

UNITED STATES DISTRICT COURT
FOR THE
MIDDLE DISTRICT OF TENNESSEE

SECURITIES AND EXCHANGE COMMISSION, :
450 5th St., NW :
Washington, DC 20549 :

Plaintiff, :

v. :

COMPLAINT

DOLLAR GENERAL CORPORATION, :
HURLEY CALISTER TURNER, JR., :
BRIAN M. BURR, :
RANDY C. SANDERSON, and :
BOBBY R. CARPENTER, :

Defendants. :

Plaintiff Securities and Exchange Commission (the "Commission") alleges that:

SUMMARY OF ALLEGATIONS

1. During its fiscal years 1998 through 2001 (the "relevant period"), Dollar General Corporation ("Dollar General" or the "Company"), a Tennessee-based discount retailer, engaged in fraudulent or improper accounting practices in violation of Generally Accepted Accounting Principles ("GAAP") which ultimately resulted in a restatement of Dollar General's financial statements in January 2002. The restatement reduced the Company's pre-tax income by approximately \$143 million, or about 30 cents per share, over the restated period. Dollar General's misconduct included: (1) intentionally underreporting at least \$10 million in import freight expenses for the Company's fiscal year 1999; (2) engaging in an \$11 million sham sale of outdated, essentially worthless, Omron cash registers in the Company's fiscal year 2000 fourth quarter; (3) overstating cash accounts; (4) manipulating the Company's reported earnings through the use of a general reserve or "rainy day" account; (5) failing to maintain accurate books and

records and filing inaccurate financial reports with the Commission; and (6) failing to maintain adequate internal accounting controls. Some of the fraudulent or improper accounting practices were effected by, or known to, senior executives and accounting personnel, including the Company's Chief Executive Officer, Cal Turner ("Turner"); its Chief Financial Officer, Brian Burr ("Burr"); its Controller, Randy Sanderson ("Sanderson"); and its President, Bobby Carpenter ("Carpenter"); and were motivated in part by a desire to report earnings that met or exceeded analysts' expectations and to maintain employee bonuses.

2. The impact of all of Dollar General's fraudulent or improper accounting practices on its pre-tax income reported in the Company's filings with the Commission is outlined below:

Fiscal Year	Previously Reported Pre-Tax Income (in millions)	Restated Pre-Tax Income (in millions)	Percentage Change
1998	\$280.9	\$239.0	-14.9%
1999	\$344.1	\$294.7	-14.3%
2000	\$323.1	\$270.6	-16.2%

JURISDICTION

3. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v] and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. The Defendants made use of the means or instruments of interstate commerce, of the mails, and the facilities of a national securities exchange in connection with the acts, transactions, practices and courses of business alleged herein.

DEFENDANTS

4. **Dollar General Corporation** is a Tennessee corporation headquartered in Goodlettsville, Tennessee. Dollar General is a discount retailer of general merchandise. The company operates over 7,000 stores in 30 states. Dollar General's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange.

5. **Hurley Calister Turner, Jr.**, age 65, was Dollar General's CEO from 1977 to November 2002, its Chairman of the Board from 1989 to June 2003, and its President from 1977 to January 2000. Turner is a resident of Tennessee.

6. **Brian M. Burr**, age 48, served as Dollar General's CFO and Executive Vice President from July 1998 to February 2001. Burr is a resident of California.

7. **Randy C. Sanderson**, age 50, served as Dollar General's Controller from November 1996 through April 30, 2001, when he was placed on paid administrative leave. He never returned to Dollar General and was formally separated from Dollar General on November 30, 2002. Sanderson is a resident of Missouri.

8. **Bobby R. Carpenter**, age 57, served as Dollar General's Chief Administrative Officer and Executive Vice President from 1998 to January 2000, and its president from January 2000 to June 2001, at which point he retired from the company. He was a licensed attorney with the Tennessee Bar from 1978 to 2001 and is currently in retirement status. He is a resident of Tennessee.

UNDER-REPORTING OF IMPORT FREIGHT EXPENSE

9. In December 1999, Dollar General employees discovered that the Company had

failed to record millions of dollars in expenses relating to import freight costs associated with transporting goods from foreign countries to Dollar General (hereinafter referred to as “freight expenses”). Dollar General’s accounting staff analyzed the issue and determined that Dollar General should have recognized an additional \$13.4 million in freight expenses in fiscal year 1999 and prior years. This issue was discussed in a meeting held on January 27, 2000, attended by Defendants Sanderson, Burr, and Carpenter, among others.

10. Rather than restating prior periods, as required by GAAP, or even recognizing all of the expense in fiscal year 1999, Sanderson, Burr and Carpenter discussed possible ways to account for the \$13.4 million in freight expenses that did not entail recognizing all \$13.4 million as expenses in fiscal year 1999. It was proposed that Dollar General charge approximately \$10 million of these freight expenses to fiscal year 2000 (February 1, 2000 through January 31, 2001) by amortizing the expenses on a monthly basis over that fiscal year, even though it was clear that these expenses had been incurred in prior years and had no relation to fiscal year 2000. Dollar General’s purpose in delaying recording these expenses was to accomplish the goal of not reducing its earnings for fiscal year 1999.

11. Carpenter, despite understanding that the freight expenses related to the time period up to and including fiscal year 1999 and that these expenses would be at least \$5 million (the accounting team had in fact determined them to be \$13.4 million), told Burr that he concurred with the amortization approach. Carpenter supported the approach because Dollar General already had announced its expected fiscal year 1999 earnings per share, and he did not want to revise the previously announced figure.

12. Burr, Sanderson and Carpenter knew that deferring the bulk of the expenses to

fiscal year 2000 avoided the negative impact on already announced fiscal year 1999 earnings as well as year-end bonus payments to Dollar General employees, including Defendants.

13. After this decision was made, Turner was informed that freight expenses relating to activity in Dollar General's fiscal year 1999 or earlier were being recorded in 2000. Turner was told that the company was amortizing some of these expenses over fiscal 2000. Turner did not override the decision regarding prior expenses.

14. On or about February 2, 2000, in another meeting attended by several members of Dollar General's accounting team, Sanderson stated that the Company's executive management had determined to book some of the freight expenses in fiscal year 2000. During this meeting Dollar General's Treasurer ("the Treasurer") expressed his view that management could be compromising their ethics by handling the expenses in that manner and that he believed that Dollar General's financial statements would not be appropriately represented if the freight expenses were recorded in this manner. Two Dollar General in-house accountants expressed their agreement with the Treasurer.

15. The following day, on or about February 3, 2000, the Treasurer consulted with a Dollar General in-house attorney and Burr to make sure they were aware of the decision to defer part of the freight expenses to fiscal year 2000. Dollar General's Treasurer expressed concern to the Dollar General attorney about the proposed treatment of the freight expenses. Consequently, the Dollar General attorney thought it was appropriate to take the matter to Burr, to whom they both reported. In his discussion with Burr and in response to a question from him, the Dollar General attorney told Burr and the Treasurer that the proposed freight expense adjustment would be considered material to Dollar General's shareholders. Despite this conversation and the

Treasurer's concerns, Burr told the Treasurer that the freight expenses would be charged at approximately \$800,000 per month in fiscal year 2000.

16. Although Burr and Sanderson knew or were reckless in not knowing that Dollar General's external auditors, Deloitte & Touche ("D&T"), would disagree with the handling of these freight expenses, none of these Defendants brought the issue to the attention of D&T. On more than one occasion, Burr asked Sanderson about the likelihood that D&T would notice the freight expense deferral on Dollar General's books.

17. On February 5, 2000, Sanderson sent a memorandum to Carpenter, Burr and others describing a \$10 million "variance" in relation to freight expenses, and Dollar General's intention to charge the "\$10 million 1999 shortfall" at a rate of \$833,000 per month during Dollar General's fiscal year 2000. At a meeting in March 2000, attended by Carpenter and Turner among others, Sanderson explained that the freight expenses would be gradually expensed in fiscal year 2000.

18. Ultimately, Sanderson directed a senior accounting manager to record the freight expenses in the following manner: (1) write off \$4 million of the freight expenses in fiscal year 1999; and (2) recognize the remaining \$9.4 million over the course of fiscal year 2000 on a monthly basis. In an attempt to hide part of the improper deferral from the Company's auditors, Sanderson directed the senior accounting manager to move \$1.3 million of the \$9.4 million to the miscellaneous accrued liabilities account, widely known at Dollar General as the "Rainy Day Fund," and \$2.7 million of the \$9.4 million to corporate bank clearing accounts. Neither of these accounts had any connection to freight expenses. The senior accounting manager knew that this accounting treatment was improper, but nevertheless followed Sanderson's instructions.

19. Burr, Sanderson and Carpenter all signed an April 27, 2000 letter to D&T, representing that Dollar General's fiscal year 1999 financial statements were in accordance with GAAP.

20. Dollar General's manipulation of the freight expenses resulted in an overstatement of Dollar General's fiscal year 1998 pre-tax income by \$5.9 million and its fiscal year 1999 pre-tax income by \$3.7 million, with corresponding understatements in the Company's fiscal year 2000. By deferring the freight expenses Dollar General met certain targets. For example, if the freight expenses had been recognized in fiscal year 1999 as required by GAAP, Dollar General's earnings would not have reached an internal target for employee bonuses. Further, the deferral enabled Dollar General to meet analysts' expectations for its earnings per share for fiscal year 1999. If Dollar General had recognized the freight expenses in fiscal year 1999, it would have fallen short of the analysts' expectations by two cents per share. The freight expense deferral devised and implemented by Defendants was in clear violation of Accounting Principles Board Opinion No. 20, "Accounting Changes," which requires that a material error in previously issued financial statements should be reported as a prior period adjustment. In addition, because the import freight expense was material to fiscal year 1999 if all of it was recognized in the fourth quarter, the appropriate treatment of the expense was to allocate it correctly across the prior reporting periods it affected in fiscal years 1998 and 1999. That would have required Dollar General to restate those periods, a material event avoided by spreading the amount over fiscal year 2000.

SHAM SALE OF OLD OMRON REGISTERS

Dollar General Considers a Fraudulent Transaction to Reduce its Expenses

21. In 1999, Dollar General entered into a master agreement with a vendor to lease electronic cash registers to replace its Omron-brand cash registers over a multi-year rollout period. In the second half of 2000, the vendor suggested that Dollar General accelerate the rollout of the new electronic cash registers by leasing all the registers under the master agreement before December 31, 2000. After receiving that proposal, Sanderson concluded that the negative impact on Dollar General's income statement from writing off the remaining book value in fiscal year 2000 for all of Dollar General's remaining Omron registers would outweigh the million-dollar discount offered by the vendor on the new registers. For this reason, Dollar General rejected the offer on November 29, 2000.

22. Dollar General's Treasurer communicated the Company's rejection of the offer to the vendor explaining that it was not worth it to Dollar General to acquire the new registers in 2000 because of the additional expense Dollar General would incur in writing off the remaining book value of the Company's old equipment.

23. On November 30, 2000, the vendor contacted the Treasurer and Dollar General's vice president of information services with a proposal addressing Dollar General's "accounting concerns." The vendor proposed that Dollar General lease, by December 31, 2000, all the new equipment then currently scheduled to be leased in future years. If Dollar General agreed to the proposal, the vendor would "purchase" the Omron registers for a specified amount and would increase the price Dollar General would pay to lease the new registers by approximately the same

amount. This proposal to “purchase” the Omron registers was made even though the Omron registers had no value to the vendor. In fact, the vendor told Dollar General that the Omron registers were worthless and that the vendor intended to destroy the registers.

24. Sanderson also understood that the purchase price for the older registers would be funneled back to the vendor in the form of an increased lease price for the new equipment.

Dollar General Agrees to the Fictitious Transaction

25. Dollar General’s Treasurer and a Dollar General accountant analyzed how Dollar General’s income and cash flow would be affected if the vendor “purchased” the older Omron registers for their approximate book value. Dollar General concluded that the best “purchase price” for the Omron registers would be between \$10 million and \$11 million, which was approximately \$2 million below the book value of the Omron registers. The Treasurer advised the vendor that Dollar General would agree to the proposal if the vendor would meet certain requirements including the “purchase” of the Omron equipment. Dollar General’s Treasurer also sent a memo to Sanderson and Burr describing this counteroffer.

Vendor and Dollar General Commit the Fictitious Sale to Writing

26. By agreements dated December 22, 2000, the vendor agreed to purchase 14,070 Omron registers for \$11,098,672, with payment made to Dollar General no later than January 31, 2001, the last day of Dollar General’s 2000 fiscal year. On the same day, Dollar General’s Treasurer signed a separate agreement on behalf of Dollar General, committing the Company to lease 4,224 new registers for approximately \$21 million.

27. In a December 22, 2000, e-mail, Sanderson expressed his understanding that the vendor would purchase and dispose of all of Dollar General’s Omron registers for \$11.2 million.

Dollar General receives an \$11 Million Check for the Fictitious Transaction

28. On or around January 31, 2001, Dollar General received the vendor's check for \$11.2 million representing the "purchase price" of the Omron registers (\$11,098,672) along with the cost of their disposal (\$118,323). As an indicia of the importance of the transaction to Dollar General, Sanderson checked with his staff to make sure that the \$11.2 million check from the vendor arrived by January 31.

29. As of late 2002, none of the Omron registers the vendor had purportedly purchased had been destroyed and none had left Dollar General's custody. Rather, they were stored in Dollar General distribution centers awaiting disposal.

Dollar General Fraudulently Overstates Earnings for Fourth Quarter 2000

30. Dollar General improperly recorded the sham sale in its books by using \$5.5 million of the \$11.2 million received from the vendor to fraudulently reduce its expenses in its fiscal year 2000 fourth quarter. This amount represented 5% of Dollar General's fiscal year 2000 fourth quarter restated pre-tax income and 5% of its announced fiscal year 2000 fourth quarter pre-tax income. In addition, Dollar General's erroneous characterization of the sale proceeds as "Investing Cash Flow" rather than as "Financing Cash Flow" resulted in an \$11.1 million, or 13%, overstatement of cash flows from investing activities and an \$11.1 million, or 153%, understatement of cash flows from financing activities.

31. The sham transaction also removed underdepreciated assets from Dollar General's books and allowed Dollar General to avoid restating its financial statements for the first three quarters of fiscal year 2000. At the time Dollar General entered into the multi-year agreement to replace the Omron equipment, Dollar General should have reassessed the remaining useful lives

of the Omron equipment and accelerated the depreciation (approximately \$7.9 million) on that equipment as required by GAAP. Under GAAP, to properly account for that depreciation, Dollar General would have had to restate the first three quarters of fiscal year 2000 to appropriately allocate this depreciation expense. The sham sale removed the related assets from the books, significantly reducing the likelihood of detection of the underdepreciation by the Company's auditors.

RAINY DAY FUND

32. In its fiscal years 1998, 1999 and 2000, Dollar General maintained an "other miscellaneous accrued liabilities" account. This account was commonly referred to as the "Rainy Day Fund." Dollar General accounting and finance personnel used the account in some instances to manage Dollar General's earnings in its fiscal years 1998, 1999, and 2000, by deferring both revenue and expenses into future reporting periods and by drawing from the account when necessary to falsely bolster earnings. For example, Sanderson sent a July 18, 1999 e-mail to Dollar General's counsel, Burr, and others suggesting that if Dollar General's earnings per share reached a certain level, Dollar General should report less and put \$2.5 million in reserve. Further, on at least three occasions Sanderson knew, or was reckless in not knowing, of accounting adjustments made using the Rainy Day Fund to improperly increase reported earnings and to bring Dollar General's financial results in line with the Dollar General internal EPS target which typically matched the number provided to Wall Street. FAS 5, "Accounting for Contingencies," prohibits recording general reserves that are not for specific liabilities.

33. The Rainy Day Fund was used to fraudulently underreport freight expense and hide a cash overstatement as described in Paragraphs 35-37 below.

34. As a result of the misuse of this account and similar unallocated liability accounts, Dollar General overstated its fiscal year 1998 pre-tax income by \$.3 million, fiscal year 1999 pre-tax income by \$8 million (3% of announced fiscal year 1999 pre-tax income), and fiscal year 2000 pre-tax income by \$.7 million.

CASH OVERSTATEMENT AND COVER-UP

35. From approximately November 1997 until March 2000, Dollar General failed to properly or timely reconcile its consolidated retail store bank accounts to its general ledger. Dollar General's management was aware of this practice for years. For example, an April 27, 1998 letter from D&T to Dollar General's Audit Committee noted that bank accounts were not reconciled on a timely basis and recommended that procedures be developed to ensure that they were. Despite D&T's recommendation, Dollar General failed to remedy this problem in 1998 or 1999. At or around the time that Burr became Dollar General's CFO in April 1999, he became aware that the cash accounts were not reconciled properly.

36. Upon ultimate completion of the reconciliation process in Dollar General's fiscal year 2000, Dollar General's accounting group discovered an unexplained overstatement of retail cash of at least \$4.7 million. Sanderson proposed that half of this amount be written off against sales expense and the other half be written off against shrink (an expense relating to reduction in inventory) instead of an appropriate administrative expense account. These recommendations were in contravention of GAAP. Dollar General's accounting staff understood that no one outside of the Company's accounting department was to know of this cash issue.

37. In a later meeting, a senior accounting manager suggested to Sanderson that the entire overstatement of cash could be written off to the "franchise purchase discount account."

Sanderson adopted this proposal and charged \$3 million of the cash overstatement as an expense to the franchise purchase discount account over six months in fiscal year 2000. This was not consistent with GAAP because the franchise purchase discount account bears no relation to cash accounts at Dollar General. The senior accounting manager knew that this suggestion was not consistent with GAAP, but he believed it was an effective way to hide the cash problem. Sanderson placed the remaining \$1.9 million in Dollar General's "Rainy Day Fund", an action also contrary to GAAP. Because this \$1.9 million was not expensed by Dollar General in the fourth quarter of fiscal year 2000, Dollar General's fourth quarter 2000 pre-tax income was overstated by that amount, or approximately 2% of Dollar General's restated fourth quarter 2000 pre-tax income.

MANAGEMENT FAILS TO ACT ON CHARGES OF DISHONEST ACCOUNTING AGAINST DOLLAR GENERAL'S CONTROLLER

38. On December 11, 2000, Dollar General's Director of Human Resources ("HR Director") received a memorandum written by Dollar General's assistant controller ("the AC memo"), with assistance from another member of the accounting group. Among other things, the AC memo described the accounting group's identification of the \$4.7 million retail cash overstatement, described in Paragraphs 35 through 37 above. The AC memo also stated that Sanderson proposed to his accounting staff that half of this amount be written off to improper accounts (sales and shrink), expressing Sanderson's hope that the expense would not be noticed in these accounts. The AC memo related that Sanderson ultimately decided to charge \$3 million of the overstatement as an expense to an inappropriate account over a six-month period in fiscal year 2000. The AC memo also detailed a December 8, 2000 meeting in which Sanderson and his

staff met with Burr wherein Sanderson failed to mention the retail cash overstatement in response to Burr's direct question concerning accounting issues or risks. Giving these as reasons, the AC memo expressed concerns about Sanderson's honesty and his general lack of integrity.

39. The HR Director immediately gave copies of the AC memo to Burr and Carpenter and told Carpenter that she thought the AC memo should be turned over to D&T and to Turner.

40. On or about December 12, 2000, Burr and Carpenter called the Chairman of Dollar General's audit committee ("the Chairman") and informed him that Sanderson lied to Burr about the cash accounts. Burr and Carpenter also stated in this phone call that they were going to recommend that Sanderson be terminated. The Chairman expressed agreement with the decision to terminate Sanderson.

41. Burr spoke with Turner about the issues raised in the AC memo in December of 2000. Burr told Turner the amount of the cash discrepancy, that the cash discrepancy appeared to be much larger than he was led to believe, and that Sanderson lied to Burr about the cash accounts. Burr also recommended that Turner fire Sanderson. Turner told Burr that he would speak to a member of Dollar General's Board of Directors about the issue. Turner told Carpenter that he had spoken to Burr and that Turner agreed that Sanderson needed to leave the company.

42. Turner ignored the recommendations of Carpenter and Burr to terminate Sanderson and decided to keep Sanderson employed as Dollar General's Controller. Turner also failed to ensure that Dollar General conducted an investigation of the allegations in the memo.

43. From December 12, 2000, onwards, there was no heightened supervision of Sanderson nor any additional controls put in place at the Company to ensure that the Company's financial reports were accurate. No one at Dollar General informed D&T of the allegations

raised in the AC memo or of how the matter was being handled by the Company. In addition, no one investigated whether Sanderson was involved in any other accounting discrepancies at the Company.

**PUBLIC ANNOUNCEMENTS BY DOLLAR GENERAL
MISREPRESENTING FY00 EARNINGS**

44. On January 22, 2001, Dollar General issued a press release and held a special conference call with analysts to communicate that Dollar General's earnings for fiscal year 2000 would be lower than expected. Sanderson prepared the financial information given to analysts by Burr during the call. The financial information presented in the call was inaccurate due, among other reasons, to the cumulative impact of the sham Omron transaction, the improper manipulation of the cash accounts, and numerous other accounting errors. Although aware of the AC memo, Burr never investigated how the cash issue was ultimately resolved before announcing Dollar General's financial statements in this conference call. Burr also knew that he should have told D&T about these issues but, fearing that he would be fired, did not. A Form 8-K signed by Burr and filed with the Commission on January 23, 2001 contained the same misleading financial information presented in the conference call.

45. By February 26, 2001, Turner knew of the serious allegations concerning Sanderson and was reckless in not knowing that these issues were likely to impact the integrity and accuracy of Dollar General's financial statements. Nevertheless, on February 26, 2001, Dollar General held a conference call announcing its unaudited financial results for fiscal year 2000 that Turner knew had been prepared by, among others, Sanderson. Dollar General filed a Form 8-K with the Commission on February 28, 2001 containing the same misleading financial

information presented in the conference call.

BOOKS AND RECORDS, INTERNAL CONTROLS VIOLATIONS

46. In addition to the Company's fraudulent conduct that rendered Dollar General's financial statements materially inaccurate, there were numerous other accounting errors extant during Dollar General's fiscal years 1998, 1999 and 2000. As a result of inaccurate accounting and insufficient internal control systems, Dollar General maintained false and misleading books, records and accounts in fiscal years 1998, 1999, and 2000.

47. One example of improper accounting that led to incorrect books and records at Dollar General was its failure to use full accrual accounting. During fiscal years 1998, 1999, and 2000, Dollar General used the cash basis of accounting for many of its recurring expenses, such as property taxes, common area charges, inbound freight, supplies, and utilities. Simultaneously, however, Dollar General used the accrual method of accounting for the great majority of its other accounts. It is contrary to GAAP for a company to use cash basis accounting. Dollar General's failure to utilize full accrual accounting, a failure that was corrected in the restatement process, resulted in Dollar General overstating its pre-tax income by \$2 million for fiscal year 1998, by \$3.1 million for fiscal year 1999, and by \$4.6 million for fiscal year 2000.

48. Another improper accounting practice utilized by Dollar General that led to its misstated financial statements involved premature expense reduction. Dollar General had an arrangement with most vendors allowing it to deduct a vendor allowance (which reduced Dollar General's cost of sales) from the payable due to the vendor for each new store that is opened. Prior to fiscal year 1999, Dollar General accrued vendor allowances for anticipated new store openings one month before the actual opening of each store. At the end of fiscal year 1999 and

through fiscal year 2000, Dollar General accrued vendor allowances three months ahead of the actual store openings. This practice prematurely and improperly reduced Dollar General's cost of sales expense by improperly recognizing the income from allowances prior to actual store openings and subsequent sale of the inventory. As a result of this premature expense reduction, Dollar General overstated its fiscal year 1999 pre-tax income by \$1.4 million and its fiscal year 2000 pre-tax income by \$1.1 million.

49. Other areas of inaccurate accounting identified and corrected in the restatement process included: (1) the improper treatment of synthetic lease facilities; (2) the failure to reverse estimated gains in inventory; (3) mishandling of expenses charged to tax reserves; (4) aged inventory markdown; (5) changing to a discounted methodology for calculating workers' compensation reserves with no supporting documentation, no disclosure of the change, and no preferability letter submitted to the Commission; and (6) the mishandling of receivables for bad checks from customers.

BURR'S INSIDER TRADING

50. Dollar General terminated Burr in February 2001. On April 12, 2001, Burr and his counsel met with Dollar General senior management. At this meeting, Burr's counsel told Dollar General management that Burr could not sign a separation agreement until he knew that certain accounting issues were addressed by the Company. Burr also wanted a release from the Company for any responsibility for certain accounting issues. Among the issues raised by Burr's counsel were the Company's: (1) improper accounting treatment for import freight expenses; (2) method of depreciation of "synthetic leases"; and (3) failure to establish an appropriate reserve for obsolete inventory.

51. On April 5, 2001, just days before the meeting described above, Burr exercised Dollar General options at \$17.5360, and immediately sold 126,597 Dollar General shares at sales prices ranging from \$22.50 to \$22.84. Burr exercised additional Dollar General options on April 27, 2001, selling 5,000 Dollar General shares at prices from \$24 to \$24.02. No one from Dollar General ever informed Burr that the accounting concerns raised through his counsel on April 12 had been addressed. After the Company's April 30, 2001 press release announcing accounting irregularities and the necessity for a restatement, Dollar General's stock price dropped from its Friday, April 27, 2001 closing price of \$23.00 to a Tuesday, May 1, 2001 closing price of \$15.76. Thus, Burr avoided losses of at least \$916,692.78 by selling Dollar General stock on April 5 and April 27, 2001.

DOLLAR GENERAL DETERMINES THAT A RESTATEMENT IS REQUIRED

52. On April 30, 2001, Dollar General issued a press release announcing its discovery of accounting irregularities and the need for a future restatement of its audited financial statements for fiscal years 1998 and 1999 as well as the restatement of previously released unaudited financial information for fiscal year 2000. The company announced that it expected the restatement to result in a reduction in earnings of approximately seven cents per share over the restated period. Dollar General's new CFO, the person who had calculated the seven cents per share estimate, told Dollar General's top management that, although he considered that number to be correct based upon the available information, he was uncomfortable with including a particular number in the press release because it was too early in the investigation to provide a reliable number. Dollar General's outside auditors also advised that the Company should not include a specific number. Despite these warnings, Turner insisted on including the estimate,

principally because Turner and Dollar General's public relations firm feared that Dollar General's stock would fall more severely without one. Dollar General's counsel also approved the issuance of the press release.

53. The Company qualified its press release by describing the seven cents figure as an "estimate" based upon a "preliminary investigation," and by stating: "Management further cautions that the final restatement when audited could result in an increase or decrease in the aggregate earnings effect and a further shifting of results among the specified years within the three-year period."

54. On January 14, 2002, Dollar General restated its audited financial statements for its fiscal years 1998 and 1999, and filed its audited financial results for fiscal year 2000, which corrected the unaudited financial information previously released by the company. The restatement reduced earnings by 30 cents per share (excluding the reduction in earnings due to litigation settlement expense), over four times the reduction estimated in the April 30, 2001 press release.

FIRST CLAIM

Violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

55. Paragraphs 1 through 54 above are realleged and incorporated by reference herein.

56. As set forth more fully above, defendants Dollar General, Turner, Burr, Sanderson and Carpenter, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or of the mails, or of any facility of a national exchange, in connection with the purchase or sale of Dollar General securities, have with knowledge or recklessly, (a) employed

devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, and course of business which operate or would operate as a fraud or deceit upon any person.

57. By reason of the foregoing, defendants Dollar General, Turner, Burr, Sanderson, and Carpenter violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

58. Dollar General filed registration statements on August 1, 2000, August 9, 2000, and March 9, 2001 in connection with securities offerings by Dollar General that incorporated the false financial statements contained in Dollar General's Form 10-K for fiscal year 1999.

59. In these offers or sales of securities, defendants Dollar General, Burr, Sanderson and Carpenter directly or indirectly: (a) employed a device, scheme, or artifice to defraud; or (b) obtained money or property by means of an untrue statement of a material fact or omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

60. By reason of the foregoing, defendants Dollar General, Burr, Carpenter, and Sanderson violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM

Violations of Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2 thereunder

61. Paragraphs 1 through 60 above are realleged and incorporated by reference herein.

62. By reason of the foregoing, Turner, Burr, Sanderson, and Carpenter violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] by knowingly circumventing, or knowingly failing to implement, a system of internal accounting controls at Dollar General, or knowingly falsifying the books, records, or accounts of Dollar General. Turner, Burr, Sanderson, and Carpenter also violated Rule 13b2-1 of the Exchange Act [17 C.F.R. § 240.13b2-1], by, directly or indirectly, falsifying or causing to be falsified, the books, records or accounts of Dollar General subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]. Furthermore, Burr, Sanderson, and Carpenter violated Rule 13b2-2 of the Exchange Act [17 C.F.R. § 240.13b2-2] by making, or causing to be made, materially false or misleading statements or omissions to an auditor.

THIRD CLAIM

Dollar General's Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 hereunder, and the Aiding and Abetting of those Violations

63. Paragraphs 1 through 62 above are realleged and incorporated by reference herein.

64. As alleged more fully above, Dollar General filed with the Commission materially false and misleading financial statements for its fiscal years 1998 and 1999, and for the first three quarters of fiscal years 1998, 1999, and 2000, as part of its annual reports on Form 10-K and quarterly reports on Form 10-Q, respectively. Dollar General also filed materially false and misleading Form 8-K's on January 23, 2001, and February 28, 2001, in which it described its anticipated fiscal year 2000 earnings.

65. As a result of the foregoing, Dollar General violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§

240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13] thereunder.

66. Defendants Turner (in fiscal year 2000), Burr (in fiscal years 1999 and 2000), Sanderson (in fiscal years 1998, 1999, and 2000), and Carpenter (in fiscal years 1999 and 2000) knowingly provided substantial assistance to Dollar General in connection with its violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rule 12b-20 [17 C.F.R. § 240.12b-20] thereunder.

67. By reason of the foregoing, Defendants Turner, Sanderson, and Carpenter aided and abetted Dollar General's violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rule 12b-20 [17 C.F.R. § 240.12b-20] thereunder.

68. Defendants Burr (in fiscal years 1999 and 2000), Sanderson (in fiscal years 1998, 1999, and 2000), and Carpenter (in fiscal years 1999 and 2000) knowingly provided substantial assistance to Dollar General in connection with its violation of Exchange Act Rules 13a-1 and 13a-13 [17 C.F.R. §§ 240.13a-1 and 240.13a-13].

69. By reason of the foregoing, Defendants Burr, Sanderson, and Carpenter aided and abetted Dollar General's violation of Exchange Act Rules 13a-1 and 13a-13 [17 C.F.R. §§ 240.13a-1 and 240.13a-13].

70. Defendants Turner, Burr, Sanderson, and Carpenter knowingly provided substantial assistance to Dollar General in connection with its violation of Exchange Act Rule 13a-11 [17 C.F.R. § 240.13a-11].

71. By reason of the foregoing, Defendants Turner, Burr, Sanderson, and Carpenter aided and abetted Dollar General's violation of Exchange Act Rule 13a-11 [17 C.F.R. § 240.13a-11].

FOURTH CLAIM

Dollar General's Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and the Aiding and Abetting of those Violations

72. Paragraphs 1 through 71 above are realleged and incorporated by reference herein.

73. Dollar General also failed to make and keep books, records, and accounts that, in reasonable detail, accurately and fairly reflected the transactions and disposition of its assets. In addition, Dollar General failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, or any other applicable criteria and to maintain accountability for assets.

74. As a result of the foregoing, Dollar General violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

75. Defendants Turner, Burr, Sanderson and Carpenter knowingly provided substantial assistance to Dollar General in connection with its violation of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

76. By reason of the foregoing, Defendants Turner, Burr, Sanderson, and Carpenter aided and abetted Dollar General's violation of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

FIFTH CLAIM

Turner's Liability as a Control Person for Dollar General's Violations of the Federal Securities Laws

77. Paragraphs 1 through 76 above are realleged and incorporated by reference herein.

78. Defendant Turner, directly or indirectly, controlled Dollar General, did not act in

good faith, and directly or indirectly induced the acts constituting Dollar General's violations.

79. By reason of the foregoing, Defendant Turner is liable jointly and severally under Section 20(a) of the Exchange Act for Dollar General's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, and 240.13b2-1].

SIXTH CLAIM

Burr's Violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder for Insider Trading

80. Paragraphs 1 through 79 above are realleged and incorporated by reference herein.

81. As a former officer of Dollar General, Burr owed a fiduciary duty to Dollar General and its shareholders. As a result, Burr had a duty not to trade Dollar General securities while in possession of the material nonpublic information he obtained as Dollar General's CFO.

82. In breach of these duties, and for his personal benefit, Burr traded and caused to be traded Dollar General securities. Burr knew or was reckless in not knowing the information in his possession was material and nonpublic and that his trading while in possession of the information was improper and in breach of the duties he owed. Burr also knew or was reckless in not knowing that he was in possession of material nonpublic information misappropriated in breach of a duty owed to the source of the information, Dollar General.

83. By reason of the foregoing, Defendant Burr violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a judgment:

- (a) permanently enjoining defendant Dollar General from violating Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder;
- (b) permanently enjoining defendant Turner from violating Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 thereunder;
- (c) permanently enjoining defendant Turner from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-11 thereunder, and from directly or indirectly controlling any person who violates Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 thereunder;
- (d) permanently enjoining defendants Burr, Sanderson, and Carpenter from violating Section 17(a) of the Securities Act, and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder;
- (e) ordering defendants Dollar General, Turner, Burr, Sanderson, and Carpenter to disgorge ill-gotten gains, with prejudgment interest;
- (f) ordering all defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

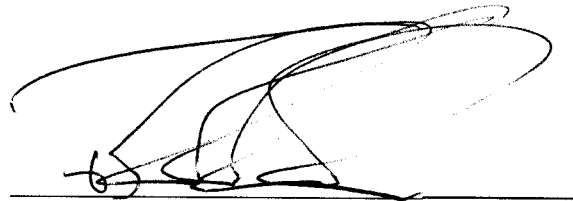
78u(d)(3)];

(h) ordering defendant Burr to pay penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78uA];

(i) entering an order under Section 20(e) of the Securities Act [15 U.S.C. § 77t(d)(4)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] prohibiting defendants Burr, Carpenter, and Sanderson from acting as an officer or a director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

(j) granting such other and further relief as this Court deems necessary and appropriate under the circumstances.

Dated: April 7, 2005
Washington, D.C.



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