Q Things that haven't happened yet. 12 01 22</p> <p>7 But these really are the best possible 12 01 25</p> <p>8 numbers that you as a member of the board have to 12 01 27</p> <p>9 look at when making your decision as to which of 12 01 29</p> <p>10 these various scenarios, if any of them, you're 12 01 34</p> <p>11 going to pursue? 12 01 37</p> <p>12 MR SAVITT Object to the form 12 01 38</p> <p>13 THE WITNESS Yeah, these 12 01 42</p> <p>14 represent -- remember, we also had a lot of 12 01 43</p> <p>15 qualitative analysis that talked about the risk of 12 01 48</p> <p>16 being able to achieve these, and so you have to 12 01 51</p> <p>17 put all of that into context and assess risk of 12 01 55</p> <p>18 implementation 12 02 00</p> <p>19 BY MR JOHNSTON 12 02 00</p> <p>20 Q Correct. And I'm not trying to discount 12 02 01</p> <p>21 that 12 02 03</p> <p>22 A Okay 12 02 04</p> <p>23 Q I'm just trying to focus on this right 12 02 04</p> <p>24 here. These are the most accurate, up-to-date, 12 02 05</p> <p>25 best numbers that you had available to you to help 12 02 10</p>
147	<p>1 you make this decision as of November the 20th, is 12 02 12</p> <p>2 that correct? 12 02 15</p> <p>3 A What decision? 12 02 17</p> <p>4 Q As to whether or not to -- to -- implement 12 02 20</p> <p>5 Project Alpha, and if so which of the scenarios of 12 02 26</p> <p>6 Project Alpha to initiate? 12 02 28</p> <p>7 A. We used this information to make a 12 02 33</p> <p>8 decision to go forward with Alpha 12 02 34</p> <p>9 Q Did you have any other better numbers 12 02 40</p> <p>10 available to you? 12 02 42</p> <p>11 A We had no other numbers. 12 02 42</p> <p>12 Q Okay 12 02 44</p> <p>13 MR DIETZ: Doug, can you hold on one 12 03 06</p> <p>14 second? 12 03 08</p> <p>15 MR JOHNSTON: Sure 12 03 09</p> <p>16 MR SAVITT Let's go off the record 12 03 26</p> <p>17 for just a second, if we could 12 03 27</p> <p>18 THE VIDEOGRAPHER We are going off 12 03 29</p> <p>19 the record. The time now is 12 02 12 03 30</p> <p>20 (Brief recess observed) 12 03 34</p> <p>21 THE VIDEOGRAPHER We're back on the 12 05 33</p> <p>22 record. The time is 12 04 12 05 34</p> <p>23 MR SAVITT: We'd like -- we'd like 12 05 38</p> <p>24 the record to make -- to reflect that the document 12 05 40</p> <p>25 marked Bottorff Exhibit 10 appears to be a 12 05 43</p>
148	<p>1 document produced from the files of Mr. Percue 12 05 48</p> <p>2 believe the testimony reflected a representation 12 05 53</p> <p>3 that it was the presentation that had been given 12 05 56</p> <p>4 to the board of directors 12 05 56</p> <p>5 We do -- we do not believe that to be 12 05 58</p> <p>6 the case. The document that was given to the 12 06 01</p> <p>7 board of directors bears the legend DOLL 12 06 03</p> <p>8 GEN 001026 12 06 06</p> <p>9 MR. BARRETT I'm sorry, repeat 12 06 10</p> <p>10 those, please. 12 06 10</p> <p>11 MR SAVITT 001026 through 001067. 12 06 12</p> <p>12 And to the extent that the previous testimony was 12 06 20</p> <p>13 based on a representation that the presentation 12 06 23</p> <p>14 made by the advisers at this meeting was the one 12 06 25</p> <p>15 presented to the board, it should be noted that -- 12 06 28</p> <p>16 that there appears to be a substantial 12 06 30</p> <p>17 controversy, and that may well be an error. 12 06 33</p> <p>18 MR JOHNSTON Okay 12 06 38</p> <p>19 BY MR JOHNSTON 12 06 43</p> <p>20 Q Let me ask you to turn over to Page 22 12 06 43</p> <p>21 A Okay. 12 07 10</p> <p>22 Q This also has a summary of key financial 12 07 11</p> <p>23 metrics, base case, Alpha case, et cetera. One of 12 07 15</p> <p>24 those is entitled Clean EPS. What is the 12 07 19</p> <p>25 difference between clean EPS and EPS? 12 07 23</p>
149	<p>1 A I don't know. Here it is. Clean EPS is 12 07 33</p> <p>2 suggested for one -- one off operating expenses 12 07 36</p> <p>3 Q. What are one off operating expenses? 12 07 45</p> <p>4 A One-time charges. 12 07 48</p> <p>5 Q Okay. So the EPS numbers that we see on 12 07 55</p> <p>6 the second page of the document that we just 12 07 58</p> <p>7 talked about -- 12 08 00</p> <p>8 A. You're talking about Page 22? 12 08 04</p> <p>9 Q. No, the second page, Page 2 of this 12 08 06</p> <p>10 document, the second page of the document 12 08 08</p> <p>11 Now, we've -- we've already looked at 12 08 18</p> <p>12 numbers that -- that did not include the 12 08 20</p> <p>13 implementation cost, the one-time charges, that 12 08 23</p> <p>14 sort of thing, that reflected EPS increasing 12 08 27</p> <p>15 205 -- excuse me, 2005, 2006, 2007, 2008. Here 12 08 31</p> <p>16 they decline in 2006 and 2007 from 2005 12 08 38</p> <p>17 And is that because of those one-time 12 08 44</p> <p>18 charges? 12 08 46</p> <p>19 A You're talking about here, here on 12 08 49</p> <p>20 Page 22? 12 08 51</p> <p>21 Q No, here on Page 2. 12 08 52</p> <p>22 MR SAVITT I'm going to object to 12 08 54</p> <p>23 the form of the question insofar as it's based on 12 08 54</p> <p>24 documents' entirely uncertain providence. It is 12 08 57</p> <p>25 calling on the witness to speculate 12 09 01</p>

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150	<p>1 THE WITNESS. You -- here is a set of 12 09 06 2 document -- here is a set of figures on Page 22 12 09 07 3 that were part of the Lehman deal. Why don't we 12 09 10 4 focus on those set of numbers? 12 09 12 5 BY MR. JOHNSTON, 12 09 13 6 Q Well, we are going to do that. But since 12 09 14 7 I get to ask the questions, I'm going to focus on 12 09 16 8 whatever I want to focus on 12 09 19 9 A Okay 12 09 20 10 Q And I'm asking you to look at the numbers 12 09 20 11 on Page 2, and that's what we're looking at right 12 09 22 12 now 12 09 25 13 And I'm asking you if the numbers on -- 12 09 25 14 the EPS numbers for 2006, 2007 appear under 12 09 28 15 Project Alpha, Project Alpha revised, and real 12 09 33 16 estate, appear to have those one-time charges 12 09 38 17 included? 12 09 42 18 MR. SAVITT: And let me object again, 12 09 43 19 emphasizing in the objection that counsel has 12 09 44 20 previously represented that the document, 12 09 47 21 including what I think was referenced as Page 2, 12 09 49 22 was something that had been presented to the 12 09 51 23 board. And that does not appear to be the case 12 09 53 24 It certainly is not the document that was given in 12 09 55 25 production that was presented to the board 12 09 57</p>
151	<p>1 You may answer 12 10 01 2 THE WITNESS. Yeah, you asked me 12 10 04 3 earlier, why was this out of order? It looks like 12 10 05 4 you got something from David Perdue that's out of 12 10 09 5 his files. 12 10 12 6 BY MR. JOHNSTON 12 10 12 7 Q Great. So looking at EPS, can you just 12 10 13 8 tell me if it looks -- appears that those numbers 12 10 14 9 that are provided on that document reflect the 12 10 17 10 one-time charges of implementation of 12 10 19 11 Project Alpha? 12 10 22 12 MR. SAVITT. And I would like to 12 10 24 13 interpose the same objection 12 10 24 14 BY MR. JOHNSTON 12 10 27 15 Q I mean, do they appear that way to you or 12 10 28 16 not? 12 10 30 17 MR. SAVITT. Same objection 12 10 30 18 THE WITNESS. You ought to refer to 12 10 33 19 the numbers that I've studied which I -- that the 12 10 34 20 board was presented too. And, you know, I've 12 10 38 21 got -- here is the -- Page 22. Those are clearly 12 10 40 22 part of the presentation 12 10 43 23 BY MR. JOHNSTON 12 10 44 24 Q So is your answer you don't know? 12 10 44 25 A My answer is, I don't know. 12 10 45</p>
152	<p>1 Q Okay. Under the base case on Page 22, 12 10 58 2 what are the one off operating expenses reflected 12 11 00 3 in 2005, 2006, and/or 2007? 12 11 05 4 A I don't know. I don't know what was 12 11 09 5 included in those 12 11 12 6 Q What one-time charges would there have 12 11 17 7 been under the base case scenario in 2006? 12 11 19 8 A I don't know 12 11 41 9 Q All right. Let's turn to Page 24. We've 12 11 51 10 talked about this -- the overview of strategic 12 11 57 11 alternatives before. Were there any more than 12 11 59 12 these four? Is that pretty much the universe of 12 12 05 13 the alternatives that y'all were considering? 12 12 10 14 A Yes 12 12 23 15 Q All right 12 12 23 16 A Well, you've got a -- yes, you've got 12 12 24 17 some -- some people would refer to the iterations 12 12 26 18 associated with financial buybacks of stock as 12 12 29 19 being a -- a -- a different alternative than, you 12 12 31 20 know -- 12 12 38 21 Q. But that's -- 12 12 39 22 A. Basically in broad categories, yes, remain 12 12 41 23 independent is the -- that would cover that. 12 12 44 24 Q In your view since you're the only one 12 12 46 25 here from the board, the -- the alternative of 12 12 50</p>
153	<p>1 acquisition, that is acquiring some other entity, 12 12 57 2 was not a viable option; is that correct? 12 13 01 3 A That's correct. 12 13 04 4 Q Was that something that other board 12 13 07 5 members disagreed with you on? 12 13 08 6 A You would have to ask them 12 13 12 7 Q To the best of your knowledge, was any -- 12 13 13 8 did anybody in a board meeting suggest to you that 12 13 15 9 they disagreed with you on that idea? 12 13 20 10 A Not -- not in this time period, no 12 13 23 11 Q Take private, obviously that's involving 12 13 30 12 the KGR/Bain and/or others that you were in the 12 13 32 13 process of looking at at that time. And then sale 12 13 36 14 or merger, is that the -- basically the opposite 12 13 39 15 of acquisition where you -- 12 13 46 16 A Yes 12 13 51 17 Q -- Dollar General, would be acquired by 12 13 51 18 another? 12 13 52 19 A Yes. 12 13 53 20 Q And you mentioned earlier that there were 12 13 53 21 a number of entities that y'all discussed 12 13 55 22 Looking at the next page, Page 25, does this list 12 14 00 23 some or all of those that were presented to you as 12 14 03 24 potential acquirers? 12 14 06 25 A Yes 12 14 07</p>

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154	<p>1 Q And, again, on the left-hand side of that, 12 14 15 2 it lists a number of various types of retailers, 12 14 17 3 is that right? 12 14 21 4 A Yes 12 14 27 5 Q As we sit here today, you know of no 12 14 28 6 communication to any of those entities listed on 12 14 30 7 the left-hand side of Page 25 of this document 12 14 34 8 regarding a possible acquisition by those 12 14 38 9 companies of Dollar General, correct? 12 14 40 10 A I -- I do not know if the investment 12 14 43 11 bankers had any dialogue with these companies 12 14 46 12 either. I mean, I know of no communication, but I 12 14 51 13 also don't know if they didn't have any dialogue 12 14 55 14 about these companies' acquisition interest 12 14 58 15 without -- you know, without disclosing the 12 15 01 16 confidential information 12 15 04 17 Q I understand that. And my question was 12 15 05 18 phrased exactly that way. I wasn't trying to 12 15 07 19 suggest in that that you were saying there wasn't 12 15 09 20 any. I was just -- as far as you know, there 12 15 11 21 wasn't any? 12 15 13 22 A That's right. 12 15 15 23 Q That's fair? Okay 12 15 15 24 Now, at the November 20 meeting, the board 12 15 38 25 did not make a decision regarding implementation 12 15 41</p>
155	<p>1 of Project Alpha, is that correct? 12 15 44 2 A At November 20, correct. 12 15 47 3 Q You postponed that for roughly another 12 15 50 4 eight days until the 28th? 12 15 52 5 A Correct. 12 15 55 6 Q And why was that? 12 15 55 7 A Because of the execution risk associated 12 15 56 8 with Alpha. We felt like that there needed to be 12 15 58 9 some resolution and -- and -- and -- and better -- 12 16 01 10 we needed to -- we needed to have a chief 12 16 04 11 operating officer 12 16 07 12 Q All right. And then that was done? 12 16 12 13 A Yes. 12 16 14 14 Q On November the 28th, you came back and 12 16 15 15 you authorized implementation of Project Alpha, 12 16 19 16 correct? 12 16 23 17 A That sounds right. I'd have to look at 12 16 23 18 the specific minutes for that date to be sure, but 12 16 25 19 that -- about a week later, yes. I don't remember 12 16 28 20 if it was the 28th or 27th or 29th or -- 12 16 31 21 Q Yeah, I'll just -- we've got minutes of 12 16 35 22 the 28th. I don't know that I'm going to fool 12 16 37 23 with them right now, basically because I'm trying 12 16 40 24 to respect your time 12 16 43 25 A Uh-huh. 12 16 59</p>
156	<p>1 Q Let me -- let's go to the committee -- 12 17 06 2 strategic planning committee meeting of December 12 17 09 3 the 21st 12 17 12 4 (Marked Exhibit No 11) 12 17 21 5 THE VIDEOGRAPHER We're going off 12 17 58 6 the record. The time is 12 17 12 17 59 7 (Brief recess observed) 12 18 03 8 THE VIDEOGRAPHER We're back on the 12 19 50 9 record. This is Tape 3. Today's date is 2 June, 12 19 51 10 2007, and the time is 12 19 12 19 55 11 BY MR. JOHNSTON 12 20 01 12 Q Just a couple of -- of things. First of 12 20 03 13 all, does this refresh your recollection as to 12 20 06 14 what actually occurred at the strategic planning 12 20 07 15 committee meeting of December 21, 2006? 12 20 11 16 A Generally. It's not totally refreshing my 12 20 16 17 memory 12 20 19 18 Q It's kind of truncated, isn't it? 12 20 19 19 Down in the last multiline paragraph, it 12 20 25 20 says, "The committee considered whether to 12 20 29 21 continue providing information to KKR and Bain." 12 20 32 22 Was a decision actually made? 12 20 36 23 A. See, what -- what I recall about this 12 20 45 24 meeting was that we had gotten preliminary 12 20 48 25 indications of interest, the ranges, and we were 12 20 54</p>
157	<p>1 really talking about bringing the board up-to-date 12 20 59 2 at the meeting that was going to occur after 12 21 05 3 Christmastime, after New Year's 12 21 08 4 I cannot remember what other information 12 21 12 5 KKR and Bain were requesting at that time 12 21 15 6 Q So you don't know whether there was a 12 21 21 7 decision or not as to continuing to provide them 12 21 23 8 information? 12 21 26 9 A No, no, because I can't remember what they 12 21 27 10 were requesting 12 21 28 11 Q Sure. And the next one is -- next 12 21 29 12 sentence says, "The committee also considered 12 21 31 13 whether to solicit indications of interest from 12 21 33 14 other potential buyer." Do you remember whether 12 21 35 15 or not there was a decision on that? 12 21 36 16 A Yes. 12 21 39 17 Q And what was the decision? 12 21 39 18 A No. 12 21 40 19 Q Did the committee have the authority to 12 21 41 20 make that decision on its own, or was this a 12 21 43 21 decision to recommend that to the board? 12 21 46 22 A Decision to recommend that to the board 12 21 49 23 Q Let me hand you a copy of the minutes from 12 22 22 24 the January 5 meeting of the board 12 22 24 25 A. Okay 12 23 57</p>

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158			160			
1	(Marked Exhibit No. 12)	12 24 01	1	A	The latter part of the due diligence	12 26 09
2	BY MR. JOHNSTON	12 24 02	2		process	12 26 11
3	Q Does this document refresh your	12 24 03	3	Q	Okay Then the -- at the bottom of that	12 26 12
4	recollection as to what occurred at the meeting of	12 24 04	4		page, there is a discussion by Lazard as to	12 26 21
5	the board on January 5, 2007?	12 24 06	5		valuation considerations, and a discussion of	12 26 24
6	A Yes.	12 24 08	6		various valuation methodologies and outcomes for	12 26 28
7	Q This makes reference to the strategic	12 24 22	7		two scenarios, with, 1, remaining independent, and	12 26 33
8	planning committee's establishing of ground rules	12 24 27	8		2, pursuing a leverage buyout transaction	12 26 36
9	This is on Page 2 at the top, the first full	12 24 32	9		Any other valuation methodologies other	12:26:41
10	paragraph	12 24 37	10		than for those two scenarios that you recall?	12:26:43
11	A Yes	12 24 37	11	A	We also talked about the Family Dollar	12:26:47
12	Q. What were those ground rules?	12 24 37	12		situation, so -- so we -- we brought that into	12 26 49
13	A There was a series of those that were	12 24 39	13		the -- Family Dollar was still a potential	12 26 55
14	given to Bain and KKR, like confidentiality, like	12 24 40	14		consideration at this point, but it was pointed	12:26:57
15	no conversations with management, conversations	12 24 47	15		out that they had this 10K that was due, so that	12 26 59
16	will all funnel through the investment bank,	12 24 52	16		would have been in the mix of discussion	12 27 02
17	that -- there was a whole series of things like	12 24 54	17		And of course, that scenario had been run	12 27 06
18	that	12 25 01	18		in a previous document given to us	12 27 08
19	Q Okay	12:25:02	19	Q	Right? And in essence on that, on the	12 27 10
20	A Again, trying to make sure that we	12 25 02	20		Family Dollar issue, there had been no change from	12 27 14
21	maintained confidentiality, amongst other things	12 25 04	21		the previous discussion?	12 27 17
22	Q All right Then in the next paragraph	12 25 11	22	A	Correct But no change, I'm not sure when	12 27 25
23	after that, you are explaining to the board that	12 25 12	23		they didn't file their 10K I guess -- I would	12 27 31
24	there's a couple of decisions that need to be	12 25 17	24		call not filing a 10K would have been a change	12:27:34
25	made The first is whether to permit the firms --	12 25 18	25		But no change in the valuation analysis	12 27 37
159			161			
1	that is Bain and KKR, correct?	12 25 21	1	Q	Do you recall anything about the	12 27 44
2	A Correct	12 25 24	2		discussion that followed as indicated at the very	12 27 45
3	Q That's who we're talking about?	12 25 25	3		last sentence of Page 2?	12 27 48
4	A Yes	12 25 26	4	A.	1 -- I remember it being very robust that	12 28 04
5	Q -- additional access to management and	12 25 26	5		a lot of directors asked a lot of questions I	12 28 10
6	allow the process to continue And the decision	12 25 28	6		remember the -- you know, there was a lot of	12 28 18
7	was made to allow them that access and to	12 25 33	7		discussion about, let's look at these indications	12 28 20
8	continue, correct?	12 25 36	8		interest Let's look at our -- let's look at	12 28 27
9	A Correct	12 25 37	9		other scenarios under -- under Alpha, you know,	12 28 32
10	Q And then whether to broaden the process to	12 25 37	10		some of these things you and I have already talked	12 28 35
11	include other firms	12 25 40	11		about	12 28 35
12	I think we've already spoken about that	12 25 42	12		But it's not -- not necessarily just about	12 28 35
13	You've indicated that each of the two firms asked	12 25 45	13		what Alpha is after it's done but what happens in	12 28 36
14	for permission to allow them to bring in a --	12 25 48	14		between All those kinds of things were kind of	12:28:40
15	another -- a single equity -- a private equity	12 25 51	15		being hashed and rehashed in here	12 28 42
16	group --	12 25 55	16	Q	Let me show you another document, and I'm	12 28 52
17	A KKR --	12 25 56	17		not sure if I'm showing this to you -- well, I am	12 28 55
18	Q -- as their partner	12 25 57	18		show -- I am showing this to you somewhat out of	12 28 57
19	A KKR had not done that at this time	12 25 58	19		turn, but we'll talk about that too	12 29 00
20	Q At this time? Okay When did they do	12 26 01	20		This is a management presentation dated	12 29 03
21	that?	12 26 04	21		January 2007	12 29 05
22	A Just prior to the final offer.	12:26:04	22		(Marked Exhibit No. 13)	12 29 19
23	Q In early March?	12 26 06	23		THE WITNESS Okay We are at 2007	12 30 02
24	A Uh-huh	12 26 08	24		Oh, okay	12 30 41
25	Q Sometime around in there?	12 26 08	25			

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162	<p>1 BY MR. JOHNSTON 12 30 43</p> <p>2 Q Who is this a presentation to? 12 30 43</p> <p>3 A I'm not sure 12 30 45</p> <p>4 Q Have you seen the document before? 12 30 49</p> <p>5 A I have not seen the document before 12 30 51</p> <p>6 Q So this was not a presentation to the 12 30 52</p> <p>7 board -- 12 30 54</p> <p>8 A No 12 30 58</p> <p>9 Q -- on anything? 12 30 58</p> <p>10 A No It -- it -- it looks like the format 12 30 59</p> <p>11 of the information that was requested by the 12 31 11</p> <p>12 private equity firms and would have occurred -- 12 31 13</p> <p>13 well, that's what it looks like 12 31 30</p> <p>14 Q Okay Let me ask you to turn to Page 103, 12 31 33</p> <p>15 understanding that you have not seen this document 12 31 36</p> <p>16 before That page reflects past and projected 12 31 38</p> <p>17 sales 12 31 47</p> <p>18 And I apologize, the copies aren't very 12 31 52</p> <p>19 good, so you can't really tell entirely the 12 31 54</p> <p>20 difference between forecast Alpha and forecast 12 31 58</p> <p>21 alternative case, although I think we can see it. 12 32 01</p> <p>22 A Yeah 12 32 11</p> <p>23 Q Have you seen a document or numbers that 12 32 11</p> <p>24 are similar to what appears on Page 103? 12 32 15</p> <p>25 A I would have to study that Again, this 12 32 27</p>
163	<p>1 looks like to me it's a management document and -- 12 32 28</p> <p>2 that would -- and I think was used to talk with 12 32 31</p> <p>3 the private equity firms but was coordinated with 12 32 33</p> <p>4 the -- was coordinated with -- with the investment 12 32 36</p> <p>5 bankers with Lazard 12 32 40</p> <p>6 Q Okay 12 32 41</p> <p>7 A That's what I think this is, but -- but 12 32 42</p> <p>8 I'm not sure You need to really ask somebody 12 32 44</p> <p>9 from management what they used this document for 12 32 48</p> <p>10 Q We'll do exactly that 12 32 56</p> <p>11 Before I go on into January some more, let 12 32 58</p> <p>12 me show you some additional documents from 12 33 00</p> <p>13 November, and we'll get this squared away as to 12 33 03</p> <p>14 what's what -- or at least I hope we will 12 33 05</p> <p>15 (Marked Exhibit No 14) 12 33 42</p> <p>16 THE WITNESS: Yeah, okay 12 34 20</p> <p>17 BY MR. JOHNSTON 12 34 50</p> <p>18 Q You ready? 12 34 50</p> <p>19 A Uh-huh 12 34 51</p> <p>20 Q Now tell me what this document is 12 34 52</p> <p>21 A What I think it is is the -- is the 12 34 55</p> <p>22 presentation that Lehman made to the strategic 12 35 05</p> <p>23 planning committee. 12 35 05</p> <p>24 Q On November the 16th prior to the board 12 35 05</p> <p>25 meeting on the 20th? 12 35 07</p>
164	<p>1 A Yeah 12 35 13</p> <p>2 Q Okay. Do you know where -- well, let me 12 35 14</p> <p>3 ask it this way, do you know whether or not 12 35 47</p> <p>4 Lehman Brothers had access to nonpublic 12 35 51</p> <p>5 information -- financial information in preparing 12 35 53</p> <p>6 this document and making this presentation to the 12 36 01</p> <p>7 strategic planning committee? 12 36 03</p> <p>8 A Yeah, they had -- they had all the Alpha 12 36 05</p> <p>9 information 12 36 06</p> <p>10 Q Okay 12 36 07</p> <p>11 MR. McEVROY I'm sorry, can I just 12 36 12</p> <p>12 note for the record that this document, 12 36 13</p> <p>13 Exhibit 14, bears the legend draft on the copy, so 12 36 14</p> <p>14 to the extent we're talking about it, bear in mind 12 36 17</p> <p>15 that it's not entirely clear this was exactly what 12 36 18</p> <p>16 was presented 12 36 21</p> <p>17 MR. JOHNSTON. Yeah, good point 12 36 23</p> <p>18 BY MR. JOHNSTON: 12 36 27</p> <p>19 Q All right Then, in addition to that, 12 36 27</p> <p>20 there is a document entitled Additional Materials 12 36 41</p> <p>21 for Discussion Now, this one is dated 12 36 46</p> <p>22 specifically November the 20th, 2006 So may we 12 36 51</p> <p>23 presume that this was a document that was 12 36 55</p> <p>24 presented at the full board meeting on that date? 12 36 56</p> <p>25 A I'm waiting for her to put the sticker on 12 37 01</p>
165	<p>1 it. 12 37 03</p> <p>2 Q She can't do that because I'm talking 12 37 09</p> <p>3 Sorry 12 37 11</p> <p>4 (Marked Exhibit No 15) 12 37 11</p> <p>5 THE WITNESS Yeah, this looks like 12 37 39</p> <p>6 to me that this is Lehman's valuation analysis 12 37 40</p> <p>7 But there's something you need to understand 12 37 44</p> <p>8 BY MR. JOHNSTON 12 37 46</p> <p>9 Q Okay 12 37 46</p> <p>10 A We discounted information that came from 12 37 51</p> <p>11 Lehman because our contract -- the company's 12 37 53</p> <p>12 contract with Lehman paid them large dollars if 12 37 56</p> <p>13 the company did a deal And we had -- we had two 12 37 59</p> <p>14 valuation analyses done, so I didn't pay much 12 38 07</p> <p>15 attention to this document, because our contract 12 38 11</p> <p>16 with Lazard, they had no incentive to do a deal or 12 38 13</p> <p>17 not do a deal They had a fixed price that they 12 38 16</p> <p>18 got paid, whatever we did 12 38 19</p> <p>19 Lehman had -- had a contract that if we 12 38 21</p> <p>20 did a deal, they got a big incentive fee 12 38 23</p> <p>21 Q Okay 12 38 26</p> <p>22 A So -- so I'm saying I didn't study this 12 38 26</p> <p>23 document much and didn't pay much attention to it 12 38 28</p> <p>24 even though they -- the two investment bankers 12 38 31</p> <p>25 said -- Lazard said, we're not going to make 12 38 33</p>

42 (Pages 162 to 165)

166	<p>1 Lehman come in and -- they want to do their own, 12 38 36</p> <p>2 but I didn't pay much attention to this, for that 12 38 38</p> <p>3 reason. I didn't feel like they were giving us. 12 38:41</p> <p>4 independent advice in that regard 12 38:44</p> <p>5 Q Explain to me what the -- their interest 12 38 46</p> <p>6 was in terms of their enhanced fee if a deal was 12 38 50</p> <p>7 done. What did the contract call for, as best you 12 38 53</p> <p>8 can recall? 12 38 56</p> <p>9 A Yeah. 12 38 57</p> <p>10 Q You say big dollars. What's -- what does 12 38 57</p> <p>11 that mean? 12 39 00</p> <p>12 A Would you take 25 million as a large 12 39 00</p> <p>13 number? 12 39 02</p> <p>14 Q I'm -- I would. But would they? I don't 12 39 04</p> <p>15 know. I mean, I'm asking you what you mean by 12 39 07</p> <p>16 that 12:39 09</p> <p>17 A As I -- well, as I recall, they got 12 39 09</p> <p>18 something like 45 basis points of fee -- I forget. 12 39 11</p> <p>19 what the number was. It was some fairly -- and it 12 39 14</p> <p>20 was a function of whatever the price was, and it. 12 39 17</p> <p>21 only happened if we did a deal and -- and I think 12 39 19</p> <p>22 the number at \$7 billion would have been like -- 12 39 22</p> <p>23 like 45 -- would have been like \$25 billion 12 39 25</p> <p>24 Yeah, I thought -- I thought for them that 12 39 29</p> <p>25 was -- and so I thought they were kind of -- that 12 39 31</p>
167	<p>1 they might say to us, this looks good, you ought 12 39 35</p> <p>2 to think about this, whatever, because they were 12:39 40</p> <p>3 incented to do it. 12 39 43</p> <p>4 So I didn't pay much attention to their 12 39:45</p> <p>5 valuation analysis, their discussion, just to be 12 39 46</p> <p>6 honest with you. Some other people might have 12 39 49</p> <p>7 listened to them. I didn't listen much to them 12 39 51</p> <p>8 because I thought they were not independent. 12 39 54</p> <p>9 Q Was that a part of the -- whatever 12 39 56</p> <p>10 contract they signed with Dollar General early on? 12 39 58</p> <p>11 A Yeah, that was the company -- that was the 12 40 01</p> <p>12 contract that they had signed with the company 12 40 03</p> <p>13 prior to the strategic planning committee being 12 40 08</p> <p>14 set up and was one of the reasons why we felt like 12 40 13</p> <p>15 we ought to have independent counsel because we 12 40 16</p> <p>16 wanted to be able to have unbiased representation 12:40:19</p> <p>17 about the different scenarios. And we had -- we 12 40 22</p> <p>18 had a contract with these people that incented 12 40:26</p> <p>19 them to advise us to do a deal 12 40 28</p> <p>20 Q Sure. Do you know roughly when that 12 40 33</p> <p>21 contract would have been signed? 12 40 35</p> <p>22 A Sometime in the summer or -- it -- 12 40 37</p> <p>23 sometime in '06, and sometime it was entered into 12 40 42</p> <p>24 by the management. The board understood it was 12 40 49</p> <p>25 going to happen. We didn't understand we were 12 40 51</p>
168	<p>1 going to get KKR saying, hey, look, we would like 12 40 53</p> <p>2 to make an offer for the company, so it was before 12 40 59</p> <p>3 that happened 12 41 02</p> <p>4 Q Well, let me just do -- let's -- whether 12 41 09</p> <p>5 you looked at it or not or considered it or not, 12:41 10</p> <p>6 let's -- let me just bring your attention to the 12 41 13</p> <p>7 first couple of pages 12 41 17</p> <p>8 My copy -- and I guess yours too -- is -- 12 41 25</p> <p>9 is blacked out at the top. Do you see those big 12 41 26</p> <p>10 black -- I think that has writing in them that 12 41 29</p> <p>11 indicates that they're different scenarios, but 12 41 32</p> <p>12 I'm not sure what that says 12 41 38</p> <p>13 A Yeah, I'm not either 12 41 39</p> <p>14 Q But it's clear that there is a difference 12 41 40</p> <p>15 among those 12 41 45</p> <p>16 Can you look at any of these numbers 12 41 55</p> <p>17 either for 2006 or for any of the projections 12 41 58</p> <p>18 in -- in out years and tell me if any of these 12 42:00</p> <p>19 appear to reflect what we've referred to earlier 12 42 05</p> <p>20 as the base case? 12 42:08</p> <p>21 MR SAVITT You're asking him to 12 42 22</p> <p>22 look at these numbers and say whether any set of 12 42 22</p> <p>23 them was like a base case? 12 42 26</p> <p>24 MR JOHNSTON Yeah. Since I 12 42 31</p> <p>25 can't -- the document we got doesn't have what -- 12 42 31</p>
169	<p>1 what these are, I can't really tell 12 42 32</p> <p>2 Do -- do you guys know? 12 42 35</p> <p>3 MR SAVITT I don't know. And we 12 42 36</p> <p>4 have the same copy you do, so 12 42 37</p> <p>5 MR JOHNSTON So it's blacked out? 12 42 39</p> <p>6 MR SAVITT Yeah 12 42 42</p> <p>7 THE WITNESS Yeah, I -- I -- you'd 12 42 44</p> <p>8 have to go through and validate. You'd go over 12 42 45</p> <p>9 and look at the base cases if you wanted to. You 12 42 47</p> <p>10 can do that as well as I can, Doug 12 42 51</p> <p>11 BY MR JOHNSTON 12 42 54</p> <p>12 Q I don't want to take your time or mine 12 42 54</p> <p>13 Well, did we mark that as an exhibit 12 43 15</p> <p>14 already? 12 43 18</p> <p>15 A 15 12 43 21</p> <p>16 Q All right. Well, let's look at something 12 43 34</p> <p>17 maybe you did look at, and this is from Lazard 12 43 36</p> <p>18 A I looked at this one 12 43 39</p> <p>19 (Marked Exhibit No. 16.) 12 43 50</p> <p>20 THE WITNESS Yeah, I looked at this 12 44 16</p> <p>21 one 12 44 18</p> <p>22 MR BARRETT What's the date? 12 44 40</p> <p>23 MR JOHNSTON Just November 2006 12 44 41</p> <p>24 BY MR JOHNSTON 12 44 43</p> <p>25 Q All right. Did this -- is this part of 12 44 44</p>

170	<p>1 what Lazard presented either to the strategic 12 44 46 2 planning committee or the full board in November 12 44 52 3 of 2006? 12 44 54 4 A Yeah, this looks like what they presented 12 44 57 5 to the board on November 20, and they may -- may 12 45 01 6 have also covered this with the strategic planning 12 45 03 7 committee. But it -- but it looks like the 12 45 08 8 valuation analysis would discuss that, 12 45 10 9 Q Okay. And let's take a look at Page 12 45 16 10 No 1 12 45 18 11 A Uh-huh 12 45 19 12 Q And if you could, just briefly -- what 12 45 20 13 does it mean when it -- it states, "Implied value 12 45 26 14 per DG share under the various scenarios, base 12 45 31 15 case, Alpha, Alpha real estate, and revised Alpha 12 45 35 16 case"? What is the implied value? 12 45 38 17 A Yeah, that's a methodology where you 12 45 42 18 discount the earning stream going forward to come 12 45 44 19 back to try to be able to compare in today's value 12 45 48 20 the alternative approaches 12 45 51 21 Q Okay. Then on Page 2 of that, it's 12 46 09 22 showing projections -- that's my word, it's not on 12 46 12 23 there anywhere -- for EPS in 2007, 2008 under the 12 46 20 24 various different scenarios 12 46 24 25 A Uh-huh 12 46 32</p>
171	<p>1 Q Did these numbers derive, to the best of 12 46 32 2 your knowledge, from nonpublic information that 12 46 34 3 Lazard had access to up to that time? 12 46 37 4 MR. SAVITT Could you say that 12 46 47 5 question back, please 12 46 47 6 (Reporter read back requested 12 47 06 7 material) 12 47 06 8 THE WITNESS I'm trying to figure 12 47 11 9 out exactly what they are. It doesn't look like 12 47 14 10 it ties specifically to some nonpublished 12 47 33 11 information to me because it's a range of EPS, not 12 47 36 12 a specific EPS number as was included in the 12 47 41 13 plans, and so it -- I think linking it exactly to 12 47 44 14 a piece -- another piece of information doesn't 12 47 51 15 look, like, appropriate. It 12 47 53 16 BY MR. JOHNSTON: 12 48 08 17 Q Okay. All right. We'll put that aside. 12 48 08 18 Did we make that an exhibit, 16? 12 48 10 19 A Well, I do want to call your attention, in 12 48 14 20 this document that can -- you can see we're still 12 48 17 21 talking about Family Dollar. Again, we're -- 12 48 19 22 we're looking at other alternatives other than the 12 48 22 23 Alpha case, an independent case, other than the 12 48 28 24 private equity case. We're still considering 12 48 31 25 strategic combinations in here and looking at an 12 48 35</p>
172	<p>1 analysis. 12 48 37 2 Q Right. This is from November? 12 48 38 3 A Yeah. 12 48 41 4 Q Right? 12 48 41 5 A But in November we were still looking at 12 48 41 6 it. 12 48 43 7 Q Let's go to the strategic planning 12 49 02 8 committee meeting of January the 29th 12 49 18 9 (Marked Exhibit No. 17) 12 49 34 10 BY MR. JOHNSTON 12 51 10 11 Q I've actually handed that to you 12 51 10 12 prematurely. I'm not finished with January 5 yet. 12 51 13 13 Just put that aside for the moment because I'll 12 51 25 14 come back to it in just a second. But let me hand 12 51 29 15 to you -- 12 51 31 16 A Is there something I need to look at for 12 51 33 17 January 5? 12 51 35 18 Q Yeah, something hopefully you looked at 12 51 36 19 again because it has Lazard's name on it. 12 51 38 20 (Marked Exhibit No. 18) 12 52 14 21 THE WITNESS Okay 12 52 39 22 BY MR. JOHNSTON 12 52 40 23 Q. Do you know what this document is? 12:52:40 24 A It looks like to me the presentation that 12 52 41 25 Lazard made to the strategic planning committee 12 52 44</p>
173	<p>1 meeting. 12:52:47 2 Q On January 5? 12 52 47 3 A January 5? Was the meeting on January 5? 12 52 55 4 That's the board meeting. It looks like the -- it 12 52 58 5 would be to the board on January 5. 12 53 02 6 Q Right. Okay 12 53 06 7 Let me call your attention to Page 3 of 12 53 07 8 the document where it says, "Summary of key 12 53 12 9 financial metrics provided to Bain and KKR." 12 53 17 10 A Uh-huh. 12 53 23 11 Q Now, do you see that page? 12 53 37 12 A Uh-huh. 12 53 39 13 Q. Okay. To start with, there's only two 12 53 39 14 alternatives here that are being discussed, not 12 53 42 15 three or four like we had up to this point. Does 12 53 46 16 that mean that the board in its implementation or 12 53 49 17 its decision to implement Project Alpha had 12 53 54 18 eliminated some or all of the various scenarios, 12 53 59 19 or were there still other avenues open? What was 12 54 05 20 the -- what was the status of Project Alpha as of 12 54 07 21 January 5, 07? 12 54 12 22 A. Yeah, this -- this really related to let 12 54 15 23 the private equity firms run their own iterations. 12 54 23 24 Don't give them too many scenarios. And what we 12 54 27 25 gave them was the Alpha case that had been 12 54 31</p>

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174	<p>1 approved by the board 12 54 35</p> <p>2 And the -- what the alternative case is 12 54 39</p> <p>3 is -- is a set of more optimistic results that 12 54 40</p> <p>4 could occur from the same initiatives 12 54 44</p> <p>5 Q Okay 12 54 47</p> <p>6 A And rather than -- but -- but it's a range 12 54 50</p> <p>7 of results that it could occur, but it was the 12 54 54</p> <p>8 Alpha case that was approved by the board 12 54 56</p> <p>9 Q. Okay All right. So -- now, this 12 54 59</p> <p>10 document -- this page is showing us numbers on 12 55 04</p> <p>11 various things including sales growth over time, 12 55 11</p> <p>12 again, this clean EB -- EPS, et cetera And I'm 12 55 16</p> <p>13 not trying to limit it to just that It shows us 12 55 20</p> <p>14 a number of those things, but it includes those 12 55 24</p> <p>15 Did -- did these numbers come from -- are 12 55 27</p> <p>16 they derived from nonpublic information? 12 55 30</p> <p>17 A Yes 12 55 33</p> <p>18 Q To the best of your knowledge, are these 12 55 39</p> <p>19 numbers the best that were available as of January 12 55 41</p> <p>20 the 5th, 2007, in terms of sales growth, EPS, the 12 55 44</p> <p>21 key things that are listed here? 12 55 51</p> <p>22 A The -- the Alpha case is what was approved 12 55 59</p> <p>23 by the board that management had given after all 12 56 02</p> <p>24 of the iterations and -- and -- so it represented 12 56 05</p> <p>25 the case that we had that was approved by the 12 56 08</p>
175	<p>1 board that was the plan 12 56 11</p> <p>2 Q Okay And I understand that. My question 12 56 17</p> <p>3 is, really, does this represent the best available 12 56 20</p> <p>4 numbers as of the date -- 12 56 22</p> <p>5 A Best versus what? That's what I'm -- 12 56 25</p> <p>6 Q Anything else? 12 56 28</p> <p>7 A I don't understand your question 12 56 29</p> <p>8 Q Do these represent numbers that are 12 56 30</p> <p>9 up-to-date? Do they represent numbers that were 12 56 32</p> <p>10 valid in October? 12 56 34</p> <p>11 A No 12 56 36</p> <p>12 Q What do they represent? 12 56 37</p> <p>13 A They rep -- as best defines as timely, 12 56 37</p> <p>14 yes, these were the -- these were the numbers that 12 56 43</p> <p>15 we had that had been scrubbed and presented to the 12 56 45</p> <p>16 board and approved by the board when the Alpha 12 56 48</p> <p>17 case was -- when Alpha was approved 12 56 51</p> <p>18 Q Okay. 12 56 52</p> <p>19 A When I say these numbers, I'm talking 12 56 56</p> <p>20 about -- there's a note on there, prepared by 12 56 58</p> <p>21 management, approved by the board, that's the 12 57 01</p> <p>22 Alpha case Then it even says, Alpha alternative 12 57 03</p> <p>23 case prepared by management, those numbers were 12 57 06</p> <p>24 never approved by the board 12 57 08</p> <p>25 Q Well, there -- there was no reason for you 12 57 14</p>
176	<p>1 to approve those numbers because, as you said, 12 57 16</p> <p>2 those were just a more optimistic view of 12 57 20</p> <p>3 implementation of Project Alpha, right? 12 57 23</p> <p>4 A That's correct. 12 57 27</p> <p>5 Q Okay 12 57 28</p> <p>6 A But did not go through the scrutiny and 12 57 28</p> <p>7 scrubbing of independent advisers having looked at 12 57 31</p> <p>8 them, you know, whatever 12 57 34</p> <p>9 Q Right. But the first ones did? 12 57 35</p> <p>10 A The first ones did 12 57 37</p> <p>11 Q Yes 12 57 42</p> <p>12 MR JOHNSTON Well, let's put that 12 58 01</p> <p>13 aside Let's go back to Exhibit 17 12 58 02</p> <p>14 BY MR JOHNSTON 12 58 22</p> <p>15 Q Just a couple of questions on this In 12 58 22</p> <p>16 the second full paragraph after the listing of 12 58 27</p> <p>17 the -- of the persons present, there is a 12 58 29</p> <p>18 reference to Project Beta 12 58 36</p> <p>19 A Yeah 12 58 39</p> <p>20 Q And I think I know what it is, but tell 12 58 39</p> <p>21 us, what is Project Beta? 12 58 41</p> <p>22 A That's the -- that's the project related 12 58 43</p> <p>23 to dealing with the private equity firms 12 58 45</p> <p>24 Q Okay In a couple of paragraphs down from 12 58 55</p> <p>25 there, there's discussion about the efforts 12 58 57</p>
177	<p>1 regarding beta and also states that -- the 12 59 04</p> <p>2 management team's intent on delivering 12 59 08</p> <p>3 Project Alpha, and then it says, "Mr. Beré agreed 12 59 12</p> <p>4 and a discussion of the company's efforts 12 59 15</p> <p>5 followed " 12 59 18</p> <p>6 As of January the 29th, what in particular 12 59 20</p> <p>7 had been implemented? What -- what sorts of 12 59 24</p> <p>8 things had occurred to implement Project Alpha? 12 59 29</p> <p>9 A It -- there was a lot of things in they 12 59 34</p> <p>10 started moving the inventory, they started store 12 59 38</p> <p>11 closure programs, so forth and so on So there 12 59 42</p> <p>12 were a number of things that were consider -- and 12 59 44</p> <p>13 what would be basically understood was it was on 12 59 47</p> <p>14 schedule 12 59 50</p> <p>15 Q The second paragraph from the bottom, 13 00 03</p> <p>16 Mr. Bortoff then discussed the issue of 13 00 05</p> <p>17 Lehman Brothers' involvement in the matter 13 00 07</p> <p>18 A Uh-huh 13 00 10</p> <p>19 Q And the next steps in that regard What 13 00 10</p> <p>20 does that make reference to? 13 00 13</p> <p>21 A Trying to renegotiate that contract to get 13 00 15</p> <p>22 them to get a lower fee if we did a deal 13 00 17</p> <p>23 Q Was it looking like you were going to 13 00 19</p> <p>24 possibly get a deal by then and you were trying to 13 00 21</p> <p>25 cut your potential losses there? 13 00 25</p>

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178	<p>1 A No We -- their fairness -- in the 13 00 26 2 structure we had, there was a -- they -- they had 13 00 33 3 to deliver a fairness opinion We didn't really 13 00 36 4 believe we could rely on that fairness opinion, 13 00 39 5 and, therefore, we really didn't want to pay for 13 00 43 6 it kind of thing, and so -- so bottom line was it 13 00 45 7 was a lot of money And we were saying, hey, 13 00 51 8 look, let's -- let's use this opportunity here to 13 00 54 9 try to restructure this deal before we get to a 13 00 55 10 point, which we wouldn't be able to 13 00 58 11 So it's a contingency deal about, you sure 13 01 01 12 couldn't do it after you did it, so let's -- let's 13 01 04 13 try to see what we can do, and we'll talk to them 13 01:06 14 about we can't do the fairness opinion, and we let 13:01 07 15 them do some other things to -- in the deal that 13 01 10 16 would allow them to participate in other ways 13 01 11 17 Q All right So they were stated under 13 01 16 18 their contract to do a fairness opinion in the 13 01 20 19 event that a deal was reached, is that -- 13 01 22 20 A That's correct 13 01 27 21 Q Okay 13 01 28 22 A That's correct 13 01 28 23 Q But you and members of the strategic 13 01 28 24 planning committee did not want that fairness 13 01 30 25 opinion from Lehman? 13 01 33</p>
179	<p>1 A We weren't going to rely on it. It was of 13 01 35 2 no value to us because we would -- because we 13:01:39 3 wanted an independent party that we felt whose 13 01:40 4 advice we would rely on 13 01 44 5 Q And ultimately it was Lazard that provided 13 01 47 6 that opinion? 13 01 50 7 A It was, but Lazard didn't know they were 13 01 51 8 going to provide an opinion until after the deal 13 01 52 9 really was -- 13 01 55 10 Q I understand But -- and Lehman did not? 13 01 56 11 A Lehman 13 02 02 12 Q Lehman? I'm sorry, I keep saying that 13 02 03 13 because I've got a neighbor who's named 13 02 06 14 Tom Lehman I can't not say that 13 02 07 15 I'm going to skip ahead to March the 10th 13 03 05 16 And before we look at these documents, let's just 13 03 18 17 talk a little bit about what you remember the 13 03 20 18 process being We've -- we've discussed a lot of 13 03:22 19 this already 13 03 25 20 You've told us there was a due 13 03 26 21 diligence -- a more comprehensive due diligence 13 03 28 22 process that the private equity firms went 13 03 33 23 through We mentioned briefly the data bank that 13 03 36 24 was set up There was due diligence that was 13 03 39 25 going on through -- at least through February or 13 03 42</p>
180	<p>1 most of February, probably earlier, perhaps later 13 03 47 2 I'm just trying to generally give us the time 13 03 50 3 frames here 13 03 53 4 Let's just talk about what the -- the 13 03 59 5 board was doing vis-a-vis any expectation of 13 04 02 6 response once due diligence was completed Did 13 04 09 7 the board tell the private equity firms what, if 13 04 14 8 anything, it wanted in the way of a -- an offer? 13:04 19 9 MR. McEVROY I'm going to object to 13 04 32 10 form 13 04 33 11 THE WITNESS We wanted a firm offer 13 04 36 12 BY MR. JOHNSTON 13 04 37 13 Q. All right 13 04 37 14 A And highest and best offer 13 04 38 15 Q. By that, what you were saying was that you 13 04 40 16 did not want to have to dicker with them over 13 04 42 17 price; you wanted their best one right off the 13 04 47 18 bat, and you were either going to take it or leave 13 04 49 19 it? Is that where you were or not? 13 04 52 20 A We were trying to create sufficient 13 04 54 21 competition between the two that they were fearful 13 04 56 22 that if they didn't put their highest and best 13 04 59 23 offer on the table that they would be left at 13 05 02 24 the -- at the -- at the starting gate 13 05 04 25 Q Okay Well, why would telling them -- or 13 05 11</p>
181	<p>1 requesting of them their highest and best right 13 05 14 2 off the bat make any of them -- either of them 13 05 16 3 less or more fearful that they might be left out? 13 05 19 4 MR. McEVROY Object 13 05 27 5 BY MR. JOHNSTON: 13 05 27 6 Q I'm not sure that I'm following that 13 05 27 7 logic, so if you could explain it to me, that 13 05 29 8 would be helpful 13:05 31 9 MR. McEVROY Object to form 13 05 33 10 THE WITNESS Yeah, I don't -- I -- 13 05 37 11 it's so dear to me, I'm not sure why you don't 13 05 38 12 understand, Doug, so tell me what you don't 13 05 42 13 understand about that. 13 05 44 14 BY MR. JOHNSTON 13 05 44 15 Q I just don't understand why that 13 05 44 16 automatically creates fear in one, whereas 13 05 46 17 negotiating does not 13 05 52 18 A You got a competition going on, you got 13 06 01 19 one shot, put your best offer on the table It 13 06 04 20 makes people go all the way They don't -- they 13 06 09 21 say, hey, wait, we are not going to leave -- we're 13:06 10 22 not going to hold back because we are not going to 13 06 13 23 have another shot at this It's -- you know 13 06 15 24 Q Okay That was your thinking and the 13 06 18 25 board's thinking? 13 06 20</p>

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182	<p>1 MR. SAVITT Object to the form 13 06 21</p> <p>2 BY MR. JOHNSTON 13:06 22</p> <p>3 Q Is that what you're telling me? That's 13 06 22</p> <p>4 what you intended? 13 06 25</p> <p>5 A We had a lot of advice from our -- our 13 06 26</p> <p>6 advisers about what was the best way to get the 13 06 29</p> <p>7 highest price 13 06 31</p> <p>8 Q All right. And that's what they advised 13:06 32</p> <p>9 you to do? 13 06 34</p> <p>10 A We had a -- yes, we took their advice 13 06 35</p> <p>11 Q Okay. Did you set a time limit for any 13 06 41</p> <p>12 offers? 13 06 44</p> <p>13 A Yeah, we -- we set a soft deadline. The 13 06 47</p> <p>14 idea was to attempt to move this forward as 13 06 51</p> <p>15 rapidly as we could but with them trying to get, 13 06 57</p> <p>16 you know, the information they needed so they 13:07:02</p> <p>17 could sort of come forward 13 07:04</p> <p>18 And -- and we -- we were in dialogue with 13:07 10</p> <p>19 the -- with Lazard, who was in dialogue with them, 13 07 14</p> <p>20 about, were they getting the information they 13 07 21</p> <p>21 needed to get in order to be able to come forward 13 07 23</p> <p>22 And so we were -- we were in a lot of discussion 13 07 25</p> <p>23 about what was the right time to sort of set a 13 07 28</p> <p>24 firm deadline 13 07:30</p> <p>25 But we started out with this soft target 13 07 31</p>
183	<p>1 date, and we extended that date until -- because 13 07 33</p> <p>2 this was a -- a managed process between us and the 13 07 36</p> <p>3 company and the advisers 13:07 41</p> <p>4 Q Did -- did you extend the process because 13 07 43</p> <p>5 you were informed by one or both of the equity 13 07 44</p> <p>6 firms that they could not meet that deadline as it 13 07:48</p> <p>7 approached? 13 07 50</p> <p>8 A It wasn't could not meet it. It was, 13 07 51</p> <p>9 we've got this additional information. If we can 13 07 55</p> <p>10 get this additional information, we'll be able to 13 07 57</p> <p>11 put forward a better -- better offer 13 08 00</p> <p>12 Q What was the additional information? 13 08 02</p> <p>13 A It -- it went through several -- there 13 08 06</p> <p>14 were several pieces of additional information. I 13 08 09</p> <p>15 don't remember all of them. One of them was 13:08:11</p> <p>16 trying to firm up really what the -- what the base 13 08 13</p> <p>17 case -- not the base case because that's these 13 08 18</p> <p>18 terms, but the base earnings was, from which they 13 08 21</p> <p>19 could sort of build them -- their -- their 13 08 24</p> <p>20 forecast. 13 08 27</p> <p>21 Q Okay. And to the best of your knowledge, 13 08 28</p> <p>22 did they do that? 13 08 30</p> <p>23 A Did they do -- 13 08 33</p> <p>24 Q Did they use that information and -- 13 08 34</p> <p>25 A. Yeah, to the best of my knowledge, they -- 13 08 36</p>
184	<p>1 they ended up having some estimate as to what they 13:08 38</p> <p>2 thought the underlying earnings -- recurring 13 08 41</p> <p>3 earnings would have been in 2007, yes 13 08 44</p> <p>4 Q Okay. Throughout that period of time of 13 08 51</p> <p>5 due diligence, were the equity firms in touch with 13 08:53</p> <p>6 members of management? 13 08 58</p> <p>7 A Yes, we had then given them -- it was 13 09 00</p> <p>8 controlled conversation with management. 13 09 03</p> <p>9 Schedules were being coordinated by the -- by 13 09 07</p> <p>10 then -- by Lazard 13 09 10</p> <p>11 Q Okay 13 09 12</p> <p>12 A And -- so, yes, this -- this -- this was 13:09 13</p> <p>13 the major difference between -- between -- this 13:09:16</p> <p>14 was one of the major differences between the 13 09 18</p> <p>15 indications of interest and the firm offer 13 09 21</p> <p>16 Q Okay. Let me show you the minutes from 13 09 26</p> <p>17 the meeting of the board on March the 10th, 2007 13 09 29</p> <p>18 (Marked Exhibit No. 19) 13 10 39</p> <p>19 THE WITNESS. Okay 13 10 40</p> <p>20 BY MR. JOHNSTON 13 10 41</p> <p>21 Q Okay. Now, as of this meeting, the 13 10 41</p> <p>22 company had received the offer from KKR, correct? 13 10 46</p> <p>23 A Correct. 13 10 51</p> <p>24 Q And -- and this meeting was called to 13 10 51</p> <p>25 consider their offer, is that also correct? 13 10 56</p>
185	<p>1 A Correct. 13 11 00</p> <p>2 Q On the first page, there is a -- just sort 13 11 02</p> <p>3 of a reiteration of what had gone on in the past 13 11:08</p> <p>4 and what had been discussed in the past, and 13 11 12</p> <p>5 there's a mention of the meeting that was had with 13 11 14</p> <p>6 Mr. Perdue, Mr. Wilds, and Mr. Turner back in 13 11:16</p> <p>7 October 13 11 19</p> <p>8 At any time during -- in the process, did 13 11 21</p> <p>9 anybody from Bain ever make a request to talk with 13 11 24</p> <p>10 Mr. Turner? 13 11 28</p> <p>11 A Not to us 13 11 32</p> <p>12 Q Do you know whether or not any 13 11 33</p> <p>13 representative of Bain ever made an attempt to 13 11 34</p> <p>14 talk with Mr. Turner? 13 11 37</p> <p>15 A No 13 11 39</p> <p>16 Q Now, the company had only gotten an offer 13 11 50</p> <p>17 from KKR, correct, not from Bain? 13 11 52</p> <p>18 A That's correct. 13:11:56</p> <p>19 Q And -- 13 11 56</p> <p>20 A We had -- we had a -- there was a 13 11 57</p> <p>21 strategic planning committee the day or two 13 12 01</p> <p>22 before, and Bain had called just prior to that 13 12 04</p> <p>23 meeting and told our advisers that they would not 13 12 06</p> <p>24 be able to get to their range. Their range was 20 13 12 08</p> <p>25 to \$21 a share 13 12 12</p>

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186	<p>1 Q. The range that they had indicated early on 13 12 14 2 in December when they made their expression of 13 12 16 3 interest? 13 12 20 4 A. That's correct. 13 12 21 5 Q. Let me hand you another document. 13 12 36 6 (Marked Exhibit No. 20.) 13 12 49 7 BY MR. JOHNSTON: 13 13 12 8 Q. When you have had an opportunity to look 13 13 12 9 at this, the first question I have is, what is 13 13 13 10 this document? 13 13 16 11 A. This looks like the presentation that 13 13 16 12 Lazard made to the board on March 10 13 13 19 13 Q. Specifically in regard to the KKR offer? 13 13 25 14 A. Correct. 13 13 27 15 Q. Now, as of March 10, Project Alpha had 13 13 59 16 been in place for roughly a quarter, approximately 13 14 01 17 a quarter. Had you begun to see whether or not 13 14 09 18 implementation at least in that early stage was on 13 14 12 19 track or not on track? 13 14 16 20 A. We -- we had -- we had no indication that 13 14 21 21 it was not going to deliver the results consistent 13 14 24 22 with the plan. 13 14 26 23 Q. Okay. 13 14 30 24 A. But it was early in the process too. 13 14 30 25 Q. All right. Now -- obviously, and I 13 14 36</p>
187	<p>1 understand that. 13 14 37 2 A. Some of the high -- some of the high risk 13 14 38 3 points really were in the merchandising effort 13 14 40 4 too. You know, you have to think about that 13 14 42 5 This -- the early stages, we're just liquidating 13 14 44 6 inventory at -- at -- at a discount and selling 13 14 49 7 and closing stores. Those are two of the easier 13 14 51 8 parts. 13 14 56 9 The more difficult part, where the high 13 14 57 10 risk is, is buying new inventory that people buy 13 14 59 11 that you don't have to take big discounts on and 13 15 03 12 opening new stores that are going to produce 13 15 06 13 results. 13 15 08 14 So the early phases of this were the low 13 15 08 15 risk point of the implementation of Alpha. 13 15 11 16 Q. Okay. Let me call your attention to 13 15 17 17 Page 4 of the -- or actually -- yeah, it's -- it's 13 15 19 18 4, listed at the bottom 4. It's actually further 13 15 28 19 than four pages in. 13 15 34 20 A. Called Financial Projections? 13 15 37 21 Q. Yes, Financial Projections Update. 13 15 38 22 Now, it states here that 2006 and 2007 13 15 50 23 estimates have been revised to reflect updated 13 15 53 24 assumptions for the impact of Project Alpha on 13 15 56 25 margins. This goes back to a question that I was 13 15 58</p>
188	<p>1 asking you earlier about reviewing numbers as they 13 16 05 2 come in. 13 16 09 3 Does this mean that these numbers as of 13 16 13 4 March 10 are the best and most timely that you had 13 16 17 5 available to you? 13 16 21 6 MR. McEVOY: Object to form. 13 16 30 7 THE WITNESS: This -- this looks like 13 16 59 8 a representation of updates as it related to 13 17 01 9 Alpha, to try to take into consideration, what do 13 17 03 10 you really think Alpha is going to do? Does it 13 17 09 11 have any different representation than what was 13 17 12 12 previously considered? 13 17 15 13 BY MR. JOHNSTON: 13 17 17 14 Q. Based on numbers that were as close to 13 17 17 15 available on March 10 as you had, is that correct? 13 17 19 16 A. Yes. 13 17 22 17 Q. Now, this -- this has two scenarios, 13 17 29 18 showing two scenarios, Alpha and Alpha revised. 13 17 32 19 What is the Alpha revised as of March 10? 13 17 35 20 A. I'm not sure. I think it's taking into 13 17 48 21 consideration these other items below the -- below 13 17 51 22 the line and the impact those have on Alpha. 13 17 54 23 Q. Okay. 13 17 57 24 A. Decrease in working capital, changes in 13 17 58 25 cap X, et cetera. But it's got pluses and minuses 13 18 02</p>
189	<p>1 in it too. 13 18 17 2 Q. Pardon me? 13 18 18 3 A. Yeah, there are pluses and minuses in it. 13 18 19 4 Q. Show me what you're talking about. 13 18 21 5 A. Well -- 13 18 23 6 Q. Are you looking at Page 4? 13 18 24 7 A. Yeah. Well, just look at the comments, 13 18 26 8 though. Read the comments. "Gross margin of 25.8 13 18 29 9 versus 26.5." That's what it looks like to me it 13 18 35 10 is, but -- 13 18 46 11 Q. Okay. Anything other -- any other pluses 13 18 48 12 or minuses that you want to note? 13 18 51 13 A. No, huh-uh. 13 18 53 14 Q. No? 13 18 59 15 A. No. 13 18 59 16 Q. Okay. All right. 13 19 00 17 A. You noted, though, on Page 12 that the KKR 13 19 34 18 price was higher than any of the valuation ranges 13 19 36 19 from any of the alternatives, correct? 13 19 40 20 Q. Right. 13 19 42 21 Let's move ahead to -- 13 19 44 22 A. And it was cash -- 13 19 46 23 Q. -- May 13 19 47 24 A. -- versus estimates that had risks 13 19 49 25 associated with it. 13 19 51</p>

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190	<p>1 Q And I've got two documents I'm going to 13 19 53 2 show you, one right after the other that I think 13 19 56 3 are quite similar, at least I'm assuming that they 13 19 58 4 are very similar. The first is a presentation to 13 20:01 5 Standard and Poors. This is dated May 16, 2007 13 20 08 6 (Marked Exhibit No. 21) 13 20:17 7 BY MR. JOHNSTON 13 20 35 8 Q And let me just note while you're looking 13 20 36 9 through that that this is a document that was 13 20 39 10 produced by KKR. However, the list of 13 20 40 11 participants on Page 3 includes a couple of 13 20 43 12 members -- several members of management of 13 20 50 13 Dollar General 13 20 53 14 Is this a document that you've seen 13 20:59 15 before? 13 21 01 16 A No 13 21 01 17 Q Not at all? 13 21 02 18 A No. 13 21 03 19 Q Did you -- did you or any member of the 13 21 03 20 board, to the best of your knowledge, have any 13 21.05 21 input into the preparation of any presentation, 13 21.08 22 either to the Standard and Poors or to the senior 13:21 14 23 managing agents that I'm getting ready to show you 13 21.17 24 in just a minute, in May of 2007? 13 21 19 25 A Not that I know of. I wouldn't know what</p>
191	<p>1 other board members did, but I didn't have any 13 21 25 2 input into the document or the presentation 13 21 28 3 Q Let me just call your attention to a 13 21 42 4 couple of things that are in here, and taking 13 21 44 5 consideration that you haven't seen the document 13 21 47 6 before, I'll just ask you generally about the 13 21 49 7 information contained in it. And if you don't 13 21 52 8 know, you can tell me you don't know 13 21 54 9 On Page 15, it is -- one of the things 13 21 57 10 that's listed here is the "strong growth rate" and 13 22 09 11 projects a CAGR between 2005-2009 at 6.2 percent. 13 22 15 12 Is that something -- is that a number that is 13 22 24 13 familiar to the board? 13 22 26 14 A No, I meant not to me. You have to think 13 22 27 15 about the purpose of this document now is -- is 13 22 34 16 KKR going out with management. That's what it 13 22 36 17 looks like to me, you know. And now they have to 13 22 38 18 present this deal as a very positive deal 13 22 41 19 Q Right. 13 22 43 20 A And so -- so these, I'm sure, have now put 13 22 46 21 in here the reflection of whatever modifications 13 22 49 22 they've made to whatever the company's plan was to 13 22 52 23 include whatever -- that's -- that's what this 13 22 55 24 document would be. So -- so I've never seen any 13:22 56 25 of their models and what they thought would</p>
192	<p>1 happen 13 23 03 2 Q Okay. The 6.2 percent CAGR for 2005-2009, 13 23 04 3 is that anywhere close to how that had been 13 23 10 4 projected earlier before the deal was done? 13 23 13 5 MR. McEVROY: I'm just going to object 13 23 18 6 to asking him to speculate about what the numbers 13 23 19 7 in the document mean since he's never seen it 13 23 21 8 before 13 23 25 9 MR. JOHNSTON: I'm not asking him 13 23 26 10 that. That's not the question 13 23 27 11 MR. SAVITT: I join the objection 13 23 29 12 THE WITNESS: Yeah, you know, there 13 23 32 13 are -- I can tell you, there are 76 pages of this 13 23 32 14 document that I've never seen and don't know what 13 23 35 15 the derivation of the document is. And so to -- 13 23 38 16 for me to sort of sit here and try to react to a 13 23 41 17 document that I -- you know, I'm just now put in 13 23 44 18 front of that's got 76 pages, I'm just not in a 13 23 47 19 position to do that, Doug 13 23 50 20 BY MR. JOHNSTON 13:23:52 21 Q I'm sure that's true, and really my 13 23 52 22 question to you didn't have anything to do with 13 23 54 23 the document. You can put the document aside 13 23 56 24 And just tell me whether or not the -- the 13 23 58 25 company had ever projected CAGR between 2005 and 13 24 01</p>
193	<p>1 2006 at 6.2 percent? 13 24 06 2 A What is CAGR? 13:24 12 3 Q Compounded annual growth rate, I believe 13 24 14 4 A Of what? 13 24 18 5 MR. McEVROY: Let me -- 13 24 20 6 BY MR. JOHNSTON 13 24 20 7 Q Why don't you tell me what this is, and 13 24 21 8 why don't you tell me whether or not the 13 24 22 9 company -- 13 24 26 10 A What I'm doing -- you're asking me 13 24 27 11 questions -- you don't -- 13 24 29 12 MR. SAVITT: Object -- I just want to 13 24:30 13 lodge an objection to these questions, which 13 24:32 14 clearly call for speculation as to what is being 13 24 34 15 asked and what the numbers are and the origin 13 24 37 16 And I think that's the message the witness is 13 24 40 17 trying to give. If you want to continue to ask 13 24 42 18 them, you can 13 24 43 19 MR. JOHNSTON: I am 13 24 48 20 THE WITNESS: I don't know what the 13 24 49 21 numbers are 13 24:49 22 BY MR. JOHNSTON 13 24 50 23 Q You don't know what -- what -- prior to, 13 24 50 24 say, March of 2006, had Dollar General ever 13 24 53 25 projected CAGR between 2006 and 2009? 13 24 58</p>

194	<p>1 A. I don't know if the numbers are referring 13 25 04 2 to revenue, EPS, EBITDA. I don't know what 13 25 05 3 they're referring to 13 25 09 4 Q. Had they ever -- had they ever projected 13 25 10 5 CAGR on any basis? 13 25 15 6 A. I don't know what the numbers refer to 13 25 17 7 Are you -- I don't know whether the base is 13 25 19 8 EBITDA, EPS, revenue, margin. You see what I'm 13 25 22 9 saying is -- 13 25 27 10 Q. What I'm asking you is, did Dollar General 13 25 29 11 ever do that on any basis using anything? 13 25 31 12 A. You look at -- you look at compound annual 13 25 37 13 growth rate for various other numbers, but I don't 13 25 37 14 know what the -- I don't know what the number is 13 25 39 15 that you -- 13 25 42 16 Q. I understand 13 25 44 17 A. I don't know what the base number -- I 13 25 45 18 don't know the metric is you are talking about 13 25 46 19 Q. I'm asking you to tell me if 13 25 48 20 Dollar General ever did that using any metrics? 13 25 50 21 A. Well, sure, you always look at -- you look 13 25 53 22 metrics. But are you -- are you talking about 13 25 56 23 earnings per share? 13 25 58 24 Q. All right. What -- what I'm trying to get 13 26 00 25 you to tell me is, did you ever do that on any 13 26 01</p>
195	<p>1 basis prior to rough -- March of 2006? If you 13 26 04 2 did, you can say yes, and then we can -- we can 13 26 09 3 find out what you used as the basis for that, 13 26 10 4 whether it was EPS or EBITDA or whatever 13 26 15 5 A. That's a very standard mathematical 13 26 18 6 calculation that's applied to many, many base 13 26 21 7 numbers, and so it's -- it's a mathematical 13 26 24 8 calculation. So you've got to say, what is the 13 26 32 9 base number you are talking about. And, yes, 13 26 34 10 people do that all the time for a whole host of 13 26 37 11 base numbers 13 26 39 12 Q. And Dollar General had done that in the 13 26 40 13 past? 13 26 42 14 A. Dollar General does that for a lot of 13 26 42 15 different numbers, sure 13 26 44 16 Q. Using different base numbers to determine 13 26 45 17 that CAGR, correct? 13 26 48 18 A. Metrics. 13 26 50 19 Q. Correct. 13 26 51 20 A. Metrics. 13 26 52 21 Q. Okay. Turning over to Page 20 13 26 53 22 MR. McEVROY: I'm just going to renew 13 27 24 23 my objection to asking him about this document 13 27 26 24 that he hasn't seen, but please go ahead 13 27 29 25</p>
196	<p>1 BY MR. JOHNSTON 13 27 41 2 Q. Do you see where it says "EBITDA margins 13 27 41 3 are expected to increase back to 2003 levels of 13 27 43 4 approximately ten percent over the next five 13 27 47 5 years"? 13 27 49 6 A. I do see that. 13 27 49 7 Q. Is that something that Dollar General 13 27 50 8 projected on its own prior to March of 2006? 13 27 54 9 MR. SAVITT: I object to the form of 13 28 03 10 the question insofar as it is inherently unfair to 13 28 04 11 place this document in front of this witness and 13 28 09 12 ask questions in this decontextualized manner. 13 28 11 13 Also, it sounds as though the 13 28 16 14 question calls for speculation 13 28 18 15 You can answer it if you can 13 28 19 16 THE WITNESS: Okay. Yeah, I would 13 28 21 17 have to go back over and study our plan, and I 13 28 21 18 don't recall that specific number as it related to 13 28 24 19 Dollar General's plan. I have no idea what KKR's 13 28 28 20 assumptions are relative to what had to happen to 13 28 31 21 change EBITDA and EBITDA margins 13 28 34 22 BY MR. JOHNSTON 13 28 36 23 Q. Let me ask you to go to the next page, 13 28 36 24 third bullet point down. It says, "Senior 13 28 45 25 management will own a substantial portion of the 13 28 48</p>
197	<p>1 company post the transaction." Do you know what 13 28 50 2 that makes reference to? 13 28 56 3 MR. McEVROY: Objection 13 28 59 4 THE WITNESS: What I do know is that 13 28 59 5 we made absolutely sure that management had no 13 29 02 6 idea -- individual members of management had no 13 29 05 7 idea whether they were going to have a job or not 13 29 10 8 have a job. We separated all management issues 13 29 12 9 from shareholder issues in this regard 13 29 17 10 So to answer your question, did we 13 29 21 11 understand that there would be some ownership by 13 29 23 12 management? That's standard in these. Did 13 29 25 13 management have any idea what their individual 13 29 28 14 ownership would be or not? No, because we ran a 13 29 30 15 process that was focused on the shareholder and 13 29 33 16 tried to separate management's interest from that. 13 29 35 17 BY MR. JOHNSTON: 13 29 41 18 Q. Okay. As we sit here today, are you aware 13 29 42 19 of any job offers that have been made to members 13 29 44 20 of senior management by KKR? 13 29 47 21 MR. McEVROY: Objection 13 29 51 22 THE WITNESS: I -- I was told that -- 13 29 53 23 that there had been some offers extended recently, 13 29 55 24 but I don't know the particulars of any of them 13 29 57 25</p>

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1 BY MR. JOHNSTON 13 29 59
 2 Q. Do you know -- do you recall who you were 13 30 00
 3 told had received such offers? 13 30 02
 4 A. I was told that it was for most of the 13 30 08
 5 management team. I don't know who was -- and I 13 30 10
 6 don't have any individual names in that regard. 13 30 12
 7 Q. Okay. Do you know when those offers were 13 30 19
 8 made? 13 30 21
 9 A. I -- I -- 13 30 21
 10 MR. SAVITT Objection 13 30 24
 11 THE WITNESS. I understand it's just 13 30 24
 12 been recently 13 30 24
 13 BY MR. JOHNSTON 13 30 25
 14 Q. Recently like in the last few days, last 13 30 25
 15 few hours, last few weeks? 13 30 28
 16 A. Yeah, days, but I don't know that. 13 30 31
 17 MR. JOHNSTON. Let me have just a few 13 30 54
 18 minutes. 13 30 55
 19 THE VIDEOGRAPHER. Do you want to go 13 30:57
 20 off the record? 13:30:57
 21 MR. JOHNSTON. Yeah, why don't we 13 30:58
 22 just go off the record. 13 31 01
 23 THE VIDEOGRAPHER. Going off the 13 31 03
 24 record, the time is 1 30 13 31 04
 25 (Brief recess observed.) 13 31 06

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1 FURTHER DEPONENT SAITH NOT
 2
 3
 4 SWORN to before me when taken,
 5 June 2, 2007
 6
 7
 8 ELISABETH A. MILLER, RPR, CRR
 9 Notary Public, Tennessee
 10 My Commission Expires: 3/11/2011
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

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1 THE VIDEOGRAPHER. We are back on the 13 35 04
 2 record. The time is 1 34 p m 13 35 05
 3 MR. JOHNSTON. Mr. Bottorff, that's 13 35 09
 4 all the questions I -- whoops. Mr. Bottorff, 13 35 10
 5 that's all the questions I have 13 35 11
 6 THE WITNESS. Thank you very much 13 35 15
 7 MR. SAVITT. We have no questions. 13 35 17
 8 did want to note for the record that -- that 13 35 18
 9 during the course of the deposition there were a 13 35 24
 10 few instances in which board related documents 13 35 25
 11 such as minutes or presentations to the board were 13:35 29
 12 submitted to the witness with the suggestion or 13 35 31
 13 representation that they were official board 13 35 34
 14 documents when, in fact, they were produced from 13 35 36
 15 files that were not the official board files, 13 35 42
 16 which were made available to plaintiffs in 13 35 44
 17 discovery 13 35 46
 18 To the extent there are any 13 35 47
 19 discrepancies between the documents that were 13 35 48
 20 produced and the official board records, we would 13 35 50
 21 want to reserve all of our objections with respect 13 35 52
 22 to such documents 13 35 55
 23 THE VIDEOGRAPHER. The time is 1 35 13 35 59
 24 p m. This deposition is now concluded 13 36 01
 25 13 36 02

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1 E R R A T A
 2
 3 I, DENNIS BOTTORFF, having read the
 4 foregoing deposition, Pages 1 through 201, taken
 5 June 2, 2007, do hereby certify said testimony is
 6 a true and accurate transcript, with the following
 7 changes, if any
 8 PAGE LINE SHOULD HAVE BEEN
 9 _____
 10 _____
 11 _____
 12 _____
 13 _____
 14 _____
 15 _____
 16 _____
 17 _____
 18
 19
 20 DENNIS BOTTORFF
 21
 22
 23 Notary Public
 24 My commission expires: _____
 25