DOLLAR GENERAL CORP
Form S-1
August 20, 2009

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As filed with the Securities and Exchange Commission on August 20, 2009

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Dollar General Corporation

(Exact name of registrant as specified in its charter)

Tennessee	**5331**	**61-0502302**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

100 Mission Ridge
Goodlettsville, Tennessee 37072
(615) 855-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Susan S. Lanigan, Esq.
Executive Vice President, General Counsel
Dollar General Corporation
100 Mission Ridge
Goodlettsville, Tennessee 37072
(615) 855-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

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(615) 726-5600	(212) 859-8000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee**
Common Stock, par value $.50 per share	$750,000,000	$41,850

(1) Includes shares to be sold upon exercise of the underwriters' option. See "Underwriting."

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell the securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated August 20, 2009.

Shares

Common Stock
$ per share

We are offering shares of our common stock and the selling shareholders named in this prospectus are offering shares. We will not receive any proceeds from the sale of the shares by the selling shareholders.

This is an initial public offering of our common stock. Since July 2007 and prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price will be between $ and $ per share. We intend to apply to list the common stock on the under the symbol " ."

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 13 of this prospectus to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Dollar General Corporation	$	$
Proceeds, before expenses, to the selling shareholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from the selling shareholders at the initial offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2009.

Joint Book-Running Managers

Citi **Goldman, Sachs & Co.** **KKR**

BofA Merrill Lynch **J.P. Morgan**

Co-Managers

Barclays Capital **Wells Fargo Securities** **Deutsche Bank Securities** **HSBC**

Prospectus dated , 2009.

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front cover, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed since that date.

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BASIS OF PRESENTATION

We use a 52-53 week fiscal year ending on the Friday closest to January 31. Fiscal years are identified in this prospectus according to the calendar year prior to the calendar year in which they end. For example, 2008 refers to the fiscal year ended January 30, 2009.

MARKET AND INDUSTRY DATA

We obtained the industry, market and competitive position data used throughout this prospectus from our own internal estimates and research as well as from industry publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these publications, studies and surveys is reliable, we have not independently verified industry, market and competitive position data from third-party sources. While we believe our internal business research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source. Accordingly, investors should not place undue weight on the industry and market share data presented in this prospectus.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This prospectus includes trademarks, such as Dollar General®, which are protected under applicable intellectual property laws and are the property of Dollar General Corporation. This prospectus also contains trademarks, service marks, copyrights and trade names of other companies, which are the property of their respective owners. Solely for convenience, our trademarks and tradenames referred to in this prospectus may appear without the ® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and tradenames.

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PROSPECTUS SUMMARY

This summary highlights significant aspects of our business and this offering, but it is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the section entitled "Risk Factors" and the historical and pro forma financial data and related notes, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements as a result of certain factors, including those set forth in "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Unless the context otherwise requires, references in this prospectus to "Dollar General," "we," "our," "us" and "the Company" refer to Dollar General Corporation and its consolidated subsidiaries. This prospectus contains references to years 2009, 2008, 2007, 2006, 2005 and 2004, which represent fiscal years ending or ended January 29, 2010, January 30, 2009, February 1, 2008, February 2, 2007, February 3, 2006 and January 28, 2005, respectively, unless the context otherwise requires.

Our Company

We are the largest discount retailer in the United States by number of stores, with 8,577 stores located in 35 states as of July 31, 2009, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home décor and domestics, and apparel. Our merchandise includes high quality national brands from leading manufacturers, as well as comparable quality private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically $10 or less) in our convenient small-box (small store) locations. We believe our convenient store format and broad selection of high quality products at compelling values have driven our substantial growth and financial success over the years. From 1968 through the end of 2008, we grew our store base from 215 in 13 states to 8,362 in 35 states, mostly through organic growth, and grew our annual sales from $40 million to $10.5 billion, which represents compound annual growth rates of 9.6% and 14.9%, respectively.

Our Business Model

Our compelling value and convenience proposition has driven our same-store sales growth regardless of economic conditions. Our small-box stores (typically 7,000 square feet) and our attractive store economics lead to strong returns on investment and, we believe, provide ample opportunity for growth. These elements combine for a profitable business model with wide appeal allowing us to be successful in varied markets. We believe these elements will continue to provide a foundation for profitable growth in our existing store base as well as a significant opportunity to open new stores. The fundamentals of our model are as follows:

> *Our value and convenience proposition:* Our proposition to consumers is: "*Save time. Save money. Every day!*" We deliver on that pledge with convenient locations, a time-saving shopping experience and everyday low prices on quality basic merchandise. We are able to offer these everyday low prices because of our operating efficiencies, purchasing scale and sourcing capabilities. Our well-situated neighborhood locations drive customer loyalty and trip frequency and make us an attractive alternative to large discount and other big-box (large store) retail stores. Finally, our stores' small size and convenient layout enable quick store navigation, while our focused product offerings within categories allow customers to quickly satisfy most of their basic daily household purchasing needs.

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Our consistent growth: We are now in our 20th year of consecutive annual same-store sales growth. This timeframe includes periods of economic growth and contraction during all of which we have had sales growth. We believe this success is driven by our necessity-weighted product mix and the strength of our value and convenience proposition, both of which attract consumers in all economic environments. We expect this combination will continue to provide a foundation for profitable same-store sales growth.

Our store economics: Our store economics are based on low capital investment to open stores, rapid sales increases after opening, consistent sales volumes in mature stores and low ongoing operating costs, which together result in an attractive return on capital. Our new stores are typically cash flow positive in their first year, generally pay back capital in approximately two years, and, we believe, deliver attractive returns relative to our competitors. Our model has been effective in both rural and small communities as well as in more densely populated and metropolitan areas that typically include a larger number of competitors.

Our History

J.L. Turner founded our Company in 1939 as J.L. Turner and Son, Wholesale. We opened our first store in 1955, when we were incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. We changed our name to Dollar General Corporation in 1968 and reincorporated in 1998 as a Tennessee corporation. Our common stock was publicly traded from 1968 until July 2007, when we merged with an entity controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co., L.P. ("KKR"). We are now a subsidiary of Buck Holdings, L.P. ("Parent"), a Delaware limited partnership controlled by KKR. Our 2007 merger and the related financing transactions described herein are collectively referred to in this prospectus as the "Merger Transactions." See "Principal and Selling Shareholders" and "Description of Indebtedness."

Progress Since our 2007 Merger

Strengthening our management team has been one of our top priorities since our 2007 merger. In January 2008, we hired Richard W. Dreiling, who has 39 years of retail experience, to serve as our Chief Executive Officer. Including Mr. Dreiling, we have added or replaced eight executives at the Senior Vice President level or higher in our core merchandising and distribution functions and in key support roles including human resources, finance and information technology.

Ensuring superior execution of our operating priorities is one of our key strategic goals. Our operating priorities include: driving productive sales growth; increasing gross margins; leveraging process improvements and information technology to reduce costs; and strengthening and expanding Dollar General's culture of "serving others." Since our 2007 merger, our management team has focused on executing against these priorities, making a number of specific operational improvements supported by enhanced business processes and data-driven analytical and measurement tools. These improvements have been critical to the successful implementation of our recent initiatives in merchandising, private brand development, store operations, real estate and expense management. Examples of our progress since our 2007 merger include:

Merchandising

- Optimized our product assortment through eliminating unproductive and less productive stock keeping units ("SKUs") and allocating more space to productive ones

- Improved product adjacencies and enhanced product presentation standards and consistency

- Raised the profile of shelving to introduce key new products and categories

- Implemented new markdown strategies to sell through end-of-season merchandise

Added new product fixtures near the checkout stands to promote impulse sales

Private Brand

Implemented new private branding strategy and redefined brands

Improved quality standards and updated packaging, typically while maintaining price and, in many cases, maintaining or reducing cost

Introduced approximately 350 net new private brand items since 2007 and grew private brand penetration to over 20% of consumables sales in the first quarter of 2009, up from approximately 17% in 2007

Store Operations

Instituted a "model store" program and rigorous measurement tools to improve store standards

Lowered store manager turnover through improved recruiting, leadership, training, feedback and work processes

Customized store hours to better accommodate customer demand

Significantly reduced inventory shrink rate through implementation and detailed monitoring of key metrics, rigorous training and increased field management discipline

Further refined store work processes and implemented additional safety measures, yielding improved labor efficiencies and significantly reduced workers' compensation expense

Real Estate

Implemented more sophisticated market analysis and store site selection modeling

Enhanced our new real estate vetting processes, contributing to increased first year sales in new stores by 20% between 2006 and 2008

Improved our effectiveness in renegotiating lease terms and assessing opportunities to remodel or relocate stores

Opened 207 new stores and remodeled or relocated 404 stores in 2008 and accelerated new store growth for 2009; we plan to open approximately 500 new stores and to relocate or remodel approximately 450 stores in 2009

Expense and Working Capital Management

Instituted a process whereby we employ analytical tools and processes to mine for cost reduction opportunities, particularly in the expense areas of distribution, labor, rent and general overhead

Pursued a variety of distribution and transportation initiatives to reduce costs and leverage overhead

Implemented additional energy and waste management initiatives in the stores

Improved inventory turns

These initiatives, along with more stringent business processes, have improved our operating and financial performance since our 2007 merger and we believe have laid the foundation for ongoing improvement. We generated strong sales growth of 10.1% in 2008, including annual same-store sales growth of 9.0%. For the first quarter of 2009, our total sales growth accelerated to 15.7%, including same-store sales growth of 13.3% following 5.4% same-store sales growth in the first quarter of 2008.

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These initiatives also allowed us to expand our gross profit margin to 29.3% in fiscal 2008, up from 27.3% for the 2007 predecessor period and 28.2% for the 2007 successor period, and 30.8% in the first quarter of 2009 as compared to 28.8% in the first quarter of 2008. We had net income of $108.2 million for the full fiscal year 2008 and $83.0 million for the first quarter of 2009, compared to $5.9 million for the first quarter of 2008. Since our 2007 merger, we have reduced our total outstanding long-term obligations by $540.9 million to $4.1 billion, and we have had no borrowings under our revolving credit facility since the 2008 first quarter, having funded all capital expenditures and working capital needs from operating cash flow. In addition, at May 1, 2009, our cash balance was $434.6 million.

Industry Overview

We compete primarily in the approximately $843 billion U.S. market for basic consumer packaged goods in categories including food, beverages, health and beauty care, paper products, pet supplies and other general merchandise, including basic apparel and home products. These categories encompass most of the everyday needs of consumers. The broad market for these categories grew sales at a compound annual growth rate of 2.8% between 2001 and 2008. The discount channel grew sales at a compound annual growth rate of 4.6% during that same period and was the fastest growing channel for such goods over this period. According to Nielsen Homescan Panel ("Nielsen") data, total customer trips to retailers in the basic consumer packaged goods market declined during the 2001 through 2008 period, while trips in the discount channel increased over this time. Our current share of the basic consumer packaged goods market is only 1.2% which, when coupled with our attractive value and convenience proposition, we believe provides substantial opportunity for growth.

Our Competitive Strengths

We believe our key competitive strengths that will enable us to execute our growth strategy include:

Compelling Value and Convenience Proposition. Our ability to deliver highly competitive prices on national brand and quality private brand products in convenient locations and our easy in and out shopping format provide a compelling shopping experience and distinguish us from other discount, convenience and drugstore retailers. Our slogan, "*Save time. Save money. Every day!*" summarizes our appeal to customers. Our research indicates that we offer a price advantage over most food and drug retailers and that our prices are highly competitive with even the largest discount retailers as a result of our low-cost operating structure, broad assortment of merchandise, and limited number of SKUs per category. We are able to offer at these everyday low prices quality national brands from companies such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg's, General Mills, Nabisco, Coca-Cola and PepsiCo in addition to our own comparable private brands at value prices. In addition, our stores' smaller size allows us to locate parking near the front entrance and offers quick store navigation, providing a distinct convenience advantage over large-box stores and supercenters. Significant work to upgrade our in-store shopping experience over the past two years also enhances our convenience proposition, and includes efforts aimed to unclutter aisles, improve signage and product adjacencies, better organize and stock shelves and optimize operating hours. We believe our ability to effectively deliver both value and convenience distinguishes us from many of our competitors and allows us to succeed in small markets with limited shopping alternatives, as well as to profitably coexist alongside larger retailers in more competitive markets.

We are in our 20th consecutive year of same-store sales growth. This growth, regardless of economic conditions, suggests that we have a less cyclical model than most retailers and, we believe, is a result of our strong value and convenience proposition. In fact, both customer traffic and average transaction amount have increased during 2008 and 2009 despite the difficult economic environment, and our research indicates that the vast majority of new and existing customers plan to continue shopping with us after the economy recovers.

Attractive Store Economics. The traditional Dollar General store size, design and location requires minimal initial investment and low maintenance capital expenditures. Our typical locations involve a modest, no-frills building design, which helps keep our rental and other fixed overhead costs relatively low. When coupled with our new stores' ability to generally deliver positive cash flow in the first year, this low capital expenditure requirement typically results in pay back of capital in approximately two years, and delivers what we believe to be attractive returns on capital relative to our competitors. Moreover, the financial performance of recently-opened stores appears to be outpacing many of our existing stores, which we believe is a result of significant enhancements to our market analysis, real estate site selection and new store marketing program.

Substantial Growth Opportunities. We believe we have substantial growth opportunities through both improved profitability of existing stores and new store openings. We are pursuing a number of initiatives to drive same-store sales growth, increase gross margins and reduce operating costs, leading to continued improvement in the profitability of our existing store base. In addition, we have identified significant opportunities to add new stores in both existing and new markets. We believe we have the long-term potential in the U.S. to more than double our existing store base while maintaining or improving our return on capital. See "Our Growth Strategy" for additional details.

Experienced Management Team with a Proven Track Record. Our experienced senior management team has an average of 25 years of retail experience. In total, we have added eight senior executives (Senior Vice President or higher) with significant retail experience since our 2007 merger, in addition to numerous executives at the Vice President level, primarily in our merchandising, distribution and transportation functions, and in key support roles including human resources, finance and information technology. Alongside our veteran Dollar General executives, our newly expanded team has enhanced leadership capabilities and has made significant progress in developing and implementing world-class retailing processes at Dollar General.

Our Growth Strategy

Our long history of profitable growth is founded on a commitment to a relatively simple business model: providing a broad base of customers with their basic everyday and household needs, supplemented with a variety of general merchandise items, at everyday low prices in conveniently located, small-box stores. We believe we have the right strategy and execution capabilities to capitalize on the considerable growth opportunities afforded by our business model. We derive our growth from three distinct sources, including increasing store sales, expanding operating profit margins and growing our store base.

Increasing Sales. We believe the combination of our necessity-driven product mix and our attractive value proposition, including a well-balanced merchandising approach, provide a strong basis for increased sales. Our average sales per square foot increased to $180 in 2008 from $165 in 2007 and $163 in 2006. We believe we will continue to have additional opportunities to increase our store productivity through continued improvements in space utilization, better in-stock positions and additional operating and merchandising initiatives, including introducing new products and categories, increasing shelf height, optimizing merchandising space on shelves, adding new impulse displays at the checkout stands and throughout the store, and improving product adjacencies. We are continuing to define and improve our store standards and to adjust our store hours to better meet our customers' needs and enhance their experience in the store. Also, we believe we have significant opportunities available for our relocation and remodel programs, which will further drive sales growth.

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Most of our merchandising focus and the recent changes we have made have centered on items in our consumables category, which have demonstrated strong sales growth as a result. In 2009 we are bringing the same focus and intensity to our apparel, home and seasonal categories. We have recently improved our merchandising management team in these areas, adding individuals with significant experience in basic consumer trends, merchandise presentation, pricing and managing end-of-season sell-through. We expect to start realizing the favorable impact from these changes in 2010.

Expanding Operating Profit Margins. We believe that we can build on our recent strong financial results by continuing to enhance our gross profit and expense reduction initiatives, which include:

Merchandising. We continue to improve the overall profitability of our merchandising decisions. Our new line review processes have resulted in improved product selection and pricing decisions, contributing to our improved gross profit margins despite an increase in sales of consumables.

Sourcing. Increasing our direct foreign sourcing has not been a top priority for us until recently. In 2008, we imported approximately $700 million of goods, or 10% of total purchases at cost. We believe we have the potential to directly source a larger portion of our products at significant savings to current costs. We are currently increasing our direct foreign sourcing efforts, which we believe offers significant opportunity for gross profit margin enhancement in the future.

Private Brand. Improving the consistency, quality, appearance and breadth of our private brand offerings has yielded increased penetration, and we intend to continue to drive our private brand penetration going forward. Generally, private brand items have higher gross profit margins than similar national brand items. Our private brand program complements our model of offering customers nationally branded merchandise at everyday low prices. Since 2007, we have added approximately 350 net new private brand items, predominantly in the consumables category, increasing our total number of such items to over 900 SKUs. As a percentage of consumables sales, we increased private brand penetration from approximately 17% in 2007 to over 20% in the first quarter of 2009. We expect to expand on these efforts in the future in addition to greatly increasing the role of private brands in our non-consumable offerings.

Inventory Shrink Rate Reduction. The reduction in shrink rate since 2007 has played a key role in increasing our gross profit margin, primarily the result of the focus and relentless efforts of our field management team and the introduction of improved indicator metrics at the stores, in conjunction with improved hiring practices and lower store manager turnover. We continue to improve and automate our shrink indicator tools, and we believe we have opportunity for further shrink improvement.

Other Cost Reduction Efforts. We continually look for ways to improve our cost structure and enhance efficiencies throughout the organization. Of most significance to date, we have made good progress in leveraging our costs of distribution and reducing our workers' compensation expense. Other cost reduction efforts include identifying additional efficiencies in distribution and transportation, labor productivity initiatives, continuing our store rent reduction work, implementing more energy management tools, and improving employee retention.

Growing Our Store Base. Based on a detailed, market-by-market analysis, we believe we have significant potential to increase our number of stores in existing and new markets. Our recent market analysis suggests there are as many as 12,000 opportunities, the majority of which are located in the 35 states where we currently operate. Also included are significant opportunities to open stores in new markets, most notably in states on the Pacific coast and in certain areas of the Northeast. Based on the initial successes of our 2008 and 2009 new store openings, we have confidence in our real estate disciplines and in our ability to identify, open and operate successful new stores. As a result, we believe that our present level of new store growth is sustainable for the foreseeable future. In addition, we also

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believe that in the current real estate market environment there may be opportunities to negotiate lower rent and construction costs and to improve the overall quality of our sites at attractive rental rates, increasing our opportunity to improve profitability.

Risk Factors

Investing in our common stock involves substantial risk, and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the retail industry. Any of the factors set forth under "Risk Factors" may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under "Risk Factors" in deciding whether to invest in our common stock.

Our principal executive offices are located at 100 Mission Ridge, Goodlettsville, Tennessee 37072, and our telephone number is (615) 855-4000. Our website address is *www.dollargeneral.com*. The information on our website is not part of this prospectus.

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The Offering

Common stock offered by Dollar General	shares
Common stock offered by selling shareholders	shares
Common stock to be outstanding after this offering	shares
Use of Proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $ million, assuming the shares are offered at $ per share, which is the mid-point of the estimated offering price range set forth on the cover page of this prospectus. We intend to use the anticipated net proceeds as follows: (1) $ million of the net proceeds will be applied to redeem $ million in aggregate principal amount of our 11.875/12.625% senior subordinated toggle notes due 2017, which we refer to as the "Senior Subordinated Notes," at a redemption price of 111.875% and (2) the remaining $ million of the net proceeds will be applied to redeem $ million in aggregate principal amount of our 10.625% senior notes due 2015, which we refer to as the "Senior Notes" and, together with the Senior Subordinated Notes, as the "Notes," at a redemption price of 110.625%. In each case, we will pay accrued and unpaid interest on the Notes through the redemption date with cash generated from operations. We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.
Underwriters' option	The selling shareholders have granted the underwriters a 30-day option to purchase up to additional shares of our common stock at the initial public offering price.
Dividend policy	We have no current plans to pay dividends on our common stock in the foreseeable future. However, we anticipate paying a special dividend of approximately $200 million to our existing shareholders prior to this offering. This dividend will be paid with cash generated from operations.
Monitoring Agreement Fees	Upon the completion of this offering, pursuant to our monitoring agreement, we will pay a fee of approximately $64 million from cash generated from operations to KKR and Goldman, Sachs & Co. (which amount will include a transaction fee equal to 1%, or $ million, of the estimated proceeds from this offering and $ million in connection with its termination). See "Certain Relationships and Related Party Transactions Relationships with the Investors Monitoring Agreement and Indemnity Agreement."

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Risk Factors	You should carefully read and consider the information set forth under "Risk Factors" beginning on page 13 of this prospectus and all other information set forth in this prospectus before investing in our common stock.
Proposed ticker symbol	

Unless we indicate otherwise or the context requires, all information in this prospectus:

assumes (1) no exercise of the underwriters' option to purchase additional shares of our common stock; and (2) an initial public offering price of $ per share, the midpoint of the initial public offering range indicated on the cover of this prospectus.

does not reflect (1) shares of our common stock issuable upon the exercise of outstanding stock options held by our officers and employees at a weighted average exercise price of $ per share as of May 1, 2009, of which were then exercisable; and (2) shares of our common stock reserved for future grants under our 2007 Stock Incentive Plan.

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Summary Historical and Pro Forma Financial and Other Data

Set forth below is summary historical consolidated financial and other data and summary pro forma consolidated financial data of Dollar General Corporation at the dates and for the periods indicated. We derived the summary historical statement of operations data and statement of cash flows data for the fiscal years or periods, as applicable, ended January 30, 2009, February 1, 2008, July 6, 2007 and February 2, 2007, and balance sheet data as of January 30, 2009 and February 1, 2008, from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated selected financial data for the thirteen week periods ended May 1, 2009 and May 2, 2008 from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated interim financial information set forth below on the same basis as our audited consolidated financial statements, except for the adoption of Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*, and have included all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for such periods. The interim results set forth below are not necessarily indicative of results for the fiscal year ending January 29, 2010 or for any other period.

The summary unaudited pro forma consolidated financial data for the fiscal year ended February 1, 2008 has been prepared to give effect to the Merger Transactions in the manner described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Unaudited Pro Forma Condensed Consolidated Financial Information" and the notes thereto. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The summary unaudited pro forma consolidated financial data are for informational purposes only and do not purport to represent what our results of operations actually would have been if the Merger Transactions had occurred at any date, and such data do not purport to project the results of operations for any future period.

Our historical results are not necessarily indicative of future operating results. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Selected Historical Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this prospectus.

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(amounts in millions, excluding number of stores, selling square feet, net sales per square foot and per share data)	Historical Predecessor Year Ended February 2, 2007(1)	Historical Predecessor February 3, 2007 through July 6, 2007(1)	Historical Successor March 6, 2007 through February 1, 2008(1)(2)	Pro Forma Year Ended February 1, 2008	Historical Successor Year Ended January 30, 2009	Historical Successor Thirteen Weeks Ended May 2, 2008	Historical Successor Thirteen Weeks Ended May 1, 2009
Statement of Operations Data:							
Net sales	$ 9,169.8	$ 3,923.8	$ 5,571.5	$ 9,495.2	$ 10,457.7	$ 2,403.5	$ 2,779.9
Cost of goods sold	6,801.6	2,852.2	3,999.6	6,852.5	7,396.6	1,710.4	1,924.6
Gross profit	2,368.2	1,071.6	1,571.9	2,642.8	3,061.1	693.1	855.4
Selling, general and administrative expenses	2,119.9	960.9	1,324.5	2,310.9	2,448.6	582.2	630.5
Litigation settlement and related costs, net					32.0		
Transaction and related costs		101.4	1.2	1.2			
Operating profit	248.3	9.2	246.1	330.6	580.5	110.9	224.9
Interest income	(7.0)	(5.0)	(3.8)	(8.8)	(3.1)	(1.0)	(0.1)
Interest expense	34.9	10.3	252.9	436.7	391.9	100.9	89.2
Other (income) expense			3.6	3.6	(2.8)	0.3	1.7
Income (loss) before income taxes	220.4	4.0	(6.6)	(100.9)	194.4	10.7	134.1
Income tax expense (benefit)	82.4	12.0	(1.8)	(42.9)	86.2	4.7	51.1
Net income (loss)	$ 137.9	$ (8.0)	$ (4.8)	$ (57.9)	$ 108.2	$ 5.9	$ 83.0
Earnings (loss) per share(3):							
Basic							
Diluted							
Statement of Cash Flows Data:							
Net cash provided by (used in):							
Operating activities	$ 405.4	$ 201.9	$ 239.6		$ 575.2	$ 151.6	$ 108.9
Investing activities	(282.0)	(66.9)	(6,848.4)		(152.6)	(32.2)	(51.7)
Financing activities	(134.7)	25.3	6,709.0		(144.8)	(103.7)	(0.6)
Total capital expenditures	(261.5)	(56.2)	(83.6)		(205.5)	(35.4)	(51.8)
Other Financial and Operating Data:							
Same-store sales growth(4)	3.3%	2.6%	1.9%		9.0%	5.4%	13.3%
Same-store sales(4)	$ 8,327.2	$ 3,656.6	$ 5,264.2		$ 10,118.5	$ 2,309.6	$ 2,703.8
Number of stores included in same-store sales calculation	7,627	7,655	7,735		8,153	7,887	8,179
Number of stores (at period end)	8,229	8,205	8,194		8,362	8,265	8,462
Selling square feet in thousands (at period end)	57,299	57,379	57,376		58,803	57,919	59,546

Net sales per square foot(5)	$	163	$	164	$	165		$	180	$	167	$	185
Consumables sales		65.7%		66.7%		66.4%			69.3%		69.9%		71.8%
Seasonal sales		16.4%		15.4%		16.3%			14.6%		13.4%		12.8%
Home products sales		10.0%		9.2%		9.1%			8.2%		8.5%		7.8%
Apparel sales		7.9%		8.7%		8.2%			7.9%		8.2%		7.6%
Rent expense	$	343.9	$	150.2	$	214.5		$	389.6	$	94.5	$	101.8

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	Historical			Pro Forma	Historical		
	Predecessor		Successor		Successor		
(amounts in millions)	**Year Ended February 2, 2007(1)**	**February 3, 2007 through July 6, 2007(1)**	**March 6, 2007 through February 1, 2008(1)(2)**	**Year Ended February 1, 2008**	**Year Ended January 30, 2009**	**Thirteen Weeks Ended May 2, 2008**	**Thirteen Weeks Ended May 1, 2009**
Balance Sheet Data (at period end):							
Cash and cash equivalents and short-term investments	$ 219.2		$ 119.8		$ 378.0	$ 115.9	$ 434.6
Total assets	3,040.5		8,656.4		8,889.2	8,663.0	8,978.8
Total long-term obligations	270.0		4,282.0		4,137.1	4,179.0	4,136.7
Total shareholders' equity	1,745.7		2,703.9		2,831.7	2,730.6	2,916.6

(1) Includes the effects of certain strategic merchandising and real estate initiatives that resulted in the closing of approximately 460 stores and changes in our inventory management model which resulted in greater inventory markdowns than in previous years.

(2) Includes the results of operations of Buck Acquisition Corp. for the period prior to its 2007 merger with and into Dollar General Corporation from March 6, 2007 (Buck's formation) through July 6, 2007 (reflecting the change in fair value of interest rate swaps), and the post-merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008.

(3) Because of our 2007 merger, our capital structure for periods before and after the merger is not comparable, and therefore we are presenting earnings per share information only for periods subsequent to our 2007 merger.

(4) Same-store sales have been calculated based upon stores that were open at least 13 full fiscal months and remained open at the end of the reporting period. If applicable, we exclude the sales in the 53rd week of a 53-week year from the same-store sales calculation.

(5) Net sales per square foot was calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. For the period from February 3, 2007 through July 6, 2007, average selling square footage was calculated using the average of square footage as of July 6, 2007 and as of the end of each of the four preceding quarters.

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RISK FACTORS

An investment in our common stock involves risk. You should carefully consider the following risks as well as the other information included in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. However, the selected risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. In such a case, the trading price of the common stock could decline and you may lose all or part of your investment in our company.

Risks Related to Our Business

The fact that we have substantial debt could adversely affect our ability to raise additional capital to fund our operations, limit our ability to pursue our growth strategy or to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our outstanding debt securities.

We have substantial debt, including a $2.3 billion senior secured term loan facility which matures on July 6, 2014, which we refer to as the "Term Loan Facility," $1.175 billion aggregate principal amount of Senior Notes and $655.9 million aggregate principal amount of Senior Subordinated Notes, which could have important consequences, including:

- increasing difficulty in making payments on our outstanding debt;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities or make dividends;
- exposing us to the risk of interest rate fluctuations as certain of our borrowings bear interest based on market interest rates;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limit our ability to pursue our growth strategy; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

In addition, the borrowings under the Term Loan Facility and the senior secured asset-based revolving credit facility of up to $1.031 billion, subject to borrowing base availability, which matures July 6, 2013, which we refer to as the "ABL Facility" and, together with the Term Loan Facility, as the "Credit Facilities," bear interest at variable rates and other debt we incur also could be variable-rate debt. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. While we have and may in the future enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk. We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our Credit Facilities and the indentures governing our Notes. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our Credit Facilities and the indentures governing our Notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur additional indebtedness, issue disqualified stock or issue certain preferred stock;
- pay dividends and make certain distributions, investments and other restricted payments;
- create certain liens or encumbrances;
- sell assets;
- enter into transactions with our affiliates;
- limit the ability of restricted subsidiaries to make payments to us;
- merge, consolidate, sell or otherwise dispose of all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

A breach of any of these covenants could result in a default under the agreement governing such indebtedness. Upon our failure to maintain compliance with these covenants, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit thereunder. If the lenders under such indebtedness accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings, as well as our other indebtedness, including our outstanding Notes. We have pledged a significant portion of our assets as collateral under our Credit Facilities. If we were unable to repay those amounts, the lenders under our Credit Facilities could proceed against the collateral granted to them to secure that indebtedness. Additional borrowings under the ABL Facility will, if excess availability under that facility is less than a certain amount, be subject to the satisfaction of a specified financial ratio. Accordingly, our ability to access the full availability under our ABL Facility may be constrained. Our ability to meet this financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet this ratio and other covenants.

The current recession and general economic factors may adversely affect our financial performance and other aspects of our business.

A further slowdown in the economy or other economic conditions affecting disposable consumer income, such as unemployment levels, inflation, business conditions, fuel and other energy costs, consumer debt levels, lack of available credit, consumer confidence, interest rates, tax rates and changes in tax laws, may adversely affect our business by reducing overall consumer spending or by causing customers to shift their spending to products other than those sold by us or to products sold by us that are less profitable than other product choices, all of which could result in lower net sales, decreases in inventory turnover, greater markdowns on inventory, and a reduction in profitability due to lower margins. Many of those factors, as well as commodity rates, transportation costs, costs of labor, insurance and healthcare, foreign exchange rate fluctuations, lease costs, changes in other laws and regulations and other economic factors, also affect our cost of goods sold and our selling, general and administrative expenses, which may adversely affect our sales or profitability. We have no control or limited ability to control such factors.

In addition, many of the factors discussed above, along with current adverse global economic conditions and uncertainties, the potential impact of the current recession, the potential for additional failures or realignments of financial institutions, and the related impact on available credit may affect us and our suppliers and other business partners, landlords, and customers in an adverse manner including, but not limited to, reducing access to liquid funds or credit (including through the loss of

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one or more financial institutions that are a part of our revolving credit facility), increasing the cost of credit, limiting our ability to manage interest rate risk, increasing the risk of bankruptcy of our suppliers, landlords or counterparties to or other financial institutions involved in our credit facilities and our derivative and other contracts, increasing the cost of goods to us, and other adverse consequences which we are unable to fully anticipate.

Our plans depend significantly on initiatives designed to increase sales and improve the efficiencies, costs and effectiveness of our operations, and failure to achieve or sustain these plans could affect our performance adversely.

We have had, and expect to continue to have, initiatives (such as those relating to marketing, merchandising, promotions, sourcing, shrink, private brand, store operations and real estate) in various stages of testing, evaluation, and implementation, upon which we expect to rely to continue to improve our results of operations and financial condition. These initiatives are inherently risky and uncertain, even when tested successfully, in their application to our business in general. It is possible that successful testing can result partially from resources and attention that cannot be duplicated in broader implementation. Testing and general implementation also can be affected by other risk factors described herein that reduce the results expected. Successful systemwide implementation relies on consistency of training, stability of workforce, ease of execution, and the absence of offsetting factors that can influence results adversely. Failure to achieve successful implementation of our initiatives or the cost of these initiatives exceeding management's estimates could adversely affect our results of operations and financial condition.

Risks associated with the domestic and foreign suppliers from whom our products are sourced could adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. In fact, our largest supplier, The Procter & Gamble Company accounted for only 10% of our purchases in 2008. Our next largest supplier accounted for approximately 6% of our purchases in 2008. Nonetheless, if a supplier fails to deliver on key commitments, we could experience merchandise shortages that could lead to lost sales.

We directly imported approximately 10% of our purchases (measured at cost) in 2008, but many of our domestic vendors directly import their products or components of their products. Political and economic instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our supplier standards, issues with labor practices of our suppliers or labor problems they may experience (such as strikes), the availability and cost of raw materials to suppliers, merchandise quality or safety issues, currency exchange rates, transport availability and cost, inflation, and other factors relating to the suppliers and the countries in which they are located or from which they import are beyond our control and could have negative implications for us. Because a substantial amount of our imported merchandise comes from China, a change in the Chinese currency or other policies could negatively impact our merchandise costs. In addition, the United States' foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. Disruptions due to labor stoppages, strikes or slowdowns, or other disruptions involving our vendors or the transportation and handling industries also may negatively affect our ability to receive merchandise and thus may negatively affect sales. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance. As we increase our imports of merchandise from foreign vendors, the risks associated with foreign imports will increase.

All of our vendors and their products must comply with applicable product safety laws. We generally seek contractual indemnification and insurance coverage from our suppliers. However, if we

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do not have adequate insurance or contractual indemnification available, product liability claims relating to products that are recalled, defective or otherwise harmful could have a material adverse effect on our business, reputation, financial condition and results of operations. Our ability to obtain indemnification from foreign suppliers may be hindered by the manufacturers' lack of understanding of U.S. product liability or other laws, which may make it more likely that we be required to respond to claims or complaints from customers as if we were the manufacturer of the products. This could adversely affect our reputation and our litigation expenses could increase, each of which could have a materially negative impact on our results of operations.

Our private brands may not achieve or maintain broad market acceptance and increases the risks we face.

We have substantially increased the number of our private brand items, and the program is a sizable part of our future growth plans. We believe that our success in gaining and maintaining broad market acceptance of our private brands depends on many factors, including pricing, our costs, quality and customer perception. We may not achieve or maintain our expected sales for our private brands. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to governmental regulations, procedures and requirements. A significant change in, or noncompliance with, these regulations could have a material adverse effect on our financial performance.

Our business is subject to numerous federal, state and local laws and regulations. We routinely incur costs in complying with these regulations. New laws or regulations or changes in existing laws and regulations, particularly those governing the sale of products, may require extensive system and operating changes that may be difficult to implement and could increase our cost of doing business. In addition, such changes or new laws may require the write off and disposal of existing product inventory, resulting in significant adverse financial impact to the Company. Untimely compliance or noncompliance with applicable regulations or untimely or incomplete execution of a required product recall can result in the imposition of penalties, including loss of licenses or significant fines or monetary penalties, in addition to reputational damage.

We are subject to the risk of product liability claims, including claims concerning food and prepared food products.

The sale of food and prepared food products for human consumption involves the risk of injury to our customers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. While we believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers.

Litigation may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, consumers, suppliers, competitors, shareholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The number of employment-related class actions filed each year has continued to increase, and recent changes in Federal law may cause claims to rise even more. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operation are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations. See "Business Legal Proceedings" for further details regarding certain of these pending matters.

Failure to attract and retain qualified employees, particularly field, store and distribution center managers, while controlling labor costs, as well as other labor issues, could adversely affect our financial performance.

Our future growth and performance depends on our ability to attract, retain and motivate qualified employees, many of whom are in positions with historically high rates of turnover such as field managers and distribution center managers. Our ability to meet our labor needs, while controlling our labor costs, is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labor legislation (including changes in the process for our employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). To the extent a significant portion of our employee base unionizes, or attempts to unionize, our labor costs could increase. Our ability to pass along labor costs to our customers is constrained.

Also, our stores are decentralized and are managed through a network of geographically dispersed management personnel. Our inability to effectively and efficiently operate our stores, including the ability to control losses resulting from inventory and cash shrinkage, may negatively affect our sales and/or operating profits.

Our profitability may be negatively affected by inventory shrinkage.

We are subject to the risk of inventory loss and theft. We have experienced inventory shrinkage in the past, and we cannot assure you that incidences of inventory loss and theft will decrease in the future or that the measures we are taking will effectively address the problem of inventory shrinkage. Although some level of inventory shrinkage is a necessary and unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, our financial condition could be affected adversely.

We are dependent upon the smooth functioning of our distribution network and the timely receipt of inventory.

We rely upon the ability to replenish depleted inventory through deliveries to our distribution centers from vendors and from the distribution centers or direct ship vendors to our stores by various means of transportation, including shipments by sea and truck. Delays or increases in transportation costs (including through increased fuel costs) could significantly decrease our profits. In addition, labor shortages in the transportation industry or long-term disruptions to the national and international transportation infrastructure that lead to delays or interruptions of service could negatively affect transportation costs and would adversely affect our business.

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Our planned future growth will be impeded, which would adversely affect sales, if we cannot open new stores on schedule.

Our growth is dependent on both increases in sales in existing stores and the ability to open profitable new stores. Increases in sales in existing stores are dependent on factors such as competition, merchandise selection, store operations and other factors discussed in these Risk Factors. Our ability to timely open new stores and to expand into additional market areas depends in part on the following factors: the availability of attractive store locations; the absence of occupancy delays; the ability to negotiate favorable lease terms; the ability to hire and train new personnel, especially store managers in a cost effective manner; the ability to identify customer demand in different geographic areas; general economic conditions; and the availability of sufficient funds for expansion. In addition, many of these factors affect our ability to successfully relocate stores. Many of these factors are beyond our control. In addition, our substantial debt, particularly combined with the recent tightening of the credit markets, has made it more difficult for our real estate developers to obtain loans for our build-to-suit stores and to locate investors for those properties after they have been developed. If this trend continues, it could materially adversely impact our ability to open build-to-suit stores in desirable locations.

Delays or failures in opening new stores, or achieving lower than expected sales in new stores, or drawing a greater than expected proportion of sales in new stores from existing stores, could materially adversely affect our growth and/or profitability. In addition, we may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores, remodeling or relocating stores or expanding profitably.

Some of our new stores may be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, market conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new stores to be less successful than stores in our existing markets.

Some of our new stores will be located in areas where we have existing units. Although we have experience in these markets, increasing the number of locations in these markets may result in inadvertent over-saturation of markets and temporarily or permanently divert customers and sales from our existing stores, thereby adversely affecting our overall financial performance.

Because our business is seasonal to a certain extent, with the highest volume of net sales during the fourth quarter, adverse events during the fourth quarter could materially affect our financial statements as a whole.

We generally recognize our highest volume of net sales during the Christmas selling season, which occurs in the fourth quarter of our fiscal year. In anticipation of this holiday, we purchase substantial amounts of seasonal inventory and hire many temporary employees. An excess of seasonal merchandise inventory could result if our net sales during the Christmas selling season were to fall below either seasonal norms or expectations. If our fourth quarter sales results were substantially below expectations, our financial performance and operating results could be adversely affected by unanticipated markdowns, especially in seasonal merchandise. Lower than anticipated sales in the Christmas selling season would also negatively affect our ability to absorb the increased seasonal labor costs.

We face intense competition that could limit our growth opportunities and adversely impact our financial performance.

The retail business is highly competitive. We operate in the basic consumer packaged goods market, which is competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment subjects us to the risk of adverse impact to our financial performance because of the lower prices, and thus the lower margins, required to maintain our competitive position. Also, companies operating in the basic consumer packaged goods market (due to customer demographics and other factors) may have limited ability to increase prices in response to increased costs (including, but not limited to, vendor price

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increases). This limitation may adversely affect our margins and financial performance. We compete for customers, employees, store sites, products and services and in other important aspects of our business with many other local, regional and national retailers. We compete with retailers operating discount, mass merchandise, outlet, warehouse, club, grocery, drug, convenience, variety and other specialty stores. Certain of our competitors have greater financial, distribution, marketing and other resources than we do and may be able to secure better arrangements with suppliers than we can. These other competitors compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. If we fail to respond effectively to competitive pressures and changes in the retail markets, it could adversely affect our financial performance.

Competition for customers has intensified in recent years as larger competitors have moved into, or increased their presence in, our geographic markets. We remain vulnerable to the marketing power and high level of consumer recognition of these larger competitors and to the risk that these competitors or others could venture into our industry in a significant way. Generally, we expect an increase in competition.

Natural disasters, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events could adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in which our suppliers are located and acts of terrorism, or similar disruptions could adversely affect our operations and financial performance. To the extent these events result in physical damage to one or more of our properties, particularly one or more of our distribution centers, our operations and financial performance could be materially adversely affected. In addition, these events could result in increases in fuel (or other energy) prices or a fuel shortage, the temporary or permanent closure of one or more of our stores or distribution centers, delays in opening new stores, the temporary lack of an adequate work force in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our distribution centers or stores, the temporary reduction in the availability of products in our stores and disruption to our information systems. These events also can have indirect consequences such as increases in the costs of insurance following a destructive hurricane season. These factors could otherwise disrupt and adversely affect our operations and financial performance.

The efficient operation of our business is heavily dependent upon our information systems.

We depend on a variety of information technology systems for the efficient functioning of our business. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches and natural disasters. Damage or interruption to our computer systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. Any material interruptions may have a material adverse effect on our business or results of operations.

We also rely heavily on our information technology staff. If we cannot meet our staffing needs in this area, we may not be able to fulfill our technology initiatives while continuing to provide maintenance on existing systems. We rely on certain software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and

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technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations.

Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.

Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the dispersion of our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime and some natural disasters. If we incur these losses and they are material, our business could suffer. Certain material events may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to these market changes. In addition, we self-insure a significant portion of expected losses under our workers' compensation, automobile liability, general liability and group health insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including expected increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs, which could have a material adverse effect on our financial condition and results of operations. Although we continue to maintain property insurance for catastrophic events, we are effectively self-insured for property losses up to the amount of our deductibles. If we experience a greater number of these losses than we anticipate, our financial performance could be adversely affected.

If we fail to protect our brand name, competitors may adopt tradenames that dilute the value of our brand name.

We may be unable or unwilling to strictly enforce our trademark in each jurisdiction in which we do business. Also, we may not always be able to successfully enforce our trademarks against competitors, or against challenges by others. Our failure to successfully protect our trademarks could diminish the value and efficacy of our brand recognition, and could cause customer confusion, which could, in turn, adversely affect our sales and profitability.

Our success depends on our executive officers and other key personnel. If we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed.

Our future success depends to a significant degree on the skills, experience and efforts of our executive officers and other key personnel. The loss of the services of any of our executive officers, particularly Richard W. Dreiling, our Chief Executive Officer, could have a material adverse effect on our operations. Our future success will also depend on our ability to attract and retain qualified personnel and a failure to attract and retain new qualified personnel could have an adverse effect on our operations. We do not currently maintain key person life insurance policies with respect to our executive officers or key personnel.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, the U.S. federal securities laws, including the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission (the "SEC"), as well as the rules of the , require us to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations will increase our legal and financial compliance costs and place additional demands on our finance and accounting staff and on our financial, accounting and information systems.

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In particular, under current rules implementing Section 404 of the Sarbanes-Oxley Act of 2002 we will be required to have our independent registered public accounting firm report on the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for our fiscal year ending January 29, 2010. If we are unable to conclude that we have effective internal control over financial reporting or, if our independent registered public accounting firm is unable to provide us with an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

We face risks related to protection of customers' credit card data.

In connection with credit card sales, we transmit confidential credit card information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. Any security breach could expose us to risks of data loss, litigation and liability and could seriously disrupt our operations and any resulting negative publicity could significantly harm our reputation.

Risks Related to this Offering and Ownership of Our Common Stock

An active, liquid trading market for our common stock may not develop.

After our 2007 merger and prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on or otherwise or how active and liquid that market may become. If an active and liquid trading market does not develop, you may have difficulty selling any of our common stock that you purchase. The initial public offering price for the shares will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. The market price of our common stock may decline below the initial offering price, and you may not be able to sell your shares of our common stock at or above the price you paid in this offering, or at all.

You will incur immediate and substantial dilution in the net tangible book value of the shares you purchase in this offering.

Prior investors have paid substantially less per share of our common stock than the price in this offering. The initial public offering price of our common stock is substantially higher than the net tangible book value per share of outstanding common stock prior to completion of the offering. Based on our net tangible book value as of , 2009 and upon the issuance and sale of shares of common stock by us at an assumed initial public offering price of $ per share (the midpoint of the initial public offering price range indicated on the cover of this prospectus), if you purchase our common stock in this offering, you will pay more for your shares than the amounts paid by our existing shareholders for their shares and you will suffer immediate dilution of approximately $ per share in net tangible book value. We also have a large number of outstanding stock options to purchase common stock with exercise prices that are below the estimated initial public offering price of our common stock. To the extent that these options are exercised, you will experience further dilution.

Our stock price may change significantly following the offering, and you could lose all or part of your investment as a result.

We and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price due to a number of factors

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such as those listed in " Risks Related to Our Business" and the following, some of which are beyond are control:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- increases in prices of raw materials for our products, fuel or our goods;
- future sales of our common stock; and
- general domestic and international economic conditions.

Furthermore, the stock market recently has experienced extreme volatility that in some cases has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

If we or our existing investors sell additional shares of our common stock after this offering, the market price of our common stock could decline.

The market price of our common stock could decline as a result of sales of a large number of shares of common stock in the market after this offering, or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. After the completion of this offering, we will have million shares of common stock outstanding. This number includes million shares being sold in this offering, which may be resold immediately in the public market.

We, our directors and executive officers, the selling shareholders and, through their investment in Parent, KKR, GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), Citi Private Equity, Wellington Management Company, LLP, CPP Investment Board (USRE II) Inc., and other equity co-investors, which we refer to collectively as the "Investors," have agreed not to offer or sell, dispose of or hedge, directly or indirectly, any common stock without the permission of each of Citigroup Global Markets Inc., Goldman, Sachs & Co. and KKR Capital Markets LLC for a period of 180 days from the date of this prospectus, subject to certain exceptions and automatic extension in certain circumstances. In addition, pursuant to shareholders agreements, we have granted certain members of our management and other shareholders the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act of 1933, as amended (the "Securities Act") covering resales of our common stock held by them. These shares will represent approximately % of our outstanding common stock after this offering. These shares also may be sold pursuant to Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates. As restrictions on resale end or if these shareholders exercise their registration rights, the market price of our stock could decline if the holders of restricted shares sell them or are perceived by the market as intending

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to sell them. See "Certain Relationships and Related Party Transactions Relationships with the Investors Registration Rights Agreement" and "Shares Eligible for Future Sale."

As of , 2009, shares of our common stock were outstanding (of which are held by our employees and are subject to restrictions on transfer), shares were issuable upon the exercise of outstanding vested stock options under our 2007 stock incentive plan, shares were subject to outstanding unvested stock options and restricted stock grants under our 2007 stock incentive plan, and shares were reserved for future grant under our 2007 stock incentive plan. All shares held by employees, stock options and restricted stock granted under our stock incentive plans are subject to transfer restrictions that run for five years from the date of our 2007 merger or the employee's hire or promotion date, as applicable, unless such restrictions lapse in accordance with the terms of the management stockholder's agreements. Subject to the lapse of such transfer restrictions, these shares will first become eligible for resale days after the date of this prospectus. Sales of a substantial number of shares of our common stock could cause the market price of our common stock to decline.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future (other than the special dividend to be paid prior to this offering). Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our Credit Facilities and the indentures governing the Notes. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Some provisions of Tennessee law and our governing documents could discourage a takeover that shareholders may consider favorable.

In addition to the Investors' ownership of a controlling percentage of our common stock, Tennessee law and provisions contained in our charter and bylaws as we expect them to be in effect upon completion of this offering could make it difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. For example, our charter authorizes our Board of Directors to determine the rights, preferences, privileges and restrictions of unissued preferred stock, without any vote or action by our shareholders. As a result, our Board of Directors could authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock or with other terms that could impede the completion of a merger, tender offer or other takeover attempt. In addition, as described under "Description of Capital Stock Tennessee Anti-Takeover Statutes" elsewhere in this prospectus, we are subject to certain provisions of Tennessee law that may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and, in particular, unsolicited transactions, that some or all of our shareholders might consider to be desirable. As a result, efforts by our shareholders to change the direction or management of our company may be unsuccessful.

The Investors will continue to have significant influence over us after this offering, including control over decisions that require the approval of shareholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

We are controlled, and after this offering is completed will continue to be controlled, by the Investors. The Investors will indirectly own through their investment in Parent approximately % of

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our common stock (or % if the underwriters exercise their option to purchase additional shares in full) after the completion of this offering. In addition, the Investors will have the ability to elect our entire Board of Directors. As a result, the Investors will have control over our decisions to enter into any corporate transaction and the ability to prevent any transaction that requires shareholder approval regardless of whether others believe that the transaction is in our best interests. So long as the Investors continue to indirectly hold a majority of our outstanding common stock, they will have the ability to control the vote in any election of directors. In addition, pursuant to a shareholders agreement that we expect to enter into upon the consummation of this offering with Parent, KKR and Goldman, Sachs & Co., KKR will have a consent right over certain significant corporate actions. See "Certain Relationships and Related Party Transactions Relationships with the Investors Shareholders Agreement."

The Investors are also in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Investors may also pursue acquisition opportunities that are complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as the Investors, or other funds controlled by or associated with the Investors, continue to indirectly own a significant amount of our outstanding common stock, even if such amount is less than 50%, the Investors will continue to be able to strongly influence or effectively control our decisions. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive shareholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

We are a "controlled company" within the meaning of the rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to shareholders of companies that are subject to such requirements.

After completion of this offering, the Investors will continue to control a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the Board of Directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors, our nominating/corporate governance committee and compensation committee will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the .

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements" within the meaning of the federal securities laws, including certain of the statements under "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." You can identify forward-looking statements because they are not solely statements of historical fact or they contain words such as "believe," "expect," "may," "will," "should," "seek," "approximately," "intend," "plan," "estimate," "anticipate," "continue," "potential," "predict," "project" or similar expressions that concern our strategy, plans or intentions. For example, all statements we make relating to our estimated and projected earnings, revenues, costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- failure to successfully execute our growth strategy, including delays in store growth, difficulties executing sales and operating profit margin initiatives and inventory shrinkage reduction;
- the failure of our new store base to achieve sales and operating levels consistent with our expectations;
- risks and challenges in connection with sourcing merchandise from domestic and foreign vendors;
- our level of success in gaining and maintaining broad market acceptance of our private brands;
- unfavorable publicity or consumer perception of our products;
- our debt levels and restrictions in our debt agreements;
- economic conditions, including their effect on the financial and capital markets, our suppliers and business partners, employment levels, consumer demand, spending patterns, inflation and the cost of goods;
- levels of inventory shrinkage;
- seasonality of our business;
- increases in costs of fuel, or other energy, transportation or utilities costs and in the costs of labor, employment and health care;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- disruptions in our supply chain;
- damage or interruption to our information systems;

changes in the competitive environment in our industry and the markets where we operate;

natural disasters, unusually adverse weather conditions, pandemic outbreaks, boycotts and geo-political events;

the incurrence of material uninsured losses or excessive insurance costs;

our failure to protect our brand name;

our loss of key personnel or our inability to hire additional qualified personnel; and

our failure to maintain effective internal controls.

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We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" in this prospectus. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering, after deducting underwriter discounts and commissions and estimated expenses payable by us, will be approximately $ million. This estimate assumes an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders (including any shares sold by the selling shareholders pursuant to the underwriters' option to purchase additional shares).

We intend to use the anticipated net proceeds as follows: (1) $ million of the net proceeds will be applied to redeem $ million in aggregate principal amount of our Senior Subordinated Notes at a redemption price of 111.875% and (2) the remaining $ million of the net proceeds will be applied to redeem $ million in aggregate principal amount of our Senior Notes at a redemption price of 110.625%. In each case, we will pay accrued and unpaid interest on the Notes through the redemption date with cash generated from operations. To the extent we raise more proceeds in this offering, we will redeem additional Senior Notes. To the extent we raise less proceeds in this offering, we will reduce the amount of Senior Notes that will be redeemed.

As of the date hereof, there is approximately $1.175 billion aggregate principal amount of Senior Notes outstanding, which bear interest at a rate of 10.625% per annum and mature on July 15, 2015 and $655.9 million aggregate principal amount of Senior Subordinated Notes outstanding, which bear cash interest at a rate of 11.875% per annum and mature on July 15, 2017.

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DIVIDEND POLICY

Prior to our 2007 merger, we declared a quarterly cash dividend in the amount of $0.05 per share payable on or before April 19, 2007 to common shareholders of record on April 5, 2007. We have not declared a dividend thereafter. However, we anticipate paying a special dividend of approximately $200 million to our existing shareholders prior to this offering. The dividend will be paid with cash generated from operations. Following completion of the offering, we have no current plans to pay any cash dividends on our common stock for the foreseeable future and instead may retain earnings, if any, for future operation and expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants in our Credit Facilities and in the indentures governing the Notes. See "Description of Indebtedness" for restrictions on our ability to pay dividends.

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CAPITALIZATION

The following table sets forth our capitalization as of May 1, 2009:

on an actual basis; and

on an as adjusted basis to give effect to (1) the issuance of common stock in this offering and the application of proceeds from the offering as described in "Use of Proceeds" as if each had occurred on May 1, 2009, (2) the payment of a special dividend in an amount of $ million to our existing shareholders on , 2009 and (3) the payment of approximately $64 million in fees under our monitoring agreement with KKR and Goldman, Sachs & Co. See "Certain Relationships and Related Party Transactions Relationships with the Investors Monitoring Agreement and Indemnity Agreement."

You should read this table in conjunction with "Use of Proceeds," "Selected Historical Financial and Other Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto, included elsewhere in this prospectus.

	May 1, 2009	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents	$ 434.6	$
Long-term obligations:		
Credit Facilities:		
Senior secured asset-based revolving credit facility	$	$
Senior secured term loan facility	2,300.0	
Senior notes, net of discount(1)	1,155.5	
Senior subordinated notes	655.9	
Senior notes due 2010	1.8	
Tax increment financing	14.5	
Capital lease obligations and other	9.0	
Total long-term obligations(1)	4,136.7	
Shareholders' equity:		
Preferred stock		
Common stock	278.2	
Additional paid-in capital	2,492.5	
Retained earnings	186.4	
Accumulated other comprehensive loss	(40.4)	
Total shareholders' equity(1)	2,916.6	
Total capitalization	$ 7,053.3	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would (decrease) increase each of our senior notes and total long-term obligations and would increase (decrease) equity by $, $ and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us. To the extent we raise more

proceeds in this offering, we will redeem additional Senior Notes. To the extent we raise less proceeds in this offering, we will reduce the amount of Senior Notes that will be redeemed.

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The table set forth above is based on the number of shares of our common stock outstanding as of May 1, 2009. This table does not reflect:

- shares of our common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of $ per share as of May 1, 2009, of which were then exercisable; and
- shares of our common stock reserved for future grants under our 2007 Stock Incentive Plan.

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following table sets forth selected consolidated financial and other data of Dollar General Corporation as of the dates and for the periods indicated. We derived the selected historical statement of operations data and statement of cash flows data for the fiscal years or periods, as applicable, ended January 30, 2009, February 1, 2008, July 6, 2007 and February 2, 2007, and balance sheet data as of January 30, 2009 and February 1, 2008, from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the selected historical statement of operations data and statement of cash flows data for the fiscal years ended February 3, 2006 and January 28, 2005 and balance sheet data as of February 2, 2007, February 3, 2006 and January 28, 2005 presented in this table from audited consolidated financial statements not included in this prospectus. We derived the consolidated selected financial data for the thirteen week periods ended May 1, 2009 and May 2, 2008 from our unaudited condensed consolidated interim financial statements included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated interim financial information set forth below on the same basis as our audited consolidated financial statements, except for the adoption of Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, *an amendment of FASB Statement No. 133*, and have included all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for such periods. The interim results set forth below are not necessarily indicative of results for the fiscal year ending January 29, 2010 or for any other period.

On July 6, 2007, we completed a merger with Buck Acquisition Corp. ("Buck") and, as a result, we are a subsidiary of a Delaware limited partnership controlled by investment funds affiliated with KKR. As a result of our 2007 merger, the related purchase accounting adjustments, and a new basis of accounting beginning on July 7, 2007, the 2007 financial reporting periods presented below include the Predecessor period of the Company reflecting 22 weeks of operating results from February 3, 2007 to July 6, 2007 and 30 weeks of operating results for the Successor period, reflecting the 2007 merger from July 7, 2007 to February 1, 2008. Buck's results of operations for the period from March 6, 2007 to July 6, 2007 (prior to the 2007 merger on July 6, 2007) are also included in the consolidated financial statements for the 2007 Successor period described above, as a result of certain derivative financial instruments entered into by Buck prior to the merger. Other than these financial instruments, Buck had no assets, liabilities, or operations prior to the merger. The fiscal years presented from 2004 to 2006 reflect the Predecessor. Due to the significance of the 2007 merger and related transactions that occurred in 2007, the financial information for all Successor periods is not comparable to that of the Predecessor periods presented in the accompanying table.

Our historical results are not necessarily indicative of future operating results. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Prospectus Summary Summary Historical and Pro Forma Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

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(amounts in millions, excluding number of stores, selling square feet, net sales per square foot and per share data)	Predecessor				Successor			
	Year Ended					Year Ended	Thirteen Weeks Ended	
	January 28, 2005	February 3, 2006(1)	February 2, 2007(2)	February 3, 2007 through July 6, 2007(2)	March 6, 2007 through February 1, 2008(2)(3)	January 30, 2009	May 2, 2008	May 1, 2009
Statement of Operations Data:								
Net sales	$ 7,660.9	$ 8,582.2	$ 9,169.8	$ 3,923.8	$ 5,571.5	$ 10,457.7	$ 2,403.5	$ 2,779.9
Cost of goods sold	5,397.7	6,117.4	6,801.6	2,852.2	3,999.6	7,396.6	1,710.4	1,924.6
Gross profit	2,263.2	2,464.8	2,368.2	1,071.6	1,571.9	3,061.1	693.1	855.4
Selling, general and administrative expenses	1,706.2	1,903.0	2,119.9	960.9	1,324.5	2,448.6	582.2	630.5
Litigation settlement and related costs, net						32.0		
Transaction and related costs				101.4	1.2			
Operating profit	557.0	561.9	248.3	9.2	246.1	580.5	110.9	224.9
Interest income	(6.6)	(9.0)	(7.0)	(5.0)	(3.8)	(3.1)	(1.0)	(0.1)
Interest expense	28.8	26.2	34.9	10.3	252.9	391.9	100.9	89.2
Other (income) expense					3.6	(2.8)	0.3	1.7
Income (loss) before income taxes	534.8	544.6	220.4	4.0	(6.6)	194.4	10.7	134.1
Income tax expense (benefit)	190.6	194.5	82.4	12.0	(1.8)	86.2	4.7	51.1
Net income (loss)	$ 344.2	$ 350.2	$ 137.9	$ (8.0)	$ (4.8)	$ 108.2	$ 5.9	$ 83.0
Earnings (loss) per share(4):								
Basic								
Diluted								
Weighted average shares(4):								
Basic								
Diluted								
Statement of Cash Flows Data:								
Net cash provided by (used in):								
Operating activities	$ 391.5	$ 555.5	$ 405.4	$ 201.9	$ 239.6	$ 575.2	$ 151.6	$ 108.9
Investing activities	(259.2)	(264.4)	(282.0)	(66.9)	(6,848.4)	(152.6)	(32.2)	(51.7)
Financing activities	(245.4)	(323.3)	(134.7)	25.3	6,709.0	(144.8)	(103.7)	(0.6)
Total capital expenditures	(288.3)	(284.1)	(261.5)	(56.2)	(83.6)	(205.5)	(35.4)	(51.8)
Other Financial and Operating Data:								
Same-store sales growth(5)	3.2%	2.2%	3.3%	2.6%	1.9%	9.0%	5.4%	13.3%
Same-store sales(5)	$ 6,589.0	$ 7,555.8	$ 8,327.2	$ 3,656.6	$ 5,264.2	$ 10,118.5	$ 2,309.6	$ 2,703.8
Number of stores included in same-store sales calculation	5,932	7,186	7,627	7,655	7,735	8,153	7,887	8,179
Number of stores (at period end)	7,320	7,929	8,229	8,205	8,194	8,362	8,265	8,462
Selling square feet (in thousands at period end)	50,015	54,753	57,299	57,379	57,376	58,803	57,919	59,546
Net sales per square foot(6)	$ 160	$ 160	$ 163	$ 164	$ 165	$ 180	$ 167	$ 185
Consumables sales	63.0%	65.3%	65.7%	66.7%	66.4%	69.3%	69.9%	71.8%

Seasonal sales	16.5%	15.7%	16.4%	15.4%	16.3%	14.6%	13.4%	12.8%
Home product sales	11.5%	10.6%	10.0%	9.2%	9.1%	8.2%	8.5%	7.8%
Apparel sales	9.0%	8.4%	7.9%	8.7%	8.2%	7.9%	8.2%	7.6%
Rent expense	$ 268.8	$ 312.3	$ 343.9	$ 150.2	$ 214.5	$ 389.6	$ 94.5	$ 101.8
Balance Sheet Data (at period end):								
Cash and cash equivalents and short-term investments	$ 275.8	$ 209.5	$ 219.2		$ 119.8	$ 378.0	$ 115.9	$ 434.6
Total assets	2,841.0	2,980.3	3,040.5		8,656.4	8,889.2	8,663.0	8,978.8
Total long-term obligations	271.3	278.7	270.0		4,282.0	4,137.1	4,179.0	4,136.7
Total shareholders' equity	1,684.5	1,720.8	1,745.7		2,703.9	2,831.7	2,730.6	2,916.6

(1) The fiscal year ended February 3, 2006 was comprised of 53 weeks.

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(2) Includes the effects of certain strategic merchandising and real estate initiatives that resulted in the closing of approximately 460 stores and changes in our inventory management model which resulted in greater inventory markdowns than in previous years.

(3) Includes the results of Buck Acquisition Corp. for the period prior to its 2007 merger with and into Dollar General Corporation from March 6, 2007 (Buck's formation) through July 6, 2007 and the post-merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008.

(4) Because of our 2007 merger, our capital structure for periods before and after the merger is not comparable, and therefore we are presenting earnings per share and weighted average share information only for periods subsequent to our 2007 merger. Similarly, dividends per share for the periods prior to the merger have not been presented, and we have not paid dividends for the periods presented since our 2007 merger.

(5) For fiscal periods ending after January 28, 2005, same-store sales have been calculated based upon stores that were open at least 13 full fiscal months and remained open at the end of the reporting period. For fiscal periods ending on or before January 28, 2005, same-store sales include stores that were open both at the end of the reporting period and at the beginning of the preceding fiscal year. We exclude the sales in the 53rd week of a 53-week year from the same-store sales calculation.

(6) Net sales per square foot was calculated based on total sales for the preceding 12 months as of the ending date of the reporting period divided by the average selling square footage during the period, including the end of the fiscal year, the beginning of the fiscal year, and the end of each of our three interim fiscal quarters. For the period from February 3, 2007 through July 6, 2007, average selling square footage was calculated using the average of square footage as of July 6, 2007 and as of the end of each of the four preceding quarters. For the fiscal year ended February 3, 2006, net sales per square foot was calculated based on 52 weeks' sales.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations with "Selected Historical Financial and Other Data" and the audited historical and unaudited interim financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this prospectus. Actual results may differ materially from those contained in any forward-looking statements. You should read "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Executive Overview

We are the largest discount retailer in the United States by number of stores, with 8,577 stores located in 35 states as of July 31, 2009, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home décor and domestics, and apparel. Our merchandise includes high quality national brands from leading manufacturers, as well as comparable quality private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically $10 or less) in our convenient small-box (small store) locations. We believe our convenient store format and broad selection of high quality products at compelling values have driven our substantial growth and financial success over the years.

On July 6, 2007, we completed a merger and, as a result, we are a subsidiary of Buck Holdings, L.P. ("Parent"), a Delaware limited partnership controlled by investment funds affiliated with Kohlberg Kravis Roberts & Co., L.P. (collectively, "KKR" or "Sponsor"). KKR, GS Capital Partners VI Fund, L.P. and affiliated funds (affiliates of Goldman, Sachs & Co.), Citi Private Equity, Wellington Management Company, LLP, CPP Investment Board (USRE II) Inc., and other equity co-investors (collectively, the "Investors") indirectly own a substantial portion of our capital stock through their investment in Parent. The merger consideration was funded through the use of our available cash, cash equity contributions from the Investors, equity contributions of certain members of our management and certain debt financings discussed below under " Liquidity and Capital Resources."

The customers we serve are value-conscious, and Dollar General has always been intently focused on helping our customers make the most of their spending dollars. Consumers have faced heightened economic challenges, including fluctuating gasoline and energy costs, rising food costs, increased unemployment, and difficult housing and credit markets in 2008 and 2009, and the timetable for economic recovery is uncertain. Nonetheless, as a result of our long-term mission of serving the value-conscious customer, coupled with a vigorous focus on improving our operating and financial performance, our 2008 and first quarter 2009 results have been strong, and we remain optimistic with regard to executing our operating priorities for the remainder of 2009.

Discussion of Operating Priorities. We have been keenly focused on executing the following four operating priorities which we defined at the beginning of 2008:

- Drive productive sales growth;
- Increase gross margins;
- Leverage process improvements and information technology to reduce costs; and
- Strengthen and expand Dollar General's culture of "serving others."

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Our first priority is driving productive sales growth by increasing shopper frequency and transaction amount and maximizing sales per square foot. We utilized numerous initiatives in 2008 and 2009 to enable productive sales growth. For example, we are defining and improving our store standards with a goal of developing a consistent look and feel across all stores. We expanded offerings of convenience foods and beverages, added new impulse racks at the checkout stands and expanded our store operating hours. To further improve space utilization, we have begun the process of raising the height of merchandise fixtures in our stores, starting with the food area. We also intend to increase sales growth by increasing our number of stores. We believe we have significant potential to increase our number of stores in new and existing markets, with a plan to open approximately 500 new stores in fiscal 2009 and to continue this growth into the future.

Our second priority is to increase gross profit through shrink reduction, distribution efficiencies, an improved pricing model, the expansion of private brand offerings and increased foreign sourcing. In 2008 and 2009, inventory shrink decreased as a result of several focused initiatives, including the elimination of packaway inventories from the stockrooms, the installation of additional security cameras, the implementation of exception-based shrink detection tools, and improved hiring practices and employee retention. Higher sales volumes have contributed to our ability to leverage transportation and distribution costs, and we were able to offset the impact of higher average fuel costs for 2008 through better trailer utilization, expansion of backhaul opportunities and improved fleet management. We reviewed and reset our consumables planograms, eliminating less productive items in order to add more productive ones. In this process, we reviewed our pricing strategy and worked diligently to minimize vendor cost increases. Some merchandise cost increases were unavoidable in 2008, but as a result of our improved pricing analysis tools, we were able to recoup a portion of these increases through pricing. We continue to focus on sales of private brand consumables, which generally have higher gross profit rates, while continuing to offer a wide variety of national brands in our efforts to offer the optimal mix of products to our customers. With regard to the expansion of foreign sourcing, we are still in the early stages of defining the objectives and building the team.

Our third priority is leveraging process improvements and information technology to reduce costs. We are committed as an organization to extract costs that do not affect the customer experience. Examples of cost reduction initiatives in 2008 and 2009 include recycling of cardboard, reduction of workers' compensation expense through a focus on safety and improvement of energy management in the stores through installation and monitoring of new equipment. With regard to information technology, we are focusing our resources on improving systems that are designed to enhance retail store operations and merchandising.

Our fourth priority is to strengthen and expand Dollar General's culture of serving others. For customers this means helping them "*Save Time. Save Money. Every Day*." For employees, this means creating an environment that attracts and retains key employees throughout the organization. For the public, this means giving back to our store communities.

Financial and operating highlights. For the quarter ended May 1, 2009, our focus on our four priorities resulted in improved financial performance over the comparable 2008 period in each of our key financial metrics, as follows:

- Total sales increased 15.7% to $2.78 billion. Sales in same-stores increased 13.3%, driven by increases in customer traffic and average transaction amount. Average sales per square foot for all stores over the 52-week period ended May 1, 2009 were approximately $185, up from $167 for the comparable prior 52-week period ended May 2, 2008.

- Gross profit, as a percentage of sales, increased to 30.8%, compared to 28.8% in the 2008 period, as a result of higher average markups driven by our focused effort to reduce our merchandise purchase costs while maintaining our everyday low prices (including strategic changes we have made to the mix of merchandise, such as increasing private brand items which

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generally are associated with higher average markups), lower transportation and distribution costs and continued improvement in inventory shrinkage.

SG&A, as a percentage of sales, was 22.7%, compared to 24.2% in the 2008 quarter. The improvement is attributable to leverage resulting from our significant sales increase and a reduction in insurance costs, primarily workers' compensation.

Inventory turnover improved to 5.2 times on a rolling four-quarter basis, compared to 5.0 times for the corresponding prior year period.

We reported net income of $83.0 million, compared to net income of $5.9 million in the 2008 quarter.

For the quarter ended May 1, 2009, we generated $108.9 million of cash from operating activities. At May 1, 2009, we had a cash balance of $434.6 million. Because of continued uncertainties in the financial markets, we believe maintaining excess liquidity is prudent. Also during the 2009 first quarter, we opened 104 new stores, remodeled or relocated 100 stores, and closed four stores, resulting in a store count of 8,462 on May 1, 2009.

Our fiscal 2008 annual financial highlights included:

A 10.1% total sales increase from 2007 and a 9.0% same-stores sales increase, driven by increases in customer traffic and average transaction amount. Average sales per square foot for all stores in 2008 were approximately $180, up from $165 in 2007. Sales increases of consumables products outpaced our more discretionary categories, likely the result of both our merchandising initiatives, which were more focused on consumables, and the negative effect of the economy on consumer discretionary spending.

Gross profit, as a percentage of sales, was 29.3% in 2008. During the year, we made progress in reducing our inventory shrinkage and improving the efficiencies of our distribution and transportation processes as well as leveraging fixed distribution costs. Improvements in our pricing systems and processes also permitted us to make timelier price changes to compensate for unavoidable cost increases, and for the year, markdowns declined.

SG&A, as a percentage of sales, for fiscal 2008 was 23.4%, compared to 23.8% in the 2007 Successor period and 24.5% in the 2007 Predecessor period. Our increased sales levels favorably affected SG&A, as a percentage of sales, in addition to a reduction in workers' compensation expense, resulting from safety initiatives implemented over the last several years, and reduced advertising expense. The 2007 Predecessor period included SG&A of $45.0 million, or 115 basis points, related to closing underperforming stores.

Litigation expense of $32 million reflecting the settlement and related expenses, net of insurance proceeds, of a class action lawsuit filed as a result of our 2007 merger. We determined that the settlement was in our best interests to avoid costly and time consuming litigation.

Interest expense of $391.9 million in 2008 relating primarily to interest on debt incurred to finance our 2007 merger. We repaid all borrowings under our revolving credit facility in the first quarter of 2008 and incurred no additional borrowings during the year. In January 2009, we further reduced our total long-term obligations by repurchasing $44.1 million of our Senior Subordinated Notes.

Net income of $108.2 million, compared to a net loss of $4.8 million in the 2007 Successor period and a net loss of $8.0 million in the 2007 Predecessor period (each of the 2007 periods included significant costs related to the 2007 merger and other strategic initiatives as more fully described below in the comparison of results of operations for 2008 and 2007).

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Cash from operating activities of $575.2 million, a portion of which we used to invest in our stores and to reduce long-term obligations. At year end, our cash balance was $378 million.

Opening of 207 new stores, remodeling or relocating of 404 stores, and closing of 39 stores, resulting in a store count of 8,362 on January 30, 2009. In addition, we are pleased with the progress we made during the year in our efforts to better utilize existing square footage and to improve the appearance of our stores.

Outlook for 2009. We plan to continue to focus on our same four operating priorities for the remainder of the year. We intend to continue to refine and improve our store standards, focusing on achieving a consistent look and feel across the chain, and plan to measure customer satisfaction. We expect to complete the process of raising the height of our merchandise fixtures, allowing us to better utilize our store square footage. We will continue to focus on reducing inventory shrink by implementing additional analytical tools and expanding the utilization of surveillance equipment. We have identified additional opportunities to reduce labor and other costs in our distribution centers. In addition, we plan to continue to expand our private brand consumables offerings and to increase and upgrade our private brand merchandise in the home and seasonal categories. Most of our merchandising focus and the recent changes we have made have centered on items in our consumables category, which have demonstrated strong sales growth as a result. In 2009, we are bringing the same focus and intensity to our apparel, home and seasonal categories. We intend to make strides in expanding our foreign sourcing efforts and expect to begin seeing a greater impact from this initiative in late 2009.

With regard to leveraging information technology and process improvements to reduce costs, we will continue to focus on making improvements that benefit our merchandising and operations efforts, including projects such as pricing and profitability analysis, merchandise selection and allocation and labor scheduling. All of our store managers now have access to a back office computer, which improves reporting and communications with the stores and, consequently, will assist us in improving store productivity.

Finally, in 2009, we plan to open approximately 500 new stores within the 35 states in which we currently operate, and to remodel or relocate an additional 400 stores. With regard to planned new store openings, our criteria are based on numerous factors including, among other things, availability of appropriate sites, expected sales, lease terms, population demographics, competition, and the employment environment. We use various real estate site selection tools to determine target markets and optimum site locations within those markets. Our 2009 store expansion plans include expansion only within our existing markets. With respect to store relocations, we begin to evaluate a store for relocation opportunities approximately 18 months prior to the store's lease expiration using the same basic tools and criteria as those used for new stores. Remodels, which require a much smaller investment, are determined based on the need, the opportunity for sales improvement at the location and an expectation of a desirable return on investment. The majority of new store sites for 2009 have been identified and terms agreed to.

We expect to continue to face difficult economic issues in 2009 which will restrict our customers' ability to spend and, therefore, will challenge our efforts to increase sales and gross profit. We also believe that competitive pricing, promotions, and advertising will continue and are likely to increase if overall retail sales continue to decline. We remain committed to our operating model and to making improvements in our stores and our merchandise to better serve the needs of our customers.

As a result of this offering and the related transactions, we anticipate that we will incur significant charges in the accounting period in which such transactions are consummated, including charges relating to the redemption of our Senior Notes and Senior Subordinated Notes and a transaction fee under, and fees associated with the termination of, our monitoring agreement.

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Results of Operations

Accounting Periods. The following text contains references to years 2009, 2008, 2007, and 2006, which represent fiscal years ending or ended January 29, 2010, January 30, 2009, February 1, 2008, and February 2, 2007, respectively. Our fiscal year ends on the Friday closest to January 31. Fiscal years 2009, 2008 and 2006 were all 52-week accounting periods.

As discussed above, we completed a merger transaction on July 6, 2007, and therefore the 2007 presentation includes the 22-week Predecessor period of Dollar General Corporation through July 6, 2007, reflecting the historical basis of accounting prior to the 2007 merger, and a 30-week Successor period, reflecting the impact of the business combination and associated purchase price allocation of the merger of Dollar General Corporation and Buck Acquisition Corp. ("Buck"), from July 7, 2007 to February 1, 2008. Buck was formed on March 6, 2007, and its results of operations prior to the 2007 merger, related solely to interest rate swaps entered into in anticipation of the merger, are included in the 2007 Successor results of operations. Transactions relating to or resulting from the 2007 merger are discussed separately.

Seasonality. The nature of our business is seasonal to a certain extent. Primarily because of sales of holiday-related merchandise, sales in our fourth quarter (November, December and January) have historically been higher than sales achieved in each of the first three quarters of the fiscal year. Expenses and, to a greater extent, operating income vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of our business may affect comparisons between periods.

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Thirteen Weeks Ended May 1, 2009 and May 2, 2008

The following table contains results of operations data for the first 13 weeks of each of 2009 and 2008, and the dollar and percentage variances among those periods:

(in millions, except per share data)	13 Weeks Ended May 1, 2009	13 Weeks Ended May 2, 2008	2009 vs. 2008 Amount change	2009 vs. 2008 % change
Net sales by category:				
Consumables	$1,995.8	$1,680.9	$314.9	18.7%
% of net sales	71.79%	69.94%		
Seasonal	356.5	322.1	34.3	10.7
% of net sales	12.82%	13.40%		
Home products	216.9	204.5	12.4	6.1
% of net sales	7.80%	8.51%		
Apparel	210.8	196.0	14.8	7.6
% of net sales	7.58%	8.15%		
Net sales	$2,779.9	$2,403.5	$376.4	15.7
Cost of goods sold	1,924.6	1,710.4	214.2	12.5
% of net sales	69.23%	71.16%		
Gross profit	855.4	693.1	162.3	23.4
% of net sales	30.77%	28.84%		
Selling, general and administrative expenses	630.5	582.2	48.3	8.3
% of net sales	22.68%	24.22%		
Operating profit	224.9	110.9	114.0	102.8
% of net sales	8.09%	4.61%		
Interest income	(0.1)	(1.0)	0.9	(90.2)
% of net sales	(0.00)%	(0.04)%		
Interest expense	89.2	100.9	(11.6)	(11.5)
% of net sales	3.21%	4.20%		
Other (income) expense	1.7	0.3	1.4	
% of net sales	0.06%	0.01%		
Income before income taxes	134.1	10.7	123.4	
% of net sales	4.82%	0.44%		
Income tax expense	51.1	4.7	46.3	
% of net sales	1.84%	0.20%		
Net income	$ 83.0	$ 5.9	$ 77.1	%
% of net sales	2.99%	0.25%		
Earnings per share:				
Basic				
Diluted				

Net Sales. The net sales increase in the 2009 first quarter reflects a same-store sales increase of 13.3% compared to the 2008 quarter. Same-stores include stores that have been open for 13 months and remain open at the end of the reporting period. For the 2009 quarter, there were 8,179 same-stores which accounted for sales of $2.70 billion. The remainder of the sales increase was attributable to new stores, partially offset by sales from closed stores.

We believe that the increase in sales reflects the impact of various operating and merchandising initiatives implemented over the last year, including the impact of improved store standards, the

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expansion of convenience food and beverage offerings and additional private brand consumables that offer improved quality and value. We have adjusted our store hours to better accommodate our customers, resulting in increased customer traffic. In addition, we have increased the utilization of store square footage and have improved the timing, selection and management of seasonal, home and apparel merchandise, adding items that are more trend relevant. As indicated by our growth in sales during this challenging economic period, value-conscious customers are relying on our stores for value and convenience more than ever.

Gross Profit. The gross profit rate as a percentage of sales was 30.8% in the 2009 first quarter, compared to 28.8% in the 2008 quarter. Several factors contributed significantly to our gross profit rate expansion:

- Average markups increased as a result of our focus on lowering costs from our vendors, while maintaining our everyday low prices, and changes we have made to the mix of merchandise, such as the increase in private brand items which generally represent higher gross profit rates.

- Distribution and transportation costs decreased as a result of lower fuel costs and improved efficiencies arising from changes in our distribution processes.

- Inventory shrink as a percentage of sales declined.

In 2008, we faced increased commodity cost pressures which resulted in multiple product cost increases. As a result, we recorded a LIFO provision of $43.9 million in fiscal 2008. On a quarterly basis, we estimate the annual impact of commodity cost fluctuations based upon the best available information at that point in time. The estimated LIFO provision in the 2009 first quarter was $0.8 million, reflecting a flattening of these increases based on our 2009 trends and our current 2009 estimates.

SG&A Expense. The 8.3% increase in SG&A expense in the 2009 period compared to the 2008 period is the result primarily of SG&A required to operate new stores and to support increased same-store sales levels. As a percentage of sales, SG&A decreased to 22.7% in the 2009 period from 24.2% in the 2008 period, a decrease of 154 basis points, primarily attributable to leverage on payroll and store occupancy costs attained from significantly higher sales. In addition, workers' compensation costs and general liability insurance expense decreased as a result of our continued cost reduction efforts.

Interest Income. Interest income consists primarily of interest on investments. The decrease in interest income in the 2009 period compared to the 2008 period was the result of lower interest rates.

Interest Expense. The decrease in interest expense in the 2009 period from the 2008 period is due to lower interest rates on our variable rate debt, primarily on our term loan, and lower outstanding borrowings as the result of the repurchase of $44.1 million of the Senior Subordinated Notes in the fourth quarter of 2008. We had outstanding variable-rate debt of $836 million and $623 million, after taking into consideration the impact of interest rate swaps, as of May 1, 2009 and January 30, 2009, respectively. The remainder of our outstanding indebtedness at May 1, 2009 and January 30, 2009 was fixed rate debt.

Income Taxes. The effective income tax rate for the 2009 period was 38.1%, compared to a rate of 44.5% for the 2008 period. Both periods included similar amounts of income tax-related interest, but because the 2009 pretax income was higher, the effective rate was affected to a lesser degree.

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Fiscal Year 2008, 2007 Successor and Predecessor Periods, and Fiscal Year 2006

The following table contains results of operations data for fiscal year 2008, the Successor and Predecessor periods in 2007, and fiscal year 2006.

	Successor		Predecessor	
(amounts in millions, except per share data)	**2008**	**2007(a)(c)**	**2007(b)(c)**	**2006(c)**
Net sales by category:				
Consumables	$ 7,248.4	$ 3,701.7	$ 2,615.1	$ 6,022.0
% of net sales	69.31%	66.44%	66.65%	65.67%
Seasonal	1,521.5	908.3	604.9	1,510.0
% of net sales	14.55%	16.30%	15.42%	16.47%
Home products	862.2	507.0	362.7	914.4
% of net sales	8.24%	9.10%	9.24%	9.97%
Apparel	825.6	454.4	341.0	723.5
% of net sales	7.89%	8.16%	8.69%	7.89%
Net sales	$ 10,457.7	$ 5,571.5	$ 3,923.8	$ 9,169.8
Cost of goods sold	7,396.6	3,999.6	2,852.2	6,801.6
% of net sales	70.73%	71.79%	72.69%	74.17%
Gross profit	3,061.1	1,571.9	1,071.6	2,368.2
% of net sales	29.27%	28.21%	27.31%	25.83%
Selling, general and administrative expenses	2,448.6	1,324.5	960.9	2,119.9
% of net sales	23.41%	23.77%	24.49%	23.12%
Litigation settlement and related costs, net	32.0			
% of net sales	0.31%			
Transaction and related costs		1.2	101.4	
% of net sales		0.02%	2.58%	
Operating profit	580.5	246.1	9.2	248.3
% of net sales	5.55%	4.42%	0.24%	2.71%
Interest income	(3.1)	(3.8)	(5.0)	(7.0)
% of net sales	(0.03)%	(0.07)%	(0.13)%	(0.08)%
Interest expense	391.9	252.9	10.3	34.9
% of net sales	3.75%	4.54%	0.26%	0.38%
Other (income) expense	(2.8)	3.6		
% of net sales	(0.03)%	0.07%		
Income (loss) before income taxes	194.4	(6.6)	4.0	220.4
% of net sales	1.86%	(0.12)%	0.10%	2.40%
Income taxes	86.2	(1.8)	12.0	82.4
% of net sales	0.82%	(0.03)%	0.31%	0.90%
Net income (loss)	$ 108.2	$ (4.8)	$ (8.0)	$ 137.9
% of net sales	1.03%	(0.09)%	(0.20)%	1.50%
Earnings per share(d)				
Basic				
Diluted				

(a) Includes the results of operations of Buck Acquisition Corp. for the period prior to its 2007 merger with and into Dollar General Corporation from March 6, 2007 (Buck's formation) through July 6, 2007 (reflecting the change in fair value of interest rate swaps), and the post-merger results of Dollar General Corporation for the period from July 7, 2007 through February 1, 2008.

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(b) Includes the pre-merger results of Dollar General Corporation for the period from February 3, 2007 through July 6, 2007.

(c) Includes the effects of certain strategic merchandising and real estate initiatives that resulted in the closing of approximately 460 stores and changes in our inventory management model which resulted in greater inventory markdowns than in previous years.

(d) Because of our 2007 merger, our capital structure for periods before and after the merger is not comparable and therefore we are presenting earnings per share information only for periods subsequent to our 2007 merger.

The following discussion of our financial performance also includes supplemental unaudited pro forma condensed consolidated financial information for fiscal years 2007 and 2006. Because our merger occurred during our 2007 second quarter, we believe this information aids in the comparison between the periods presented. The pro forma information does not purport to represent what our results of operations would have been had the 2007 merger and related transactions actually occurred at the beginning of the years indicated, and they do not purport to project our results of operations or financial condition for any future period. The following table contains results of operations data for 2008 compared to pro forma results of operations for fiscal years 2007 and 2006, and the dollar and

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percentage variances among those years. See " Unaudited Pro Forma Condensed Consolidated Financial Information" below.

(amounts in millions)	2008	Pro Forma 2007	Pro Forma 2006	2008 vs. 2007 Pro Forma $ change	2008 vs. 2007 Pro Forma % change	2007 Pro Forma vs. 2006 Pro Forma $ change	2007 Pro Forma vs. 2006 Pro Forma % change
Net sales by category:							
Consumables	$ 7,248.4	$6,316.8	$6,022.0	$931.6	14.7%	$ 294.8	4.9%
% of net sales	69.31%	66.53%	65.67%				
Seasonal	1,521.5	1,513.2	1,510.0	8.2	0.5	3.2	0.2
% of net sales	14.55%	15.94%	16.47%				
Home products	862.2	869.8	914.4	(7.5)	(0.9)	(44.6)	(4.9)
% of net sales	8.24%	9.16%	9.97%				
Apparel	825.6	795.4	723.5	30.2	3.8	72.0	9.9
% of net sales	7.89%	8.38%	7.89%				
Net sales	$10,457.7	$9,495.2	$9,169.8	$962.4	10.1%	$ 325.4	3.5%
Cost of goods sold	7,396.6	6,852.5	6,803.1	544.1	7.9	49.3	0.7
% of net sales	70.73%	72.17%	74.19%				
Gross profit	3,061.1	2,642.8	2,366.7	418.3	15.8	276.1	11.7
% of net sales	29.27%	27.83%	25.81%				
Selling, general and administrative expenses	2,448.6	2,310.9	2,180.9	137.7	6.0	130.0	6.0
% of net sales	23.41%	24.34%	23.78%				
Litigation settlement and related costs, net	32.0			32.0			
% of net sales	0.31%						
Transaction and related costs		1.2		(1.2)		1.2	
% of net sales		0.01%					
Operating profit	580.5	330.6	185.7	249.9	75.6	144.9	78.0
% of net sales	5.55%	3.48%	2.03%				
Interest income	(3.1)	(8.8)	(7.0)	5.8	(65.4)	(1.8)	26.3
% of net sales	(0.03)%	(0.09)%	(0.08)%				
Interest expense	391.9	436.7	436.9	(44.8)	(10.3)	(0.2)	(0.0)
% of net sales	3.75%	4.60%	4.76%				
Other (income) expense	(2.8)	3.6		(6.4)		3.6	
% of net sales	(0.03)%	0.04%					
Income (loss) before income taxes	194.4	(100.9)	(244.2)	295.3		143.3	(58.7)
% of net sales	1.86%	(1.06)%	(2.66)%				
Income taxes	86.2	(42.9)	(88.0)	129.1		45.1	(51.2)
% of net sales	0.82%	(0.45)%	(0.96)%				
Net income (loss)	$ 108.2	$ (57.9)	$ (156.2)	$166.1	%	$ 98.2	(62.9)%
% of net sales	1.03%	(0.61)%	(1.70)%				

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Net Sales. The net sales increase in fiscal 2008 reflects a same-store sales increase of 9% compared to 2007. For the 2008 fiscal year, there were 8,153 same-stores which accounted for sales of $10.12 billion. There were no purchase accounting or other adjustments to net sales as a result of our 2007 merger, therefore, the 2007 net sales and other amounts presented related to 2007 net sales are calculated using the 2007 52-week fiscal year. The remainder of the increase in sales in fiscal 2008 was attributable to new stores, partially offset by sales from closed stores. The increase in consumables sales reflects the various initiatives implemented in 2008, including the impact of improved store standards, the expansion of convenience food and beverage offerings, improved utilization of square footage and extended store hours. The majority of our merchandising efforts in 2008 related to the consumables category, including planogram resets and increased emphasis on private brand products as further discussed above in the Executive Overview. Both the number of customer transactions and average transaction amount increased for the year, and we believe that our stores benefited to some degree from attracting new customers who are seeking value as a result of the current economic environment.

The net sales increase in 2007 primarily reflects a same-store sales increase of 1.9% for the 2007 Successor period and 2.6% for the Predecessor period compared to the same periods in 2006. For the 2007 Successor period, there were 7,735 same-stores (generating $5.26 billion of net sales) and for the 2007 Predecessor period there were 7,655 same-stores (generating $3.66 billion of net sales). Sales resulting from new store growth, including 170 new stores in the 2007 Successor period and 195 stores in the 2007 Predecessor period, were partially offset by the impact of store closings in the 2007 Predecessor and Successor periods and in 2006. Sales of consumables were 66.4% of total sales in the 2007 Successor period and 66.6% of total sales in the 2007 Predecessor period, compared to 65.7% of total sales in 2006, resulting from successful changes during the 2007 periods to our consumables merchandising mix. Sales of seasonal merchandise increased slightly in dollars but declined as a percentage of total sales in the 2007 periods compared to 2006. Apparel sales increased as a percentage of total sales in the 2007 periods compared to 2006, while home products sales decreased as a percentage of sales. To some extent, sales in these more discretionary categories were affected by our efforts to eliminate our inventory packaway strategy by the end of 2007 and to reduce overall inventory levels. In addition, we believe sales of seasonal merchandise, apparel and home products were negatively affected by continued economic pressures on our customers, particularly in the fourth quarter of 2007. The increase in same-store sales represents an increase in average customer purchase, offset by a slight decrease in customer traffic.

Of our four major merchandise categories, the consumables category has grown significantly over the past several years. Although this category generally has a lower gross profit rate than the other three categories, as discussed below, we have been able to increase our overall gross profit rate since our 2007 merger. Because of the impact of sales mix on gross profit, we continually review our merchandise mix and strive to adjust it when appropriate. Maintaining an appropriate sales mix is an integral part of achieving our gross profit and sales goals.

Gross Profit. The gross profit rate as a percentage of sales was 29.3% in 2008, compared to 28.2% in the 2007 Successor period, 27.3% in the 2007 Predecessor period, and 27.8% for pro forma 2007. Factors contributing to the increase in the 2008 gross profit rate include a lower inventory shrink rate; lower promotional markdowns; improved leverage on distribution and transportation costs; and improved markups related to changes resulting from the outcome of pricing analysis, our ability to react more quickly to product cost changes and diligent vendor negotiations. In January 2009, we marked down merchandise as the result of a change in the interpretation of the phthalates provision of the Consumer Product Safety Improvement Act of 2008 resulting in a charge of $8.6 million. Also in 2008, we faced increased commodity cost pressures mainly related to food and pet products which have been driven by rising fruit and vegetable prices and freight costs. Increases in petroleum, resin, metals, pulp and other raw material commodity driven costs also resulted in multiple product cost increases. Related to these commodity cost increases, we recorded a LIFO provision of $43.9 million in 2008, compared to the LIFO provision recorded in the 2007 Successor period of $6.1 million. We intend to address these commodity cost increases through negotiations with our vendors and by increasing retail prices as necessary. On a quarterly basis, we estimate the annual impact of commodity cost fluctuations based upon the best available information at that point in time.

The gross profit rate as a percentage of sales was 27.3% in the 2007 Predecessor period, 28.2% in the 2007 Successor period, and 27.8% in pro forma 2007, compared to 25.8% in 2006. Factors affecting the increase in the gross profit rate include: lower markdowns (markdowns in 2006 included significant markdowns and below cost adjustments relating to the move away from our packaway inventory strategy); and improved leverage on distribution and transportation costs driven by logistics efficiencies. The gross profit rate in the 2007 Successor period was greater than in the Predecessor period, in part due to the seasonality of our sales which generally result in greater sales of higher margin discretionary purchases in the fourth quarter. Offsetting the factors listed above was an increase in our shrink rate in the 2007 periods as compared to 2006 and a shift in the mix of sales to more consumables products which have relatively lower gross profit rates.

SG&A Expense. SG&A expense as a percentage of sales decreased to 23.4% in 2008, compared to 23.8% and 24.5% in the 2007 Successor and Predecessor periods, respectively. The more significant items resulting in the decrease in 2008 compared to the 2007 periods include: approximately $9.0 million and $45.0 million in the 2007 Successor and Predecessor periods, respectively (including $2.4 million and $4.1 million, respectively, also included in advertising costs discussed below) relating to the closing of stores and the elimination of our packaway inventory strategy; a $5.0 million gain in 2008, compared to a $12.0 million loss in the 2007 Successor period, relating to potential losses on distribution center leases; advertising costs of $27.8 million in 2008 compared to $23.6 million and $17.3 million in the 2007 Successor and Predecessor periods, respectively; and decreases in workers' compensation and other insurance-related costs compared to the 2007 periods. These decreases were partially offset by an increase in incentive compensation and related payroll taxes in 2008 compared to the 2007 periods due to improved overall financial performance, increased amortization of leasehold intangibles capitalized in connection with the revaluation of assets at the date of our 2007 merger and an increase in professional fees in 2008 compared to the 2007 periods primarily reflecting legal expenses related to shareholder litigation.

SG&A decreased to 23.4% of sales in 2008, compared to 24.3% of sales in pro forma 2007. The more significant items resulting in the decrease from the 2007 pro forma results include: $54.0 million of costs in pro forma 2007 SG&A relating to the closing of stores and the elimination of our packaway inventory strategy; a $5.0 million gain in 2008, compared to a $12.0 million loss in the 2007 pro forma period relating to possible losses on distribution center leases; and decreases in workers' compensation and other insurance-related costs in 2008 of $10.4 million compared to the 2007 pro forma period. These decreases were partially offset by an increase in incentive compensation and related payroll taxes of $42.0 million in 2008 compared to pro forma 2007 due to improved overall financial performance and an increase in professional fees in 2008 of $10.4 million compared to pro forma 2007 primarily reflecting legal expenses related to shareholder litigation.

SG&A expense increased as a percentage of sales to 23.8% in the 2007 Successor period and 24.5% in the 2007 Predecessor period from 23.1% in 2006. SG&A in the 2007 periods includes: $23.4 million in the 2007 Successor period related to amortization of leasehold intangibles capitalized in connection with the revaluation of assets at the date of our 2007 merger; $19.3 million and $7.6 million of administrative employee incentive compensation expense in the 2007 Successor and Predecessor periods, respectively, resulting from meeting certain financial targets, compared to $9.6 million of discretionary bonuses in 2006; approximately $9.0 million and $45.0 million of expenses in the 2007 Successor and Predecessor periods, respectively, relating to the closing of stores and the elimination of our packaway inventory strategy (compared to approximately $33 million in 2006) and an accrued loss of approximately $12.0 million in the 2007 Successor period relating to probable losses for

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certain distribution center leases. In addition, SG&A in the 2007 Successor period includes approximately $4.8 million of KKR-related consulting and monitoring fees. SG&A expense in 2006 was partially offset by insurance proceeds of $13.0 million received during the year related to losses incurred due to Hurricane Katrina.

On a pro forma basis, SG&A expense increased as a percentage of sales to 24.3% in 2007, compared to 23.8% in 2006. SG&A in the 2007 pro forma results compared to 2006 includes: $26.9 million of administrative employee incentive compensation expense in 2007 resulting from meeting certain financial targets, compared to $9.6 million of discretionary bonuses in 2006; approximately $54 million of expenses in 2007 relating to the closing of stores and the elimination of our packaway inventory strategy, compared to approximately $33 million in 2006; and an accrued loss of approximately $12.0 million in 2007 relating to probable losses for certain distribution center leases. SG&A expense in 2006 was partially offset by insurance proceeds of $13.0 million received during the year related to losses incurred due to Hurricane Katrina.

Litigation Settlement and Related Costs, Net. The $32.0 million in 2008 represents the settlement of a class action lawsuit filed in response to our 2007 merger, and includes a $40.0 million settlement and estimated expenses of $2.0 million, net of $10.0 million of insurance proceeds received in the fourth quarter of 2008.

Transaction and Related Costs. The $1.2 million and $101.4 million of expenses recorded in the 2007 Successor and Predecessor periods, respectively, reflect $1.2 million and $62.0 million, respectively, of expenses related to our 2007 merger, such as investment banking and legal fees as well as $39.4 million of compensation expense in the Predecessor period related to stock options, restricted stock and restricted stock units which were fully vested immediately prior to and as a result of our 2007 merger.

Interest Income. Interest income consists primarily of interest on investments. The decrease in interest income in 2008 compared to the 2007 periods was a result of lower interest rates, partially offset by higher investments. In the 2007 periods (primarily the 2007 Predecessor period) we had higher levels of cash and short-term investments on hand as compared to 2006.

Interest Expense. The significant increase in interest expense in 2008 and the 2007 Successor period subsequent to our 2007 merger is due to interest on long-term obligations incurred to finance the merger. See further discussion under " Liquidity and Capital Resources" below. We had outstanding variable-rate debt of $623 million and $787 million, after taking into consideration the impact of interest rate swaps, as of January 30, 2009 and February 1, 2008, respectively. The remainder of our outstanding indebtedness at January 30, 2009 and February 1, 2008 was fixed rate debt.

Interest expense in 2008 was less than 2007 pro forma interest expense due to lower borrowing amounts, specifically on the ABL Facility and Senior Subordinated Notes, along with lower interest rates. Pro forma interest expense for both 2007 and 2006 was approximately $437 million.

Other (Income) Expense. In 2008, we recorded a gain of $3.8 million resulting from the repurchase of $44.1 million of our Senior Subordinated Notes, offset by expense of $1.0 million related to hedge ineffectiveness related to certain interest rate swaps.

During the 2007 Successor period, we recorded an unrealized loss of $4.1 million related to the change in the fair value of interest swaps prior to the designation of such swaps as cash flow hedges in October 2007, offset by earnings of $1.7 million under the contractual provisions of the swap agreements. Also during the 2007 Successor period, we recorded $6.2 million of expenses related to consent fees and other costs associated with a tender offer for certain notes payable maturing in June 2010 ("2010 Notes"). Approximately 99% of the 2010 Notes were retired as a result of the tender offer. The costs related to the tender of the 2010 Notes were partially offset by a $4.9 million gain in the 2007 Successor period resulting from the repurchase of $25.0 million of our Senior Subordinated Notes.

Income Taxes. The effective income tax rates for 2008, the 2007 Successor and Predecessor periods and 2006 were an expense of 44.4%, a benefit of 26.9% and expense of 300.2%, and 37.4%, respectively.

The 2008 income tax rate is greater than the expected U.S. statutory tax rate of 35% principally due to the non-deductibility of the settlement and related expenses associated with our 2007 merger-related shareholder lawsuit.

The income tax rate for the Successor period ended February 1, 2008 is a benefit of 26.9%. This benefit is less than the expected U.S. statutory rate of 35% due to the incurrence of state income taxes in several of the group's subsidiaries that file their state income tax returns on a separate entity basis and the election to include, effective February 3, 2007, income tax related interest and penalties in the amount reported as income tax expense.

The income tax rate for the Predecessor period ended July 6, 2007 is an expense of 300.2%. This expense is higher than the expected U.S. statutory rate of 35% due principally to the non-deductibility of certain acquisition related expenses.

Off Balance Sheet Arrangements

We lease three of our distribution centers from lessors, which meet the definition of a Variable Interest Entity ("VIE") as described by Financial Accounting Standards Board ("FASB") Interpretation 46, *Consolidation of Variable Interest Entities* ("FIN 46"), as revised. One of these distribution centers has been recorded as a financing obligation whereby the property and equipment are reflected in our consolidated balance sheets. The land and buildings of the other two distribution centers have been recorded as operating leases in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, *Accounting for Leases*. We are not the primary beneficiary of these VIEs and, accordingly, have not included these entities in our consolidated financial statements. Other than the foregoing, we are not party to any off balance sheet arrangements.

Unaudited Pro Forma Condensed Consolidated Financial Information

The following supplemental unaudited pro forma condensed consolidated statements of operations data have been developed by applying pro forma adjustments to our historical consolidated statements of operations. We were acquired on July 6, 2007 through a merger accounted for as a reverse acquisition. Although we continued as the same legal entity after this merger, the accompanying unaudited pro forma condensed consolidated financial information is presented for the Predecessor and Successor relating to the periods preceding and succeeding the merger, respectively. As a result of our 2007 merger, we applied purchase accounting standards and a new basis of accounting effective July 7, 2007. The unaudited pro forma condensed consolidated statements of operations for the years ended February 1, 2008 and February 2, 2007 gives effect to the 2007 merger as if it had occurred on February 3, 2007 and February 4, 2006, respectively. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed consolidated financial information.

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma condensed consolidated financial information is presented for supplemental informational purposes only, although we believe this information is useful in providing comparisons between years. The unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations would have been had our 2007 merger and related transactions actually

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occurred on the date indicated, and they do not purport to project our results of operations or financial condition for any future period. The unaudited pro forma condensed consolidated statements of operations should be read in conjunction with other sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as "Selected Historical Financial and Other Data" and our audited consolidated financial statements and related notes thereto appearing elsewhere in this prospectus. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed consolidated statements of operations.

	Fiscal Year Ended February 1, 2008			
(In thousands)	**Successor**	**Predecessor**	**Adjustments**	**Pro Forma**
Net sales	$5,571,493	$3,923,753	$	$9,495,246
Cost of goods sold	3,999,599	2,852,178	695 (a)	6,852,472
Gross profit	1,571,894	1,071,575	(695)	2,642,774
Selling, general and administrative expenses	1,324,508	960,930	25,461 (b)	2,310,899
Transaction and related costs	1,242	101,397	(101,397)(c)	1,242
Operating profit	246,144	9,248	75,241	330,633
Interest income	(3,799)	(5,046)		(8,845)
Interest expense	252,897	10,299	173,502 (d)	436,698
Other (income) expense	3,639			3,639
Income (loss) before income taxes	(6,593)	3,995	(98,261)	(100,859)
Income tax expense (benefit)	(1,775)	11,993	(53,138)(e)	(42,920)
Net loss	$ (4,818)	$ (7,998)	$ (45,123)	$ (57,939)

See notes to unaudited pro forma condensed consolidated statements of operations.

	Fiscal Year Ended February 2, 2007		
(In thousands)	**Predecessor**	**Adjustments**	**Pro Forma**
Net sales	$9,169,822	$	$9,169,822
Cost of goods sold	6,801,617	1,532 (a)	6,803,149
Gross profit	2,368,205	(1,532)	2,366,673
Selling, general and administrative expenses	2,119,929	61,016 (b)	2,180,945
Operating profit	248,276	(62,548)	185,728
Interest income	(7,002)		(7,002)
Interest expense	34,915	401,987 (d)	436,902
Income (loss) before income taxes	220,363	(464,535)	(244,172)
Income tax expense (benefit)	82,420	(170,404)(e)	(87,984)
Net income (loss)	$ 137,943	$ (294,131)	$ (156,188)

See notes to unaudited pro forma condensed consolidated statements of operations.

Notes to Unaudited Pro Forma Condensed Consolidated Statements of Operations

(a)

Represents the estimated impact on cost of goods sold of depreciation expense related to the adjustment to fair value of the property and equipment at our distribution centers.

(b)

Primarily represents depreciation and amortization of the fair value adjustments related to tangible and intangible long-lived assets. Identifiable intangible assets with a determinable life have been amortized on a straight-line basis in the unaudited pro forma consolidated statement of operations over a period ranging from 2 to 17.5 years. The primary fair value adjustments (on which the pro

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forma adjustments are based) impacting SG&A expenses were to leasehold interests ($185 million), property and equipment ($101 million) and internally developed software ($12 million). This adjustment also includes management fees that are payable to affiliates of certain of the Investors subsequent to the closing of our 2007 merger and related transactions (at an initial annual rate of $5.0 million which shall be increased by 5% for each succeeding year during the term of the agreement).

(c) Represents $101.4 million of charges that are non-recurring in nature and directly attributable to our 2007 merger and related transactions. Such charges are comprised of $39.4 million of stock compensation expense from the acceleration of unvested stock options, restricted stock and restricted stock units as required as a result of this merger and $62.0 million of transaction costs we incurred that were expensed as one-time charges upon the close of the merger. Such adjustments do not include any adjustments to reflect the effects of our new stock based compensation plan.

(d) Reflects pro forma interest expense resulting from our new capital structure as follows (in millions):

	Predecessor Fiscal Year Ended February 2, 2007	Period Ended July 6, 2007
Revolving credit facility(1)	$ 21.4	$ 8.9
Term loan facilities(2)	177.8	74.1
Notes(3)	210.9	87.9
Letter of credit fees(4)	1.7	0.7
Bank commitment fees(5)	2.3	1.0
Other existing debt obligations(6)	7.2	3.0
Total cash interest expense	421.3	175.6
Amortization of capitalized debt issuance costs and debt discount(7)	9.8	4.1
Amortization of discounted liabilities(8)	8.5	3.5
Other(9)	(2.7)	0.6
Total pro forma interest expense	436.9	183.8
Less historical interest expense	(34.9)	(10.3)
Net adjustment to interest expense	$ 402.0	$ 173.5

(1) The $1.125 billion revolving credit facility carries an interest rate of 3-month LIBOR of 5.32% plus 1.50% for tranche A loans and 3-month LIBOR of 5.32% plus 2.25% for tranche A-1 loans. Reflects assumed borrowings of $175.0 million under tranche A and $125.0 million under tranche A-1. Such levels of borrowings will fluctuate in future periods dependent upon short term cash needs. Changes in the levels of borrowings would impact interest expense.

(2) Reflects interest on the $2.3 billion term loan facility at a rate of LIBOR plus 2.75%. To hedge against interest rate risk, we have entered into a swap agreement with respect to a $2.0 billion notional amount for 4.93%. This swap agreement became effective as a result of the acquisition on July 31, 2007 and will amortize on a quarterly basis until maturity at July 31, 2012. The unhedged portion of the facility is reflected at an interest rate of LIBOR of 5.32% plus 2.75%.

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(3) Reflects interest on the 10.625% Senior Notes and 11.875%/12.625% Senior Subordinated Notes. Assumes the cash interest payment option at a rate of 11.875% has been elected with respect to all of the Senior Subordinated Notes.

(4) Represents fees on balances of trade letters of credit of $141.2 million at 0.75% and standby letters of credit of $40.7 million at 1.50%.

(5) Represents commitment fees of 0.375% on the $612.1 million unutilized balance of the revolving credit facility at July 6, 2007. Outstanding letters of credit noted in (4) above reduce the availability under the revolving credit facility.

(6) Represents historical interest expense on other existing indebtedness.

(7) Represents debt issuance costs associated with the new bank facilities amortized using the effective interest method over 6 years for the revolving facility, 7 years for the term loan facility, 8 years for the senior notes, 10 years for the senior subordinated notes and 8 years for other capitalized debt issuance costs. Also includes the amortization of debt discount of the Senior Notes.

(8) Represents interest expense on long-term liabilities which were discounted as a result of our 2007 merger.

(9) Represents an adjustment to historical interest expense to reflect the effect of the adoption of current accounting standards for income taxes, offset by capitalized interest expense.

(e) Represents the tax effect of the pro forma adjustments, calculated at an effective rate of 54.1% for the Predecessor period ended July 6, 2007 and 36.7% for the fiscal year ended February 2, 2007. The effective tax rate, a benefit, applied to the pro forma changes for the Predecessor period ended July 6, 2007, reflects the pro forma elimination of non-deductible transaction costs from income before taxes. The pro forma income tax expense for the year ended February 2, 2007 has been adjusted to reflect changes required by FIN 48 as if FIN 48 had been adopted as of the beginning of the year.

Effects of Inflation

In 2008, increased commodity cost pressures mainly related to food and pet products, which have been driven by fruit and vegetable prices and rising freight costs, have increased the costs of certain products. Increases in petroleum, resin, metals, pulp and other raw material commodity driven costs also resulted in multiple product cost increases. We believe that our ability to increase selling prices in response to cost increases largely mitigated the effect of these cost increases on our overall results of operations. We believe that inflation and/or deflation had a minimal impact on our overall operations during the first quarter of 2009 and in fiscal years 2007 and 2006.

Liquidity and Capital Resources

Current Financial Condition/Recent Developments

On July 31, 2009, we amended the senior secured asset-based revolving credit facility (the "ABL Facility"). Wells Fargo Retail Finance, LLC, became the successor administrative agent, replacing CIT Group/Business Credit, Inc., whose $94 million in commitments were also terminated. The total commitments under the ABL Facility are now $1.031 billion.

At May 1, 2009, we had total outstanding debt (including the current portion of long-term obligations) of approximately $4.14 billion. We had $970.4 million available for borrowing under our ABL Facility at that date based on borrowing base availability. Our liquidity needs are significant,

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primarily due to our debt service and other obligations. However, we believe our cash flow from operations and existing cash balances, combined with availability under the Credit Facilities, will provide sufficient liquidity to fund our current obligations, projected working capital requirements and capital spending for a period that includes the next twelve months.

As described in Note 6 to the condensed consolidated financial statements appearing elsewhere in this prospectus, we have contingencies related to certain distribution center leases and are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those contingencies or actions could materially and adversely affect our liquidity. We have certain income tax-related contingencies as more fully described below under "Critical Accounting Policies and Estimates" and in Note 3 to the condensed consolidated financial statements. Future negative developments could have a material adverse effect on our liquidity.

We may seek, from time to time, to retire the Notes through cash purchases on the open market, in privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. In connection with this offering, we intend to redeem some of the Notes. See "Use of Proceeds."

During the three-year period from 2006 through 2008, we generated an aggregate of approximately $1.4 billion in cash flows from operating activities. During that period, we expanded the number of stores we operate by approximately 5% (433 stores), remodeled or relocated over 9% of our currently operated stores (768 stores), and incurred approximately $607 million in capital expenditures. As noted above, we made certain strategic decisions which slowed our store growth in 2007 and 2008, but have accelerated store growth again in 2009.

Prior to our 2007 merger, we declared a quarterly cash dividend in the amount of $0.05 per share payable on or before April 19, 2007 to common shareholders of record on April 5, 2007. We have not declared a dividend thereafter. However, we anticipate paying a special dividend of approximately $200 million to our existing shareholders prior to this offering. The dividend will be paid with cash generated from operations. Following completion of the offering, we have no current plans to pay any cash dividends on our common stock for the foreseeable future and instead may retain earnings, if any, for future operation and expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants in our Credit Facilities and in the indentures governing the Notes. See "Description of Indebtedness" for restrictions on our ability to pay dividends.

Credit Facilities

Overview. We have two senior secured credit facilities (the "Credit Facilities") which provide financing of up to $3.331 billion. The Credit Facilities consist of a $2.3 billion senior secured term loan facility (the "Term Loan Facility") and the ABL Facility, which provides financing of up to $1.031 billion (of which up to $350.0 million is available for letters of credit), subject to borrowing base availability. The ABL Facility includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swingline loans.

The agreements governing the Credit Facilities provide that we have the right at any time to request up to $325.0 million of incremental commitments under one or more incremental term loan facilities and/or asset-based revolving credit facilities. The lenders under these facilities are not under any obligation to provide any such incremental commitments and any such addition of or increase in commitments will be subject to our not exceeding certain senior secured leverage ratios and certain other customary conditions precedent. Our ability to obtain extensions of credit under these incremental commitments also will be subject to the same conditions as extensions of credit under the Credit Facilities.

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The amount available under the ABL Facility (including letters of credit) shall not exceed the sum of the tranche A borrowing base and the tranche A-1 borrowing base. The tranche A borrowing base equals the sum of (i) 85% of the net orderly liquidation value of all our eligible inventory and that of each guarantor thereunder and (ii) 90% of all our accounts receivable and credit/debit card receivables and that of each guarantor thereunder, in each case, subject to a reserve equal to the principal amount of the 2010 Notes that remain outstanding at any time and other customary reserves and eligibility criteria. An additional 10% of the net orderly liquidation value of all of our eligible inventory and that of each guarantor thereunder is made available to us in the form of a "last out" tranche under which we may borrow up to a maximum amount of $101.0 million. Borrowings under the ABL Facility will be incurred first under the last out tranche, and no borrowings will be permitted under any other tranche until the last out tranche is fully utilized. Repayments of the ABL Facility will be applied to the last out tranche only after all other tranches have been fully paid down.

Interest Rates and Fees. Borrowings under the Credit Facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) LIBOR or (b) a base rate (which is usually equal to the prime rate). The applicable margin for borrowings is (i) under the Term Loan Facility, 2.75% for LIBOR borrowings and 1.75% for base-rate borrowings (ii) as of January 30, 2009 and February 1, 2008, respectively, under the ABL Facility (except in the last out tranche described above), 1.25% and 1.50% for LIBOR borrowings; 0.25% and 0.50% for base-rate borrowings and for any last out borrowings, 2.25% for LIBOR borrowings and 1.25% for base-rate borrowings. The applicable margins for borrowings under the ABL Facility (except in the case of last out borrowings) are subject to adjustment each quarter based on average daily excess availability under the ABL Facility. We are also required to pay a commitment fee to the lenders under the ABL Facility for any unutilized commitments at a rate of 0.375% per annum, to be reduced to 0.25% per annum if unutilized commitments are equal to or less than 50% of aggregate commitments. We also must pay customary letter of credit fees. See " Quantitative and Qualitative Disclosures About Market Risk" below for a discussion of our use of interest rate swaps to manage our interest rate risk.

Prepayments. The senior secured credit agreement for the Term Loan Facility requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of our annual excess cash flow (as defined in the credit agreement) which will be reduced to 25% and 0% if we achieve and maintain a total net leverage ratio of 6.0 to 1.0 and 5.0 to 1.0, respectively;

- 100% of the net cash proceeds of all non-ordinary course asset sales or other dispositions of property in excess of $25.0 million in the aggregate and subject to our right to reinvest the proceeds; and

- 100% of the net cash proceeds of any incurrence of debt, other than proceeds from debt permitted under the senior secured credit agreement.

The mandatory prepayments discussed above will be applied to the Term Loan Facility as directed by the senior secured credit agreement. Through May 1, 2009, no prepayments have been required under the prepayment provisions listed above.

In addition, the senior secured credit agreement for the ABL Facility requires us to prepay the ABL Facility, subject to certain exceptions, with:

- 100% of the net cash proceeds of all non-ordinary course asset sales or other dispositions of revolving facility collateral (as defined below) in excess of $1.0 million in the aggregate and subject to our right to reinvest the proceeds; and

- to the extent such extensions of credit exceed the then current borrowing base (as defined in the senior secured credit agreement for the ABL Facility).

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We may voluntarily repay outstanding loans under the ABL Facility and the Term Loan Facility at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans.

An event of default under the senior secured credit agreements will occur upon a change of control as defined in the senior secured credit agreements governing our Credit Facilities. Upon an event of default, indebtedness under the Credit Facilities may be accelerated, in which case we will be required to repay all outstanding loans plus accrued and unpaid interest and all other amounts outstanding under the Credit Facilities.

Amortization. Beginning September 30, 2009, we are required to repay installments on the loans under the term loan credit facility in equal quarterly principal amounts in an aggregate amount per annum equal to $23 million, or 1% of the total funded principal amount at July 6, 2007, with the balance payable on July 6, 2014. There is no amortization under the ABL Facility. The entire principal amounts (if any) outstanding under the ABL Facility are due and payable in full at maturity, on July 6, 2013, on which day the commitments thereunder will terminate.

Guarantee and Security. All obligations under the Credit Facilities are unconditionally guaranteed by substantially all of our existing and future domestic subsidiaries (excluding certain immaterial subsidiaries and certain subsidiaries designated by us under our senior secured credit agreements for the Credit Facilities as "unrestricted subsidiaries"), referred to, collectively, as U.S. Guarantors.

All obligations and related guarantees under the Term Loan Facility are secured by:

- a second-priority security interest in all existing and after-acquired inventory, accounts receivable, and other assets arising from such inventory and accounts receivable, of our company and each U.S. Guarantor (the "Revolving Facility Collateral"), subject to certain exceptions;
- a first priority security interest in, and mortgages on, substantially all of our and each U.S. Guarantor's tangible and intangible assets (other than the Revolving Facility Collateral); and
- a first-priority pledge of 100% of the capital stock held by us, or any of our domestic subsidiaries that are directly owned by us or one of the U.S. Guarantors and 65% of the voting capital stock of each of our existing and future foreign subsidiaries that are directly owned by us or one of the U.S. Guarantors.

All obligations and related guarantees under the asset-based credit facility are secured by the Revolving Facility Collateral, subject to certain exceptions.

Certain Covenants and Events of Default. The senior secured credit agreements for the Credit Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness;
- sell assets;
- pay dividends and distributions or repurchase our capital stock;
- make investments or acquisitions;
- repay or repurchase subordinated indebtedness (including the Senior Subordinated Notes discussed below) and the Senior Notes discussed below;

amend material agreements governing our subordinated indebtedness (including the Senior Subordinated Notes discussed below) or our Senior Notes discussed below; and

change our lines of business.

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The senior secured credit agreements also contain certain customary affirmative covenants and events of default.

At May 1, 2009, we had no borrowings, $31.7 million of commercial letters of credit, and $86.0 million of standby letters of credit outstanding under our ABL Facility.

Senior Notes due 2015 and Senior Subordinated Toggle Notes due 2017

Overview. We have $1.175 billion aggregate principal amount of 10.625% senior notes due 2015 (the "Senior Notes") outstanding, which mature on July 15, 2015, pursuant to an indenture dated as of July 6, 2007 (the "senior indenture"), and $655.9 million aggregate principal amount of 11.875%/12.625% senior subordinated toggle notes due 2017 (the "Senior Subordinated Notes") outstanding, which mature on July 15, 2017, pursuant to an indenture dated as of July 6, 2007 (the "senior subordinated indenture"). The Senior Notes and the Senior Subordinated Notes are collectively referred to herein as the "Notes." The senior indenture and the senior subordinated indenture are collectively referred to herein as the "indentures." We may redeem some or all of the Notes at any time at redemption prices described or set forth in the indentures.

Interest on the Notes is payable on January 15 and July 15 of each year. Interest on the Senior Notes is payable in cash. Cash interest on the Senior Subordinated Notes accrues at a rate of 11.875% per annum, and PIK interest (as that term is defined below) accrues at a rate of 12.625% per annum, if applicable. The initial interest payment on the Senior Subordinated Notes was payable in cash. For any future interest period through July 15, 2011, we may elect to pay interest on the Senior Subordinated Notes (i) in cash, (ii) by increasing the principal amount of the Senior Subordinated Notes or issuing new senior subordinated notes ("PIK interest") or (iii) by paying interest on half of the principal amount of the Senior Subordinated Notes in cash interest and half in PIK interest. After July 15, 2011, all interest on the Senior Subordinated Notes will be payable in cash. Through May 1, 2009, all such interest has been paid in cash.

The Notes are fully and unconditionally guaranteed by each of the existing and future direct or indirect wholly owned domestic subsidiaries that guarantee the obligations under our Credit Facilities.

We may redeem some or all of the Notes at any time at redemption prices described or set forth in the indentures. We also may seek, from time to time, to retire some or all of the Notes through cash purchases on the open market, in privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. We repurchased $44.1 million and $25.0 million of the Senior Subordinated Notes in the fourth quarters of 2008 and 2007, respectively.

Change of Control. Upon the occurrence of a change of control, which is defined in the indentures, each holder of the Notes has the right to require us to repurchase some or all of such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

Covenants. The indentures contain covenants limiting, among other things, our ability and the ability of our restricted subsidiaries to (subject to certain exceptions):

- incur additional debt, issue disqualified stock or issue certain preferred stock;
- pay dividends on or make certain distributions and other restricted payments;
- create certain liens or encumbrances;
- sell assets;
- enter into transactions with affiliates;

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make payments to us;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and

designate our subsidiaries as unrestricted subsidiaries.

Events of Default. The indentures also provide for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable.

Adjusted EBITDA

Under the agreements governing the Credit Facilities and the indentures, certain limitations and restrictions could arise if we are not able to satisfy and remain in compliance with specified financial ratios. Management believes the most significant of such ratios is the senior secured incurrence test under the Credit Facilities. This test measures the ratio of the senior secured debt to Adjusted EBITDA for the four most recently completed quarterly financial periods. This ratio would need to be no greater than 4.25 to 1 to avoid such limitations and restrictions. As of May 1, 2009, this ratio was 1.8 to 1. Senior secured debt is defined as our total debt secured by liens or similar encumbrances less cash and cash equivalents. EBITDA is defined as income (loss) from continuing operations before cumulative effect of change in accounting principle plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA, further adjusted to give effect to adjustments required in calculating this covenant ratio under our Credit Facilities. EBITDA and Adjusted EBITDA are not presentations made in accordance with U.S. GAAP, are not measures of financial performance or condition, liquidity or profitability, and should not be considered as an alternative to (i) net income, operating income or any other performance measures determined in accordance with U.S. GAAP or (ii) operating cash flows determined in accordance with U.S. GAAP. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements and replacements of fixed assets.

Our presentation of EBITDA and Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Because not all companies use identical calculations, these presentations of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. We believe that the presentation of EBITDA and Adjusted EBITDA is appropriate to provide additional information about the calculation of this financial ratio in the Credit Facilities. Adjusted EBITDA is a material component of this ratio. Specifically, non-compliance with the senior secured indebtedness ratio contained in our Credit Facilities could prohibit us from making investments, incurring liens, making certain restricted payments and incurring additional secured indebtedness (other than the additional funding provided for under the senior secured credit agreement and pursuant to specified exceptions).

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The calculation of Adjusted EBITDA under the Credit Facilities is as follows:

(in millions)	13-weeks ended May 1, 2009	13-weeks ended May 2, 2008	52-weeks ended May 1, 2009	52-weeks ended January 30, 2009
Net income	$ 83.0	$ 5.9	$ 185.3	$ 108.2
Add (subtract):				
Interest income	(0.1)	(1.0)	(2.2)	(3.1)
Interest expense	89.2	100.9	380.2	391.9
Depreciation and amortization	61.2	58.3	238.0	235.1
Income taxes	51.1	4.7	132.6	86.2
EBITDA	284.4	168.8	933.9	818.3
Adjustments:				
Gain on debt retirements			(3.8)	(3.8)
Loss on hedging instruments	0.7	0.3	1.5	1.1
Reversal of contingent loss on distribution center leases			(5.0)	(5.0)
Impact of markdowns related to inventory clearance activities, net of purchase accounting adjustments	(3.5)		(28.4)	(24.9)
Hurricane-related expenses and write-offs			2.2	2.2
Monitoring and consulting fees to affiliates	1.6	2.2	8.0	8.6
Stock option and restricted stock unit expense	2.9	2.3	10.6	10.0
Indirect merger-related costs	4.4	7.8	17.3	20.7
Litigation settlement and related costs, net			32.0	32.0
Other noncash charges (including LIFO)	0.5	1.3	53.9	54.7
Total Adjustments	6.6	13.9	88.3	95.6
Adjusted EBITDA	$291.0	$182.7	$1,022.2	$ 913.9

Interest Rate Swaps

We use interest rate swaps to minimize the risk of adverse changes in interest rates. These swaps are intended to reduce risk by hedging an underlying economic exposure. Because of high correlation between the derivative financial instrument and the underlying exposure being hedged, fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure. Our principal interest rate exposure relates to outstanding amounts under our Credit Facilities. At May 1, 2009, we had interest rate swaps with a total notional amount of approximately $1.48 billion. For more information see " Quantitative and Qualitative Disclosures about Market Risk" below.

Fair Value Accounting

We have classified our interest rate swaps, as further discussed in " Quantitative and Qualitative Disclosures About Market Risk" below, in Level 2 (as defined by SFAS No. 157, *Fair Value Measurements* ("SFAS 157")) of the fair value hierarchy, as the significant inputs to the overall valuations are based on market-observable data or information derived from or corroborated by market-observable data, including market-based inputs to models, model calibration to market-clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value a derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. We use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit

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curves, measures of volatility, and correlations of such inputs. For our derivatives, all of which trade in liquid markets, model inputs can generally be verified and model selection does not involve significant management judgment.

To comply with the provisions of SFAS 157, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of our derivatives. The credit valuation adjustments are calculated by determining the total expected exposure of the derivatives (which incorporates both the current and potential future exposure) and then applying each counterparty's credit spread to the applicable exposure. For derivatives with two-way exposure, such as interest rate swaps, the counterparty's credit spread is applied to our exposure to the counterparty, and our own credit spread is applied to the counterparty's exposure to us, and the net credit valuation adjustment is reflected in our derivative valuations. The total expected exposure of a derivative is derived using market-observable inputs, such as yield curves and volatilities. The inputs utilized for our own credit spread are based on implied spreads from our publicly-traded debt. For counterparties with publicly available credit information, the credit spreads over LIBOR used in the calculations represent implied credit default swap spreads obtained from a third party credit data provider. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. Additionally, we actively monitor counterparty credit ratings for any significant changes.

As of May 1, 2009, the net credit valuation adjustments reduced the settlement values of our derivative liabilities by $4.1 million. Various factors affect changes in the credit valuation adjustments over time, including changes in the credit spreads of the parties to the contracts, as well as changes in market rates and volatilities, which affect the total expected exposure of the derivative instruments. When appropriate, valuations are also adjusted for various factors such as liquidity and bid/offer spreads, which factors we deemed to be immaterial as of May 1, 2009.

Other Considerations

Our inventory balance represented approximately 44% of our total assets exclusive of goodwill and other intangible assets as of May 1, 2009. Our proficiency in managing our inventory balances can have a significant impact on our cash flows from operations during a given fiscal year. As a result, efficient inventory management has been and continues to be an area of focus for us.

Contractual Obligations

The following table summarizes our significant contractual obligations and commercial commitments as of January 30, 2009 (in thousands):

	Payments Due by Period				
Contractual obligations	**Total**	**< 1 yr**	**1-3 yrs**	**3-5 yrs**	**> 5 yrs**
Long-term debt obligations	$4,147,109	$ 11,500	$ 47,723	$ 46,000	$4,041,886
Capital lease obligations	9,939	2,658	2,471	564	4,246
Interest(a)	2,159,555	332,792	661,518	656,169	509,076
Self-insurance liabilities(b)	216,817	70,047	93,198	30,590	22,982
Operating leases(c)	1,671,935	358,367	569,005	371,966	372,597
Monitoring agreement(d)	20,682	5,403	11,630	3,649	
Subtotal	$8,226,037	$780,767	$1,385,545	$1,108,938	$4,950,787

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		Commitments Expiring by Period			
Commercial commitments(e)	**Total**	**< 1 yr**	**1-3 yrs**	**3-5 yrs**	**> 5 yrs**
Letters of credit	$ 51,014	$ 51,014	$	$	$
Purchase obligations(f)	634,014	632,857	1,157		
Subtotal	$ 685,028	$ 683,871	$ 1,157	$	$
Total contractual obligations and commercial commitments	$8,911,065	$1,464,638	$1,386,702	$1,108,938	$4,950,787

(a) Represents obligations for interest payments on long-term debt and capital lease obligations, and includes projected interest on variable rate long-term debt, based upon 2008 year end rates.

(b) We retain a significant portion of the risk for our workers' compensation, employee health insurance, general liability, property loss and automobile insurance. As these obligations do not have scheduled maturities, these amounts represent undiscounted estimates based upon actuarial assumptions. Reserves for workers' compensation and general liability which existed as of our 2007 merger date were discounted in order to arrive at estimated fair value. All other amounts are reflected on an undiscounted basis in our consolidated balance sheets.

(c) Operating lease obligations are inclusive of amounts included in deferred rent and closed store obligations in our consolidated balance sheets.

(d) We entered into a monitoring agreement, dated July 6, 2007, with affiliates of certain of our Investors pursuant to which those entities will provide management and advisory services. Such agreement has no contractual term and for purposes of this schedule is presumed to be outstanding for a period of five years.

(e) Commercial commitments include information technology license and support agreements, supplies, fixtures, letters of credit for import merchandise, and other inventory purchase obligations.

(f) Purchase obligations include legally binding agreements for software licenses and support, supplies, fixtures, and merchandise purchases excluding such purchases subject to letters of credit.

There have been no material changes to the information in the table above in our first quarter ended May 1, 2009 other than contractual payments made in accordance with their terms. Long-term debt obligations, interest and monitoring agreement line items in the table above have not been adjusted to give effect to this offering and related transactions. See "Use of Proceeds" and "Certain Relationships and Related Party Transactions Relationships with the Investors Monitoring Agreement and Indemnity Agreement."

In 2008 and 2007, our South Carolina-based wholly owned captive insurance subsidiary, Ashley River Insurance Company ("ARIC"), had investments in U.S. Government securities, obligations of Government Sponsored Enterprises, short- and long-term corporate obligations, and asset-backed obligations. These investments were held pursuant to South Carolina regulatory requirements to maintain certain asset balances in relation to ARIC's liability and equity balances which could limit our ability to use these assets for general corporate purposes. In May 2008, the state of South Carolina made certain changes to these regulatory requirements, which had the effect of reducing the amounts and types of investments required, allowing ARIC to liquidate investments (primarily U.S. Government and corporate debt securities) totaling $48.6 million during 2008. At May 1, 2009, the asset balances held pursuant to these revised regulatory requirements equaled $20.0 million and were reflected in our condensed consolidated balance sheet as cash and cash equivalents.

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In August 2005, we incurred significant losses caused by Hurricane Katrina, primarily inventory and fixed assets in the form of store fixtures and leasehold improvements. We reached final settlement of our related insurance claim in 2006 and received proceeds totaling $21.0 million due to these losses, including $13.0 million in 2006 and $8.0 million prior to 2006, and have utilized a portion of these proceeds to replace lost assets. Insurance proceeds related to fixed assets are included in cash flows from investing activities, and proceeds related to inventory losses and business interruption are included in cash flows from operating activities.

Legal actions, claims and tax contingencies. As described in "Business Legal Proceedings," we are involved in a number of legal actions and claims, some of which could potentially result in material cash payments. Adverse developments in those actions could materially and adversely affect our liquidity. We also have certain income tax-related contingencies as more fully described below under "Critical Accounting Policies and Estimates." Future negative developments could have a material adverse effect on our liquidity.

Credit ratings. On March 26, 2009, Moody's upgraded our corporate credit rating to B2 with a stable outlook. On April 1, 2009, Standard & Poor's raised our corporate credit rating to B+ from B. The outlook is also stable. These current ratings are considered non-investment grade. Our current credit ratings, as well as future rating agency actions, could (1) impact our ability to obtain financings to finance our operations on satisfactory terms; (2) have an effect on our financing costs; and (3) have an effect on our insurance premiums and collateral requirements necessary for our self-insured programs.

Cash flows

Cash flows from operating activities. The most significant components of the change in cash flows from operating activities in the first quarter of 2009 as compared to the first quarter of 2008 were related to working capital in general and accrued expenses and other liabilities in particular. Accrued expenses and other liabilities decreased by $50.4 million in the 2009 period, compared to an increase of $67.9 million in the 2008 period, with the most significant items including a $40.0 million payment in the 2009 period to settle a shareholder lawsuit resulting from our 2007 merger, higher bonus payouts in the 2009 period compared to the prior year period as a result of our improved 2008 operating results, and reductions of income tax reserves in the 2009 period. In addition, in 2008 we implemented initiatives to aggressively manage our payables and improve payment terms. While these initiatives continue, their impact, as expected, is less significant in the 2009 period compared to when they were implemented. Our cash flows from operating activities in the 2009 period compared to the 2008 period was positively impacted by our strong operating performance due to greater sales, higher gross margins and lower SG&A expenses as a percentage of sales, as described in more detail above under " Results of Operations." In addition, we experienced increased inventory turns in the 2009 period as compared to the 2008 period. We continue to closely monitor our inventory balances, which increased by 3% overall during the first quarter of 2009 compared to a 2% overall increase during the first quarter of 2008. Inventory levels in our four inventory categories in the 2009 period compared to the respective 2008 period were as follows: the consumables category increased 7% compared to a 3% increase; the seasonal category increased by 1% compared to a 3% increase; the home products category declined by 4% compared to a decline of 3%; and apparel declined by 2% compared to a 2% increase.

A significant component of the change in cash flows from operating activities in 2008 compared to the 2007 Successor and Predecessor periods was our strong operating performance due to greater sales, higher gross margins and lower SG&A expenses as a percentage of sales, partially offset by significantly higher interest expense, as described in more detail above under " Results of Operations." In addition, we experienced increased inventory turns and improved merchandise payment terms in 2008 as compared to the 2007 periods. Accounts payable balances increased by $140.4 million in 2008, compared to a decline of $41.4 million in the 2007 Successor period and an increase of $34.8 million in the 2007 Predecessor period, partially as a result of our implementation of initiatives to aggressively manage our payables. Also positively affecting cash flows from operations were increases in accrued expenses and other in 2008, which was primarily attributable to increases in litigation reserves, incentive bonus accruals, deferred vendor rebates, and property and sales tax accruals. Other significant components of the change in cash flows from operating activities in 2008 as compared to 2007 were changes in inventory balances, which increased by 10% in 2008 compared to decreases of approximately 6% and 1% during the 2007 Successor and Predecessor periods, respectively. Inventory levels in the consumables category increased by $77.8 million, or 12%, in 2008, compared to a decline of $90.7 million, or 12%, in the 2007 Successor period and an increase of $48.8 million, or 7%, in the 2007 Predecessor period. The seasonal category increased by $20.9 million, or 8%, in 2008, compared to a decline of $24.2 million, or 8%, in the 2007 Successor period and a decline of $38.7 million, or 11%, in the 2007 Predecessor period. The home products category declined by $2.6 million, or 2%, in 2008, compared to an increase of $25.4 million, or 19%, in the 2007 Successor period and a decline of $15.0 million, or 10%, in the 2007 Predecessor period. The apparel category increased by $30.2 million, or 15%, in 2008, compared to an increase of $10.0 million, or 5%, in the 2007 Successor period and a decline of $11.5 million, or 5%, in the 2007 Predecessor period. In addition, net income in 2008 compared to the net losses in the 2007 periods discussed above was a principal factor in the increase in income taxes paid in 2008. Income tax refunds received in 2007 for taxes paid in prior years that did not reoccur in 2008 also contributed to the increase in income taxes paid during 2008.

Cash flows from operating activities for the 2007 periods were impacted by a net loss of $4.8 million and $8.0 million in the 2007 Successor and Predecessor periods, respectively, compared to net income of $137.9 million in 2006, as described in detail under " Results of Operations" above, including the incurrence of $101.4 million of Transaction and related costs in the 2007 Predecessor period. Other significant components of the change in cash flows from operating activities in 2007 as compared to 2006 were changes in inventory balances, which decreased by approximately 6% and 1% during the 2007 Successor and Predecessor periods, respectively, compared to a decrease of approximately 3% during 2006. As compared to changes in inventory levels in the 2007 periods discussed above, in 2006 consumables increased $63.2 million, or 10%; seasonal increased $6.7 million, or 2%; home products decreased $52.5 million, or 25%; and apparel decreased $59.5 million, or 21%. In addition to inventory changes, the net losses in the 2007 periods discussed above were principal factors in the reduction in income taxes paid in those periods as compared to 2006. Also offsetting the decline in net income were changes in accrued expenses, particularly in the 2007 Predecessor period as compared to 2006, which were primarily attributable to income tax related reserves, accruals for lease liabilities on closed stores and property and sales tax accruals.

Cash flows from investing activities. Significant components of property and equipment purchases in the first quarter of 2009 included the following approximate amounts: $35 million for improvements and upgrades to existing stores; $9 million for new stores and $4 million for remodels and relocations of existing stores. During the 2009 period, we opened 104 new stores and remodeled or relocated 100 stores. Significant components of property and equipment purchases in the 2008 first quarter included the following approximate amounts: $15 million for improvements and upgrades to existing stores; $7 million for remodels and relocations of existing stores; $6 million for new stores; $4 million for distribution and transportation-related capital expenditures; and $3 million for systems-related capital projects. During the 2008 period, we opened 73 new stores and remodeled or relocated 125 stores. Purchases and sales of short-term investments of $9.9 million and $13.0 million, respectively, during the 2008 period relate primarily to our captive insurance subsidiary.

Cash flows used in investing activities totaling $152.6 million in 2008 were primarily related to capital expenditures and sales of investments. Significant components of our property and equipment purchases in 2008 included the following approximate amounts: $149 million for improvements,

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upgrades, remodels and relocations of existing stores; $22 million for new stores; $17 million for distribution and transportation-related capital expenditures; and $13 million for information systems upgrades and technology-related projects. During 2008 we opened 207 new stores and remodeled or relocated 404 stores.

Purchases and sales of short-term investments, which equaled net sales of $51.6 million in 2008, primarily reflect our investment activities in our captive insurance subsidiary, including a change in regulatory requirements as discussed in more detail above under "Other Considerations."

Our 2007 merger, as discussed in more detail above, required cash payments in the 2007 Successor period of approximately $6.7 billion, net of cash acquired of $350 million. Significant components of property and equipment purchases in the 2007 Successor period included the following approximate amounts: $45 million for improvements, upgrades, remodels and relocations of existing stores; $23 million for distribution and transportation-related capital expenditures; and $16 million for new stores. During the 2007 Successor period, we opened 170 new stores and remodeled or relocated 235 stores. Significant components of property and equipment purchases in the 2007 Predecessor period included the following approximate amounts: $29 million for new stores; $15 million for improvements, upgrades, remodels and relocations of existing stores; and $7 million for distribution and transportation-related capital expenditures. During the 2007 Predecessor period, we opened 195 new stores and remodeled or relocated 65 stores.

During the 2007 Successor period we purchased a secured promissory note for $37.0 million which represents debt issued by a third-party entity from which we lease our distribution center in Ardmore, Oklahoma. Purchases and sales of short-term investments, which equaled net sales of $17.6 million and $4.4 million in the respective 2007 Successor and Predecessor periods, primarily reflect our investment activities in our captive insurance subsidiary, and all purchases of long-term investments were related to the captive insurance subsidiary.

Cash flows used in investing activities totaling $282.0 million in 2006 were primarily related to capital expenditures and, to a lesser degree, purchases of long-term investments. Significant components of our property and equipment purchases in 2006 included the following approximate amounts: $66 million for distribution and transportation-related capital expenditures (including approximately $30 million related to our distribution center in Marion, Indiana which opened in 2006); $66 million for new stores; $50 million for a capital project designed to improve inventory flow from our distribution centers to consumers; and $38 million for capital projects in existing stores. During 2006 we opened 537 new stores and remodeled or relocated 64 stores.

Purchases and sales of short-term investments in 2006, which equaled net sales of $1.9 million, reflect our investment activities in tax-exempt auction rate securities as well as investing activities of our captive insurance subsidiary. Purchases of long-term investments are related to the captive insurance subsidiary.

Capital expenditures for the 2009 fiscal year are projected to be approximately $300 to $325 million. We anticipate funding our 2009 capital requirements with cash flows from operations and, if necessary, borrowings under our ABL Facility.

Cash flows from financing activities. We had no borrowings or repayments under our ABL Facility in the first quarter of 2009, and had no borrowings and repayments of $102.5 million under this facility in the first quarter of 2008, representing all borrowing and repayment activity under this facility in 2008. As of January 30, 2009 and May 1, 2009, we had no borrowings under the revolving credit facility.

Also during 2008, we repurchased $44.1 million of our outstanding senior subordinated notes.

In the 2007 Successor period, to finance our merger, we issued long-term debt of approximately $4.2 billion and issued common stock in the amount of approximately $2.8 billion (primarily relating to the cash equity contributions from the Investors); we incurred costs associated with the issuance of merger-related long-term debt of $87.4 million; we completed a cash tender offer for our 2010 Notes, resulting in the valid tender of approximately 99% of the 2010 Notes resulting in repayments of long-term debt and related consent fees in the amount of $215.6 million; and incurred borrowings, net of repayments, under our ABL Facility of $102.5 million.

Cash flows used in financing activities during 2006 included the repurchase of approximately 4.5 million shares of the Predecessor's common stock at a total cost of $79.9 million, cash dividends paid of $62.5 million, or $0.20 per share, on the Predecessor's outstanding common stock, and $14.1 million to reduce our outstanding capital lease and financing obligations. These uses of cash were partially offset by proceeds from the exercise of stock options during 2006 of $19.9 million.

The borrowings and repayments under the revolving credit agreements in 2008, the 2007 Successor period and 2006 were primarily a result of activity associated with periodic cash needs.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. In addition to the estimates presented below, there are other items within our financial statements that require estimation, but are not deemed critical as defined below. We believe these estimates are reasonable and appropriate. However, if actual experience differs from the assumptions and other considerations used, the resulting changes could have a material effect on the financial statements taken as a whole.

Management believes the following policies and estimates are critical because they involve significant judgments, assumptions, and estimates. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates.

Merchandise Inventories. Merchandise inventories are stated at the lower of cost or market with cost determined using the retail last-in, first-out ("LIFO") method. Under our retail inventory method ("RIM"), the calculation of gross profit and the resulting valuation of inventories at cost are computed by applying a calculated cost-to-retail inventory ratio to the retail value of sales at a department level. The RIM is an averaging method that has been widely used in the retail industry due to its practicality. Also, it is recognized that the use of the RIM will result in valuing inventories at the lower of cost or market ("LCM") if markdowns are currently taken as a reduction of the retail value of inventories.

Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, initial markups, markdowns, and shrinkage, which significantly impact the gross profit calculation as well as the ending inventory valuation at cost. These significant estimates, coupled with the fact that the RIM is an averaging process, can, under certain circumstances, produce distorted cost figures. Factors that can lead to distortion in the calculation of the inventory balance include:

- applying the RIM to a group of products that is not fairly uniform in terms of its cost and selling price relationship and turnover;
- applying the RIM to transactions over a period of time that include different rates of gross profit, such as those relating to seasonal merchandise;
- inaccurate estimates of inventory shrinkage between the date of the last physical inventory at a store and the financial statement date; and

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inaccurate estimates of LCM and/or LIFO reserves.

Factors that reduce potential distortion include the use of historical experience in estimating the shrink provision (see discussion below) and an annual LIFO analysis whereby all SKUs are considered in the index formulation. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels, sales for the year and the expected rate of inflation/deflation for the year and are thus subject to adjustment in the final year-end LIFO inventory valuation. We also perform interim inventory-aging analysis for determining obsolete inventory. Our policy is to write down inventory to an LCM value based on various management assumptions including estimated markdowns and sales required to liquidate such aged inventory in future periods. Inventory is reviewed on a quarterly basis and adjusted as appropriate to reflect write-downs determined to be necessary.

Factors such as slower inventory turnover due to changes in competitors' tactics, consumer preferences, consumer spending and unseasonable weather patterns, among other factors, could cause excess inventory requiring greater than estimated markdowns to entice consumer purchases, resulting in an unfavorable impact on our consolidated financial statements. Sales shortfalls due to the above factors could cause reduced purchases from vendors and associated vendor allowances that would also result in an unfavorable impact on our consolidated financial statements.

We calculate our shrink provision based on actual physical inventory results during the fiscal period and an accrual for estimated shrink occurring subsequent to a physical inventory through the end of the fiscal reporting period. This accrual is calculated as a percentage of sales at each retail store, at a department level, and is determined by dividing the book-to-physical inventory adjustments recorded during the previous twelve months by the related sales for the same period for each store. To the extent that subsequent physical inventories yield different results than this estimated accrual, our effective shrink rate for a given reporting period will include the impact of adjusting the estimated results to the actual results. Although we perform physical inventories in virtually all of our stores on an annual basis, the same stores do not necessarily get counted in the same reporting periods from year to year, which could impact comparability in a given reporting period.

Goodwill and Other Intangible Assets. We amortize intangible assets over their estimated useful lives unless such lives are deemed indefinite. If impairment indicators are noted, amortizable intangible assets are tested for impairment based on projected undiscounted cash flows, and, if impaired, written down to fair value based on either discounted projected cash flows or appraised values. Future cash flow projections are based on management's projections. Significant judgments required in this testing process may include projecting future cash flows, determining appropriate discount rates and other assumptions. Projections are based on management's best estimates given recent financial performance, market trends, strategic plans and other available information. Changes in these estimates and assumptions could materially affect the determination of fair value or impairment. Future indicators of impairment could result in an asset impairment charge.

Under SFAS No. 142, *Goodwill and Other Intangible Assets*, we are required to test goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if impairment indicators occur. The goodwill impairment test is a two-step process that requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of our reporting unit based on valuation techniques (including a discounted cash flow model using revenue and profit forecasts) and comparing that estimated fair value with the recorded carrying value, which includes goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of the "implied fair value" of goodwill would require us to allocate the estimated fair value of our reporting unit to its assets and liabilities. Any

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unallocated fair value represents the "implied fair value" of goodwill, which would be compared to its corresponding carrying value.

We performed our annual impairment tests of goodwill and indefinite-lived intangible assets during the third quarter of 2008 based on conditions as of the end of our second quarter, and subsequently reviewed such results as of the end of 2008. These analyses indicated that no impairment was necessary. We are not currently projecting a decline in cash flows that could be expected to have an adverse effect such as a violation of debt covenants or future impairment charges.

Purchase Accounting. Our 2007 merger was accounted for as a reverse acquisition in accordance with the purchase accounting provisions of SFAS 141, *Business Combinations*, under which our assets and liabilities have been accounted for at their estimated fair values as of the date of our 2007 merger. The aggregate purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed, based upon an assessment of their relative fair values as of the date of our 2007 merger. These estimates of fair values, the allocation of the purchase price and other factors related to the accounting for our 2007 merger are subject to significant judgments and the use of estimates.

Property and Equipment. Property and equipment are recorded at cost. We group our assets into relatively homogeneous classes and generally provide for depreciation on a straight-line basis over the estimated average useful life of each asset class, except for leasehold improvements, which are amortized over the lesser of the applicable lease term or the estimated useful life of the asset. Certain store and warehouse fixtures, when fully depreciated, are removed from the cost and related accumulated depreciation and amortization accounts. The valuation and classification of these assets and the assignment of useful depreciable lives involves significant judgments and the use of estimates.

Impairment of Long-lived Assets. We review the carrying value of all long-lived assets for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we review for impairment stores open for approximately two years or more for which recent cash flows from operations are negative. Impairment results when the carrying value of the assets exceeds the estimated undiscounted future cash flows over the life of the lease. Our estimate of undiscounted future cash flows over the lease term is based upon historical operations of the stores and estimates of future store profitability which encompasses many factors that are subject to variability and are difficult to predict. If a long-lived asset is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value and the asset's estimated fair value. The fair value is estimated based primarily upon projected future cash flows (discounted at our credit adjusted risk-free rate) or other reasonable estimates of fair value in accordance with U.S. GAAP.

We recorded impairment charges included in SG&A expense of approximately $4.0 million in 2008, $0.2 million in the 2007 Predecessor period and $9.4 million in 2006 to reduce the carrying value of certain of our stores' assets as deemed necessary based on our evaluation that such amounts would not be recoverable, primarily due to insufficient sales or excessive costs resulting in negative current and projected future cash flows at these locations. Such assets with remaining fair value, to the extent still functional, are held for use in other store locations. The majority of the 2006 charges were recorded pursuant to certain strategic initiatives discussed above in " Results of Operations Fiscal Year 2008, 2007 Successor and Predecessor Periods, and Fiscal Year 2006."

Insurance Liabilities. We retain a significant portion of the risk for our workers' compensation, employee health insurance, general liability, property loss and automobile coverage. These costs are significant primarily due to the large employee base and number of stores. Provisions are made to these insurance liabilities on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed using actuarial methodologies based on historical claim trends. If future claim trends deviate from recent historical patterns, we may be required to record additional expenses or expense reductions, which could be material to our future financial results.

Contingent Liabilities Income Taxes. Income tax reserves are determined using the methodology established by the Financial Accounting Standards Board ("FASB") Interpretation 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement 109* ("FIN 48"). FIN 48 requires companies to assess each income tax position taken using a two step process. A determination is first made as to whether it is more likely than not that the position will be sustained, based upon the technical merits, upon examination by the taxing authorities. If the tax position is expected to meet the more likely than not criteria, the benefit recorded for the tax position equals the largest amount that is greater than 50% likely to be realized upon ultimate settlement of the respective tax position. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law which may be subject to change or varying interpretation. If our determinations and estimates prove to be inaccurate, the resulting adjustments could be material to our future financial results.

Contingent Liabilities Legal Matters. We are subject to legal, regulatory and other proceedings and claims. We establish liabilities as appropriate for these claims and proceedings based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in our financial statements and SEC filings, management's view of our exposure. We review outstanding claims and proceedings with external counsel to assess probability and estimates of loss. We re-evaluate these assessments on a quarterly basis or as new and significant information becomes available to determine whether a liability should be established or if any existing liability should be adjusted. The actual cost of resolving a claim or proceeding ultimately may be substantially different than the amount of the recorded liability. In addition, because it is not permissible under U.S. GAAP to establish a litigation liability until the loss is both probable and estimable, in some cases there may be insufficient time to establish a liability prior to the actual incurrence of the loss (upon verdict and judgment at trial, for example, or in the case of a quickly negotiated settlement).

Lease Accounting and Excess Facilities. The majority of our stores are subject to short-term leases (usually with initial or current terms of 3 to 5 years) with multiple renewal options when available. We also have stores subject to build-to-suit arrangements with landlords, which typically carry a primary lease term of 10 years with multiple renewal options. As of January 30, 2009, approximately 42% of our stores had provisions for contingent rentals based upon a percentage of defined sales volume. We recognize contingent rental expense when the achievement of specified sales targets is considered probable. We recognize rent expense over the term of the lease. We record minimum rental expense on a straight-line basis over the base, non-cancelable lease term commencing on the date that we take physical possession of the property from the landlord, which normally includes a period prior to store opening to make necessary leasehold improvements and install store fixtures. When a lease contains a predetermined fixed escalation of the minimum rent, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. Tenant allowances, to the extent received, are recorded as deferred incentive rent and amortized as a reduction to rent expense over the term of the lease. We reflect as a liability any difference between the calculated expense and the amounts actually paid. Improvements of leased properties are amortized over the shorter of the life of the applicable lease term or the estimated useful life of the asset.

For store closures (excluding those associated with a business combination) where a lease obligation still exists, we record the estimated future liability associated with the rental obligation on the date the store is closed in accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). Based on an overall analysis of store performance and expected trends, management periodically evaluates the need to close underperforming stores. Liabilities are

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established at the point of closure for the present value of any remaining operating lease obligations, net of estimated sublease income, and at the communication date for severance and other exit costs, as prescribed by SFAS 146. Key assumptions in calculating the liability include the timeframe expected to terminate lease agreements, estimates related to the sublease potential of closed locations, and estimation of other related exit costs. If actual timing and potential termination costs or realization of sublease income differ from our estimates, the resulting liabilities could vary from recorded amounts. These liabilities are reviewed periodically and adjusted when necessary.

Share-Based Payments. Our share-based stock option awards are valued on an individual grant basis using the Black-Scholes-Merton closed form option pricing model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the valuation of stock options, which affects compensation expense related to these options. These assumptions include an estimate of the fair value of our common stock (which is based on externally prepared valuations by an unrelated party as our stock is not currently publicly traded), the term that the options are expected to be outstanding, an estimate of the volatility of our stock price (which is based on a peer group of publicly traded companies), applicable interest rates and the dividend yield of our stock. Other factors involving judgments that affect the expensing of share-based payments include estimated forfeiture rates of share-based awards. If our estimates differ materially from actual experience, we may be required to record additional expense or reductions of expense, which could be material to our future financial results.

Fair Value Measurements. We measure fair value of assets and liabilities in accordance with SFAS 157, which requires that fair values be determined based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Therefore, Level 3 inputs are typically based on an entity's own assumptions, as there is little, if any, related market activity, and thus requires the use of significant judgment and estimates.

Our fair value measurements are primarily associated with our derivative financial instruments and to a lesser degree our investments. The values of our derivative financial instruments are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

Derivative Financial Instruments. We account for derivative instruments in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. SFAS 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value, and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See "Fair Value Measurements" above for a discussion of derivative valuations. Special accounting for qualifying hedges allows a derivative's gains and losses to either offset related results on the hedged item in the statement of operations or be accumulated in other comprehensive income, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive

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hedge accounting. We use derivative instruments to manage our exposure to changing interest rates, primarily with interest rate swaps.

In addition to making valuation estimates, we also bear the risk that certain derivative instruments that have been designated as hedges and currently meet the strict hedge accounting requirements of SFAS 133 may not qualify in the future as "highly effective," as defined, as well as the risk that hedged transactions in cash flow hedging relationships may no longer be considered probable to occur. Further, new interpretations and guidance related to SFAS 133 may be issued in the future, and we cannot predict the possible impact that such guidance may have on our use of derivative instruments going forward.

Adoption of Accounting Standards

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS 162 became effective in November 2008. The adoption of this standard did not have a material impact on our financial statements.

We adopted the provisions of SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* ("SFAS 161"), during the first quarter of 2009. SFAS 161 amends and expands the disclosure requirements of SFAS 133 with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of, and gains and losses on, derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. The new standard establishes the requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest (formerly minority interest) in an acquiree; provides updated requirements for recognition and measurement of goodwill acquired in the business combination or a gain from a bargain purchase; and provides updated disclosure requirements to enable users of financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not allowed. Unless a qualifying transaction is consummated subsequent to the effective date, the adoption of this standard on our financial statements is expected to be limited to any future adjustments to uncertain tax positions resulting from our 2007 merger that would, if subsequently recognized, impact our results of operations rather than goodwill.

In September 2006, the FASB issued SFAS 157, which provides guidance for using fair value to measure assets and liabilities. The standard also requires expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. For financial assets and liabilities, SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. For non-financial assets and liabilities, SFAS 157 is effective for all fiscal years beginning after November 15, 2008. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

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Accordingly, the standard does not require any new fair value measurements of reported balances. On February 2, 2008, we adopted certain components of SFAS 157 relative to financial assets and liabilities. During the first quarter of 2009 we changed our accounting for the fair value of our nonfinancial assets and liabilities in connection with the adoption of SFAS 157.

We adopted the provisions of FIN 48 effective February 3, 2007. The adoption resulted in an $8.9 million decrease in retained earnings and a reclassification of certain amounts between deferred income taxes and other noncurrent liabilities to conform to the balance sheet presentation requirements of FIN 48. As of the date of adoption, the total reserve for uncertain tax benefits was $77.9 million. This reserve excludes the federal income tax benefit for the uncertain tax positions related to state income taxes which is now included in deferred tax assets. As a result of the adoption of FIN 48, the reserve for interest expense related to income taxes was increased to $15.3 million and a reserve for potential penalties of $1.9 million related to uncertain income tax positions was recorded. As of the date of adoption, approximately $27.1 million of the reserve for uncertain tax positions would have impacted our effective income tax rate subsequently if we were to recognize the tax benefit for these positions.

Subsequent to the adoption of FIN 48, we elected to record income tax related interest and penalties as a component of the provision for income tax expense.

Quantitative and Qualitative Disclosures About Market Risk

Financial Risk Management

We are exposed to market risk primarily from adverse changes in interest rates, and to a lesser degree, commodity prices. To minimize this risk, we may periodically use financial instruments, including derivatives. As a matter of policy, we do not buy or sell financial instruments for speculative or trading purposes and all derivative financial instrument transactions must be authorized and executed pursuant to approval by the Board of Directors. All financial instrument positions taken by us are intended to be used to reduce risk by hedging an underlying economic exposure. Because of high correlation between the derivative financial instrument and the underlying exposure being hedged, fluctuations in the value of the financial instruments are generally offset by reciprocal changes in the value of the underlying economic exposure.

Interest Rate Risk

We manage our interest rate risk through the strategic use of fixed and variable interest rate debt and, from time to time, derivative financial instruments. Our principal interest rate exposure relates to outstanding amounts under our Credit Facilities. Our Credit Facilities provide for variable rate borrowings of up to $3.331 billion including up to $1.031 billion under our ABL Facility, subject to the borrowing base. In order to mitigate a portion of the variable rate interest exposure under the Credit Facilities, we entered into interest rate swaps which became effective on July 31, 2007. Pursuant to the swaps, we swapped three month LIBOR rates for fixed interest rates, resulting in the payment of an all-in fixed rate of 7.68% on an original notional amount of $2.0 billion originally scheduled to amortize on a quarterly basis until maturity at July 31, 2012.

On October 3, 2008, a counterparty to one of our 2007 swap agreements declared bankruptcy, which constituted a technical default under this contract and on October 30, 2008, we terminated this swap agreement. We subsequently cash settled the swap on November 10, 2008 for approximately $7.6 million, including interest accrued to the date of termination. As of May 1, 2009, the notional amount under the remaining 2007 swaps is $853.3 million.

Effective February 28, 2008, we entered into a $350.0 million step-down interest rate swap in order to mitigate an additional portion of the variable rate interest exposure under the Credit Facilities.

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Under the terms of this agreement we swapped one month LIBOR rates for fixed interest rates, which will result in the payment of an all-in fixed rate of 5.58% on a notional amount of $350.0 million for the first year and $150.0 million for the second year.

Effective December 31, 2008, we entered into a $475.0 million interest rate swap in order to mitigate an additional portion of the variable rate interest exposure under the Credit Facilities. This swap is scheduled to mature on January 31, 2013. Under the terms of this agreement we swapped one month LIBOR rates for fixed interest rates, which will result in the payment of an all-in fixed rate of 5.06% on a notional amount of $475.0 million through April 2010, $400.0 million from May 2010 to October 2011, and $300.0 million to maturity.

A change in interest rates on variable rate debt impacts our pre-tax earnings and cash flows; whereas a change in interest rates on fixed rate debt impacts the economic fair value of debt but not our pre-tax earnings and cash flows. Our interest rate swaps qualify for hedge accounting as cash flow hedges. Therefore, changes in market fluctuations related to the effective portion of these cash flow hedges do not impact our pre-tax earnings until the accrued interest is recognized on the derivatives and the associated hedged debt. Based on our outstanding debt as of January 30, 2009 and assuming that our mix of debt instruments, derivative instruments and other variables remain the same, the annualized effect of a one percentage point change in variable interest rates would have a pretax impact on our earnings and cash flows of approximately $6.2 million.

The interest rate swaps are accounted for in accordance with SFAS 133. SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 requires that all derivatives be recognized as either assets or liabilities at fair value.

The conditions and uncertainties in the global credit markets have substantially increased the credit risk of other counterparties to our swap agreements. In the event such counterparties fail to perform under our swap agreements and we are unable to enter into new swap agreements on terms favorable to us, our ability to effectively manage our interest rate risk may be materially impaired. We attempt to manage counterparty credit risk by periodically evaluating the financial position and creditworthiness of such counterparties, monitoring the amount for which we are at risk with each counterparty, and where possible, dispersing the risk among multiple counterparties. There can be no assurance that we will manage or mitigate our counterparty credit risk effectively.

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BUSINESS

We are the largest discount retailer in the United States by number of stores, with 8,577 stores located in 35 states as of July 31, 2009, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumable products such as food, paper and cleaning products, health and beauty products and pet supplies, and non-consumable products such as seasonal merchandise, home décor and domestics, and apparel. Our merchandise includes high quality national brands from leading manufacturers, as well as comparable quality private brand selections with prices at substantial discounts to national brands. We offer our customers these national brand and private brand products at everyday low prices (typically $10 or less) in our convenient small-box (small store) locations. We believe our convenient store format and broad selection of high quality products at compelling values have driven our substantial growth and financial success over the years. From 1968 through the end of 2008, we grew our store base from 215 in 13 states to 8,362 in 35 states, mostly through organic growth, and grew our annual sales from $40 million to $10.5 billion, which represents compound annual growth rates of 9.6% and 14.9%, respectively.

Our Business Model

Our compelling value and convenience proposition has driven our same-store sales growth regardless of economic conditions. Our small-box stores (typically 7,000 square feet) and our attractive store economics lead to strong returns on investment and, we believe, provide ample opportunity for growth. These elements combine for a profitable business model with wide appeal allowing us to be successful in varied markets. We believe these elements will continue to provide a foundation for profitable growth in our existing store base as well as a significant opportunity to open new stores. The fundamentals of our model are as follows:

Our value and convenience proposition: Our proposition to consumers is: "*Save time. Save money. Every day!*" We deliver on that pledge with convenient locations, a time-saving shopping experience and everyday low prices on quality basic merchandise. We are able to offer these everyday low prices because of our operating efficiencies, purchasing scale and sourcing capabilities. Our well-situated neighborhood locations drive customer loyalty and trip frequency and make us an attractive alternative to large discount and other big-box (large store) retail stores. Finally, our stores' small size and convenient layout enable quick store navigation, while our focused product offerings within categories allow customers to quickly satisfy most of their basic daily household purchasing needs.

Our consistent growth: We are now in our 20th year of consecutive annual same-store sales growth. This timeframe includes periods of economic growth and contraction during all of which we have had sales growth. We believe this success is driven by our necessity-weighted product mix and the strength of our value and convenience proposition, both of which attract consumers in all economic environments. We expect this combination will continue to provide a foundation for profitable same-store sales growth.

Our store economics: Our store economics are based on low capital investment to open stores, rapid sales increases after opening, consistent sales volumes in mature stores and low ongoing operating costs, which together result in an attractive return on capital. Our new stores are typically cash flow positive in their first year, generally pay back capital in approximately two years, and, we believe, deliver attractive returns relative to our competitors. Our model has been effective in both rural and small communities as well as in more densely populated and metropolitan areas that typically include a larger number of competitors.

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Our History

J.L. Turner founded our Company in 1939 as J.L. Turner and Son, Wholesale. We opened our first store in 1955, when we were incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. We changed our name to Dollar General Corporation in 1968 and reincorporated in 1998 as a Tennessee corporation. Our common stock was publicly traded from 1968 until July 2007, when we merged with an entity controlled by investment funds affiliated with KKR. We are now a subsidiary of Parent, a Delaware limited partnership controlled by KKR.

Progress Since our 2007 Merger

Strengthening our management team has been one of our top priorities since our 2007 merger. In January 2008, we hired Richard W. Dreiling, who has 39 years of retail experience, to serve as our Chief Executive Officer. Including Mr. Dreiling, we have added or replaced eight executives at the Senior Vice President level or higher in our core merchandising and distribution functions and in key support roles including human resources, finance and information technology.

Ensuring superior execution of our operating priorities is one of our key strategic goals. Our operating priorities include: driving productive sales growth; increasing gross margins; leveraging process improvements and information technology to reduce costs; and strengthening and expanding Dollar General's culture of "serving others." Since our 2007 merger, our management team has focused on executing against these priorities, making a number of specific operational improvements supported by enhanced business processes and data-driven analytical and measurement tools. Business process and operational improvements have encompassed most key functions, including merchandising, distribution and transportation, store operations and real estate, and include changes such as redefined merchandise line reviews, expanded price benchmarking, markdown strategies, enhanced real estate site selection modeling, new shrink detection metrics and more disciplined store employee hiring practices. These improvements have been critical to the successful implementation of our recent initiatives in merchandising, private brand development, store operations, real estate and expense management. Examples of our progress since our 2007 merger include:

Merchandising

- Optimized our product assortment through eliminating unproductive and less productive SKUs and allocating more space to productive ones
- Improved product adjacencies and enhanced product presentation standards and consistency
- Raised the profile of shelving to introduce key new products and categories
- Implemented new markdown strategies to sell through end-of-season merchandise
- Added new product fixtures near the checkout stands to promote impulse sales

Private Brand

- Implemented new private branding strategy and redefined brands
- Improved quality standards and updated packaging, typically while maintaining price and, in many cases, maintaining or reducing cost
- Introduced approximately 350 net new private brand items since 2007 and grew private brand penetration to over 20% of consumables sales in the first quarter of 2009, up from approximately 17% in 2007

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Store Operations

- Instituted a "model store" program and rigorous measurement tools to improve store standards
- Lowered store manager turnover through improved recruiting, leadership, training, feedback and work processes
- Customized store hours to better accommodate customer demand
- Significantly reduced inventory shrink rate through implementation and detailed monitoring of key metrics, rigorous training and increased field management discipline
- Further refined store work processes and implemented additional safety measures, yielding improved labor efficiencies and significantly reduced workers' compensation expense

Real Estate

- Implemented more sophisticated market analysis and store site selection modeling
- Enhanced our new real estate vetting processes, contributing to increased first year sales in new stores by 20% between 2006 and 2008
- Improved our effectiveness in renegotiating lease terms and assessing opportunities to remodel or relocate stores
- Opened 207 new stores and remodeled or relocated 404 stores in 2008 and accelerated new store growth for 2009; we plan to open approximately 500 new stores and to relocate or remodel approximately 450 stores in 2009

Expense and Working Capital Management

- Instituted a process whereby we employ analytical tools and processes to mine for cost reduction opportunities, particularly in the expense areas of distribution, labor, rent and general overhead
- Pursued a variety of distribution and transportation initiatives to reduce costs and leverage overhead
- Implemented additional energy and waste management initiatives in the stores
- Improved inventory turns

These initiatives, along with more stringent business processes, have improved our operating and financial performance since our 2007 merger and we believe have laid the foundation for ongoing improvement. We generated strong sales growth of 10.1% in 2008, including annual same-store sales growth of 9.0%. For the first quarter of 2009, our total sales growth accelerated to 15.7%, including same-store sales growth of 13.3% following 5.4% same-store sales growth in the first quarter of 2008. Same-stores include stores that have been open for 13 months and remain open at the end of the reporting period. For 2008 and the first quarter of 2009, respectively, there were 8,153 and 8,179 same-stores which accounted for sales of $10.1 billion and $2.7 billion, compared to 7,887 same-stores accounting for $2.3 billion of sales for the first quarter of 2008. These initiatives also allowed us to expand our gross profit margin to 29.3% in fiscal 2008, up from 27.3% for the 2007 predecessor period and 28.2% for the 2007 successor period, and 30.8% in the first quarter of 2009 as compared to 28.8% in the first quarter of

2008. We had net income of $108.2 million for the full fiscal year 2008 and $83.0 million for the first quarter of 2009, compared to $5.9 million for the first quarter of 2008. Since our 2007 merger, we have reduced our total outstanding long-term obligations by $540.9 million to $4.1 billion, and we have had no borrowings under our revolving credit facility since the 2008 first quarter, having funded all capital expenditures and working capital needs from operating cash flow. In addition, at May 1, 2009, our cash balance was $434.6 million.

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Industry Overview

We compete primarily in the approximately $843 billion U.S. market for basic consumer packaged goods in categories including food, beverages, health and beauty care, paper products, pet supplies and other general merchandise, including basic apparel and home products. These categories encompass most of the everyday needs of consumers. The broad market for these categories grew sales at a compound annual growth rate of 2.8% between 2001 and 2008. The discount channel grew sales at a compound annual growth rate of 4.6% during that same period and was the fastest growing channel for such goods over this period. According to Nielsen data, total customer trips to retailers in the basic consumer packaged goods market declined during the 2001 through 2008 period, while trips in the discount channel increased over this time. Our current share of the basic consumer packaged goods market is only 1.2% which, when coupled with our attractive value and convenience proposition, we believe provides substantial opportunity for growth.

Our Competitive Strengths

We believe our key competitive strengths that will enable us to execute our growth strategy include:

Compelling Value and Convenience Proposition. Our ability to deliver highly competitive prices on national brand and quality private brand products in convenient locations and our easy in and out shopping format provide a compelling shopping experience and distinguish us from other discount, convenience and drugstore retailers. Our slogan, "*Save time. Save money. Every day!*" summarizes our appeal to customers. We believe our ability to effectively deliver both value and convenience distinguishes us from many of our competitors and allows us to succeed in small markets with limited shopping alternatives, as well as to profitably coexist alongside larger retailers in more competitive markets.

We are in our 20th consecutive year of same-store sales growth. This growth, regardless of economic conditions, suggests that we have a less cyclical model than most retailers and, we believe, is a result of our strong value and convenience proposition. In fact, both customer traffic and average transaction amount have increased during 2008 and 2009 despite the difficult economic environment, and our research indicates that the vast majority of new and existing customers plan to continue shopping with us after the economy recovers.

Our compelling value and convenience proposition is evidenced by the following attributes of our business model:

Convenient Locations. Our stores are conveniently located in a variety of rural, suburban and urban communities, currently with more than 60% serving communities with populations of less than 20,000. In more densely populated areas, our small-box stores typically serve the closely surrounding neighborhoods. The majority of our customers live within three miles, or a 10-minute drive, of our stores. Our close proximity to customers drives customer loyalty and trip frequency, and makes us an attractive alternative to large discount and other large-box retail and grocery stores which are often located farther away. Unlike large-box retailers, our low cost economic model enables us to serve many areas with fewer than 2,000 households.

Time-Saving Shopping Experience. We also provide customers with a highly convenient shopping experience. Our stores' smaller size allows us to locate parking near the front entrance and offers quick store navigation, providing a distinct convenience advantage over large-box stores and supercenters. Significant work to upgrade our in-store shopping experience over the past two years includes efforts aimed to unclutter aisles, improve signage and product adjacencies, and to better organize and stock shelves. We have also added shopping carts and extended our store hours, enhancing our convenience to customers. Our product mix offers most necessities such as

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basic packaged and refrigerated food and dairy products, cleaning supplies, paper products and health and beauty care items, as well as items such as greeting cards, apparel, housewares, hardware and automotive supplies, among others. Our focused product offering within categories allows customers to fulfill their routine shopping needs, minimizing their need to shop elsewhere.

Everyday Low Prices on Quality Merchandise. We offer quality consumable merchandise and other basic items at everyday low prices. Our strategy of maintaining a low-cost operating structure and a broad assortment of merchandise allows us to offer quality products at competitive prices. Our research indicates that we offer a price advantage over most food and drug retailers and that our prices are highly competitive with even the largest discount retailers. As part of this strategy, we attempt to maintain a limited number of SKUs per category which we believe helps us maintain strong purchasing power. We also emphasize even dollar price points on many of our items. In the typical Dollar General store, most items are priced below $10, with approximately 25% of items at $1 or less. We are able to offer at these everyday low prices quality national brands from companies such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg's, General Mills, and Nabisco, Coca-Cola and PepsiCo, in addition to our own comparable quality private brands at value prices.

Attractive Store Economics. The traditional Dollar General store size, design and location requires minimal initial investment and low maintenance capital expenditures. Our typical locations involve a modest, no-frills building design, which helps keep our rental and other fixed overhead costs relatively low. When coupled with our new stores' ability to generally deliver positive cash flow in the first year, this low capital expenditure requirement typically results in pay back of capital in approximately two years, and delivers what we believe to be attractive returns on capital relative to our competitors. Moreover, the financial performance of recently-opened stores appears to be outpacing many of our existing stores, which we believe is a result of significant enhancements to our market analysis, real estate site selection and new store marketing program.

Our decision to accelerate new store openings in 2009 and in the future is supported by the following improvements:

- We have significantly enhanced our market analysis and real estate site selection and approval processes, increasing our ability to optimize selection of our new locations.

- Our lean store staffing model, which has been strengthened in the last two years by improved employee retention, contributes to relatively low operating costs and more efficient and effective store operations.

- Recent improvements to our new store marketing program have led to stronger first year sales volumes, accelerating our ability to recover initial capital costs.

Substantial Growth Opportunities. We believe we have substantial growth opportunities through both improved profitability of existing stores and new store openings. We are pursuing a number of initiatives to drive same-store sales growth, increase gross margins and reduce operating costs, leading to continued improvement in the profitability of our existing store base. In addition, we have identified significant opportunities to add new stores in both existing and new markets. We believe we have the long-term potential in the U.S. to more than double our existing store base while maintaining or improving our return on capital. See "Our Growth Strategy" for additional details.

Experienced Management Team with a Proven Track Record. Our experienced senior management team has an average of 25 years of retail experience. In total, we have added eight senior executives (Senior Vice President or higher) with significant retail experience since our 2007 merger, in addition to numerous executives at the Vice President level, primarily in our merchandising, distribution and transportation functions, and in key support roles including human resources, finance and information technology. Alongside our veteran Dollar General executives, our newly expanded team has enhanced leadership capabilities and has made significant progress in developing and implementing world-class retailing processes at Dollar General.

Our Growth Strategy

Our long history of profitable growth is founded on a commitment to a relatively simple business model: providing a broad base of customers with their basic everyday and household needs, supplemented with a variety of general merchandise items, at everyday low prices in conveniently located, small-box stores.

We believe we have the right strategy and execution capabilities to capitalize on the considerable growth opportunities afforded by our business model. We derive our growth from three distinct sources, including increasing store sales, expanding operating profit margins and growing our store base.

Increasing Sales. We believe the combination of our necessity-driven product mix and our attractive value proposition, including a well-balanced merchandising approach, provide a strong basis for increased sales. Our average sales per square foot increased to $180 in 2008 from $165 in 2007 and $163 in 2006. We believe we will continue to have additional opportunities to increase our store productivity through continued improvements in space utilization, better in-stock positions and additional operating and merchandising initiatives, including:

New products and categories. We have redefined our product line review processes significantly over the past two years, aiding our efforts to identify areas for new product expansion and to more quickly identify and eliminate underperforming items, resulting in substantial sales increases.

Improved space utilization. We intend to continue to expand product offerings and increase sales per square foot through improved space utilization, including increased shelf height, the elimination of unplanogrammed floor and shelf space, the addition of new impulse displays at the checkout stands, and improved product adjacencies.

Improved execution in home, apparel and seasonal. Most of our merchandising focus and the recent changes we have made have centered on consumables which have demonstrated strong sales growth as a result. In 2009 we are bringing the same focus and intensity to our apparel, home and seasonal categories. We have recently improved our merchandising management team in these areas, adding individuals with significant experience in basic consumer trends, merchandise presentation, pricing and managing end-of-season sell-through. We expect to start realizing the favorable impact from these changes in 2010.

Improving store standards and operating hours. In 2008-09, we have continued to define and improve our store standards and to adjust our store hours to better enhance our customers' experience. We believe that these improvements will continue to increase customer traffic and average transaction amount.

Expanding our loyal customer base. Our research indicates that over 85% of our customers have shopped at Dollar General for over two years, indicating that we have a highly loyal customer base. In addition, our most recent surveys indicate that our retention rate of new customers has increased significantly over the past year, with over 94% indicating that they plan to continue shopping in our stores with either the same or increased frequency. We believe these merchandising initiatives will result in increased traffic and sales and will continue to drive growth in our customer base.

Remodels and Relocations. We believe we have significant opportunities available for our relocation and remodel programs, which will further drive sales growth.

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Expanding Operating Profit Margins. Another key component of our growth strategy is improving our operating profit margin through enhanced gross profit and expense reduction initiatives. Our financial results during the 2008 and 2009 to-date periods reflect the favorable outcome of many of these initiatives. We believe that we can build on our recent strong financial results by continuing to enhance these initiatives, which include:

Merchandising. We continue to improve the overall profitability of our merchandising decisions. Our new line review processes have resulted in improved product selection and pricing decisions. These line reviews have contributed to our improved gross profit margins despite an increase in sales of consumables. We expect these expanded line reviews to continue to positively impact our overall sales and operating profit margins.

Sourcing. Increasing our direct foreign sourcing has not been a top priority for us until recently. In 2008, we imported approximately $700 million of goods, or 10% of total purchases at cost. We believe we have the potential to directly source a larger portion of our products at significant savings to current costs. We are currently increasing our direct foreign sourcing efforts, which we believe offers significant opportunity for gross profit margin enhancement in the future.

Private Brand. Improving the consistency, quality, appearance and breadth of our private brand offerings has yielded increased penetration, and we intend to continue to drive our private brand penetration going forward. Generally, private brand items have higher gross profit margins than similar national brand items. Our private brand program complements our model of offering customers nationally branded merchandise at everyday low prices. Since 2007, we have added approximately 350 net new private brand items, predominantly in consumables, increasing our total number of such items to over 900 SKUs. As a percentage of consumables sales, we increased private brand penetration from approximately 17% in 2007 to over 20% in the first quarter of 2009. We expect to expand on these efforts in the future in addition to greatly increasing the role of private brands in our non-consumable offerings.

Inventory Shrink Rate Reduction. The reduction in shrink rate since 2007 has played a key role in increasing our gross profit margin, primarily the result of the focus and relentless efforts of our field management team and the introduction of improved indicator metrics at the stores, in conjunction with improved hiring practices, and lower store manager turnover. We continue to improve and automate our shrink indicator tools, and we believe we have opportunity for further shrink improvement.

Other Cost Reduction Efforts. We continually look for ways to improve our cost structure and enhance efficiencies throughout the organization. Of most significance to date, we have made good progress in leveraging our costs of distribution and reducing our workers' compensation expense. Other cost reduction efforts include identifying additional efficiencies in distribution and transportation, labor productivity initiatives, continuing our store rent reduction work, implementing more energy management tools, and improving employee retention.

Growing Our Store Base. Based on a detailed, market-by-market analysis, we believe we have significant potential to increase our number of stores in existing and new markets. Our recent market analysis suggests there are as many as 12,000 opportunities, the majority of which are located in the 35 states where we currently operate. Also included are significant opportunities to open stores in new markets, most notably in states on the Pacific coast and in certain areas of the Northeast. Based on the initial successes of our 2008 and 2009 new store openings, we have confidence in our real estate disciplines and in our ability to identify, open and operate successful new stores. As a result, we believe that our present level of new store growth is sustainable for the foreseeable future. In addition, we also believe that in the current real estate market environment there may be opportunities to negotiate

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lower rent and construction costs and to improve the overall quality of our sites at attractive rental rates, increasing our opportunity to improve profitability.

Our Merchandise

We offer a focused assortment of everyday necessities, which drive frequent customer visits, and key items in a broad range of general merchandise categories. Our product assortment provides the opportunity for our customers to address most of their basic shopping needs with one trip. We sell high quality national brands from leading manufacturers such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg's, General Mills, Nabisco, Coca-Cola and PepsiCo, which are typically found at higher retail prices elsewhere. Additionally, our private brand selections offer consumers even greater value with options to purchase entry price point items and national brand equivalent products at substantial discounts to the national brand.

Our stores currently offer approximately 10,000 total SKUs per store, of which approximately 70% are core items that are replenished on a weekly basis. The remaining 30% are rotated in and out of the stores over the course of a year. A majority of our products are priced at $10 or less and approximately 25% of our products are priced at $1 or less.

We separate our merchandise into the following categories:

Consumables is our largest category and includes the following:

Paper and Cleaning: Paper towels, toilet paper, paper dinnerware, trash and storage bags, laundry and other home cleaning supplies. National brands include items manufactured by Procter & Gamble, Kimberly Clark, Unilever, Tide, Clorox, Hefty and others. Our private brands will include DG home and Smart & Simple.

Food: Packaged food and perishables. National brands include Kellogg's, General Mills, Nabisco, Campbell's and others. Our private brands include Clover Valley. We also carry quality regional brands of milk, eggs and other perishable items.

Beverages and Snacks: Beverages, candy and snacks. National brands include Coke and Pepsi and others. Our private brands include Clover Valley and will include Sweet Smiles.

Health and Beauty: Health aids, over-the-counter medicines and personal care products. National brands include Theraflu, Prilosec, Olay, Covergirls, Johnson & Johnson, Pantene and others. Our private brands include DG health and DG body. Additionally, we are the only retailer that carries the full line of Rexall-branded vitamins and supplements.

Pet: Pet supplies. National brands include Alpo, Purina, Pedigree, Milkbone and others. Our private brands are EverPet and EverPet Basics.

Seasonal: Seasonal includes seasonal decorations, toys, batteries, small electronics, greeting cards, stationery, prepaid cell phones and accessories, gardening supplies, hardware and home office supplies. National brands include Mead stationary. Our private brands are DG Office, DG home and Holiday Style. Additional private brands will include True Living Kids.

Home Products: Home Products include kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies, bed and bath soft goods. National brands include Procter Silex and Black and Decker small appliances. Our private brands include DG home and True Living.

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Apparel: Apparel includes casual everyday apparel for infants, toddlers, girls, boys, women and men, as well as socks, underwear, shoes and accessories. Our private brands are DG baby, DG toddler and Open Trails. We hold an exclusive license to Bobbie Brooks clothing. We also hold a license to Fisher Price on certain items of children's clothing.

The percentage of net sales of each of our categories of merchandise for the period indicated below was as follows:

	2006	2007	2008
Paper and Cleaning	21%	20%	20%
Food	14%	15%	16%
Beverages and Snacks	13%	13%	15%
Health and Beauty	13%	13%	13%
Pet	4%	5%	5%
Total Consumables	66%	67%	69%
Seasonal	16%	16%	15%
Home Products	10%	9%	8%
Apparel	8%	8%	8%

The Dollar General Store

The average Dollar General store has approximately 7,000 square feet of selling space and is typically operated by a manager, an assistant manager and three or more sales clerks. Approximately 54% of our stores are in freestanding buildings, 44% in strip shopping centers and 2% are in downtown buildings. Most of our customers live within three miles, or a 10-minute drive, of our stores. Our store strategy features low initial capital expenditures, limited maintenance capital, low occupancy and operating costs, and a focused merchandise offering within a broad range of categories, allowing us to deliver low retail prices while generating strong cash flows and investment returns. A typical new store in 2009 is estimated to require approximately $230,000 of equipment, fixtures and initial inventory, net of payables.

We generally have not encountered difficulty locating suitable store sites in the past. Given the size of the communities that we are targeting, we believe that there is ample opportunity for new store growth in existing and new markets. In addition, the current real estate market is providing an opportunity for us to access higher quality sites at lower rates than we have seen historically. Also, we believe we have significant opportunities available for our relocation and remodel programs.

Our recent store growth is summarized in the following table:

Period	Stores at Beginning of Year	Stores Opened	Stores Closed(a)	Net Store Increase/ (Decrease)	Stores at End of Period
2006	7,929	537	237	300	8,229
2007	8,229	365	400	(35)	8,194
2008	8,194	207	39	168	8,362
First half 2009	8,362	225	10	215	8,577

(a) Includes 128 stores and 275 stores closed in 2006 and 2007, respectively as a result of certain strategic initiatives.

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Our Customers

Our customers seek value and convenience. Primarily depending on their economic needs and geographic proximity, customers rely on Dollar General for varying levels of basic needs, including fill-in shopping, periodic routine trips to stock up on household items, and weekly or more frequent trips to meet most of the customer's essential needs. Our convenient locations, time-saving shopping experience and everyday low prices on quality merchandise make our stores a compelling alternative for purchasing everyday needs.

Our highest frequency and highest spending customers, comprising approximately 50% of sales, are those for whom low prices and value are critical to everyday shopping. Recent additions to our merchandise offering, improvements to store operations and expansion of operating hours, coupled with our value proposition, are resonating well with this core customer. Our survey results indicate that 90% of these customers shopped Dollar General with equal or greater frequency over the past year than in the prior year, which has been a strong contributor to our sales performance. The survey also suggests approximately 95% of these customers expect to purchase the same or more items at Dollar General after the economy improves.

Overall, we estimate that only 41% of the population in our markets has shopped at Dollar General in the past year. We believe that the remaining 59% represents an opportunity to grow our customer base. We are striving to persistently improve on the quality, selection and pricing of our merchandise and to continually upgrade our store standards in order to attract and retain increasing numbers and demographics of customers.

Our Suppliers

We purchase merchandise from a wide variety of suppliers and maintain direct buying relationships with many producers of national brand name merchandise, such as Procter & Gamble, Kimberly Clark, Unilever, Kellogg's, General Mills, Nabisco, Coca-Cola and PepsiCo. Despite our broad offering, we maintain only a limited number of SKUs per category, giving us a pricing advantage in dealing with our suppliers.

Approximately 10% of our purchases in 2008 were from The Procter & Gamble Company. Our next largest supplier accounted for approximately 6% of our purchases in 2008. Our private brands rely upon a diversified supplier base. We directly imported approximately 10% of our purchases at cost (14% of our purchases at retail) in 2008. Our vendor arrangements generally provide for payment for such merchandise in U.S. Dollars.

We have not experienced any difficulty in obtaining sufficient quantities of core merchandise, and believe that if one or more of our current sources of supply be