DOLLAR GENERAL CORP
Form S-1/A
November 09, 2009

Table of Contents

As filed with the Securities and Exchange Commission on November 9, 2009

Registration No. 333-161464

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO

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:

Joseph H. Kaufman, Esq. **Marni J. Lerner, Esq.** Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017-3954 (212) 455-2000	**Gary Brown, Esq.** Baker, Donelson, Bearman, Caldwell & Berkowitz, PC Commerce Center Suite 1000 211 Commerce Street Nashville, Tennessee 37201 (615) 726-5600	**Valerie Ford Jacob, Esq.** **Paul D. Tropp, Esq.** Fried, Frank, Harris, Shriver & Jacobson LLP One New York Plaza New York, New York 10004 (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	**Amount to be Registered(1)**	**Proposed Maximum Aggregate Offering Price per Share**	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Common Stock, par value $.875 per share	39,215,000 shares	$23.00	$901,945,000	$50,329

(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.

(3) Previously paid.

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.

Table of Contents

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 November 9, 2009.

34,100,000 Shares

Common Stock
$ per share

We are offering 22,700,000 shares of our common stock and the selling shareholder named in this prospectus is offering 11,400,000 shares. We will not receive any proceeds from the sale of the shares by the selling shareholder.

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 $21.00 and $23.00 per share. Our common stock has been approved for listing on the New York Stock Exchange under the symbol "DG," subject to official notice of issuance.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 12 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 shareholder	$	$

To the extent that the underwriters sell more than 34,100,000 shares of common stock, the underwriters have the option to purchase up to an additional 5,115,000 shares from the selling shareholder 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.

TABLE OF CONTENTS

Table of Contents

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."

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 brands 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. From 1968 through the end of 2008, we grew our store base from 215 in 13 states to 8,362 in 35 states 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 (averaging approximately 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. 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. 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.

Our consistent growth: We are now in our 20th year of consecutive annual same-store 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 under two years, and, we believe, deliver attractive returns relative to our competitors.

Table of Contents

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., or KKR. We are now a subsidiary of Buck Holdings, L.P., a Delaware limited partnership controlled by KKR. Following completion of this offering, Buck Holdings, L.P. will beneficially own approximately 89.5% of our outstanding common stock (or approximately 88% if the underwriters exercise their option to purchase additional shares in full). 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 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 rationalization of stock keeping units, or SKUs
- Improved product adjacencies and enhanced product presentation standards
- Introduced key new products and categories
- Implemented new markdown strategies
- Added new product fixtures

Private Brand

- Implemented new private branding strategy
- Improved quality standards and updated packaging
- Introduced approximately 600 net new private brand items

Store Operations

- Instituted a "model store" program
- Lowered store manager turnover
- Customized store hours
- Significantly reduced inventory shrink rate
- Further refined store work processes

Real Estate

Implemented more sophisticated store site selection

Enhanced our new real estate vetting processes

- Improved our efforts in renegotiating lease terms and remodels and relocations
- Opened 207 new stores and remodeled or relocated 404 stores in 2008

Expense and Working Capital Management

- Instituted a process to mine for cost reduction
- Pursued a variety of cost-reducing distribution and transportation initiatives
- Implemented energy and waste management initiatives
- 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 half of 2009, our total sales growth was 13.3%, including same-store sales growth of 10.8% following 7.8% same-store sales growth in the first half 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 31.0% in the first half of 2009 as compared to 28.9% in the first half of 2008. We had net income of $108.2 million for the full fiscal year 2008 and $176.6 million for the first half of 2009, compared to $33.6 million for the first half of 2008. Since our 2007 merger, we have reduced our total outstanding long-term obligations by $539.8 million but remain highly leveraged, with $4.1 billion of total outstanding long-term obligations as of July 31, 2009.

Industry Overview

We compete primarily in the 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. According to Nielsen Homescan Panel data, the U.S. market for these products is approximately $843 billion, and grew at an average annual growth rate of 2.8% between 2001 and 2008. Nielsen Homescan Panel data indicates that sales in the discount retail channel grew at an average annual rate of 4.6% during the 2001-2008 period, including an increase in customer trips, whereas total customer trips for the overall consumer packaged goods market declined during the 2001 through 2008 period. Our current share of the $843 billion 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. 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, 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. Our research indicates that the vast majority of new and existing customers plan to continue shopping with us after the economy recovers from the current recession.

Table of Contents

Attractive Store Economics. Our typical locations involve a modest, no-frills building design, which helps keep our 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 under two years. 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 real estate processes. Our ability to continue to achieve these results depends on our being able to find and secure new store locations that meet our defined real estate requirements.

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 the operating costs of our existing store base. In addition, 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. 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. This successful business model enables 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 provide a strong basis for increased sales. 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. We are also 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. Finally, we believe we have significant opportunities available for our relocation and remodel programs, which will further drive sales growth.

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 expect to start realizing the favorable impact from this effort in 2010 although there can be no assurance that our customers will respond favorably to these changes.

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. Our new line review processes are resulting in improved product selection and pricing decisions, contributing to our improved gross profit margins despite an increase in sales of consumables.

Sourcing. 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, as we believe direct sourcing 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 higher gross margins, and we intend to continue to drive our private brand penetration going forward. As a percentage of consumables sales, we increased private brand penetration from approximately 17% in 2007 to approximately 21% in the first half 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 primarily resulted from 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. Cost reduction efforts include identifying additional efficiencies in distribution and transportation, labor productivity, store rent reduction, energy management and 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. Based on the successes of our 2008 and 2009 new stores, 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 lower rent and construction costs and to improve the overall quality of our sites at attractive rental rates.

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. Among these important risks are the following:

- our substantial debt could limit our ability to pursue our growth strategy;
- our debt agreements contain restrictions that may limit our flexibility in operating our business;
- 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;
- the current recession and general economic factors may adversely affect our performance;
- we face intense competition that could limit our growth opportunities;

Table of Contents

- our private brands may not achieve or maintain broad market acceptance, which increases the risks we face; and

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

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.

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.

Table of Contents

The Offering

Common stock offered by Dollar General	22,700,000 shares
Common stock offered by the selling shareholder	11,400,000 shares
Common stock to be outstanding after this offering	340,644,825 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 $467.8 million, assuming the shares are offered at $22.00 per share, which is the midpoint 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) $229.6 million of the net proceeds will be applied to redeem $205.2 million in aggregate principal amount of our 11.875/12.625% senior subordinated toggle notes due 2017 at a redemption price of 111.875% and (2) the remaining $238.3 million of the net proceeds will be applied to redeem $215.4 million in aggregate principal amount of our 10.625% senior notes due 2015 at a redemption price of 110.625%. Each such redemption will be made pursuant to a provision of the applicable indenture that permits us to redeem up to 35% of the aggregate principal amount of such notes with the net cash proceeds of certain equity offerings. 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 shareholder.
Underwriters' option	The selling shareholder has granted the underwriters a 30-day option to purchase up to 5,115,000 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, on September 8, 2009, our Board of Directors declared a special dividend on our outstanding common stock of approximately $239.3 million in the aggregate. The special dividend was paid on September 11, 2009 to shareholders of record on September 8, 2009 with cash generated from operations.

Table of Contents

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 approximately $5 million, of the estimated gross primary proceeds from this offering and approximately $59 million in connection with its termination). See "Certain Relationships and Related Party Transactions Relationships with the Investors Monitoring Agreement and Indemnity Agreement."
Risk Factors	You should carefully read and consider the information set forth under "Risk Factors" beginning on page 12 of this prospectus and all other information set forth in this prospectus before investing in our common stock.
Ticker symbol	"DG"
Conflict of Interest	Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, investment banking, commercial banking and other services for us for which they received or will receive customary fees and expenses. See "Underwriting." Goldman, Sachs & Co. and KKR Capital Markets LLC and/or their respective affiliates each own (through their investment in Buck Holdings, L.P.) in excess of 10% of our issued and outstanding common stock, and may therefore be deemed to be our "affiliates" and to have a "conflict of interest" with us within the meaning of NASD Conduct Rule 2720 ("Rule 2720") of the Financial Industry Regulatory Authority, Inc. Therefore, this offering will be conducted in accordance with Rule 2720, which requires that a qualified independent underwriter as defined in Rule 2720 participate in the preparation of the registration statement of which this prospectus forms a part and perform its usual standard of due diligence with respect thereto. See "Conflict of Interest."

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; (2) an initial public offering price of $22.00 per share, the midpoint of the initial public offering range indicated on the cover of this prospectus; and (3) the 1 to 1.75 reverse stock split that we effected on October 12, 2009.

does not reflect (1) 13,419,343 shares of our common stock issuable upon the exercise of 13,419,343 outstanding stock options held by our officers and employees at a weighted average exercise price of $8.72 per share as of July 31, 2009, 4,310,235 of which were then exercisable and (2) 1,504,642 shares of our common stock reserved for future grants under our 2007 Stock Incentive Plan (including certain grants to be made to employees and non-employee directors upon the effectiveness of the registration statement of which this prospectus is a part or upon the closing of this offering). Our Board of Directors and our shareholders approved an increase in the number of shares authorized for issuance under our 2007 Stock Incentive Plan to 31,142,858, effective upon the closing of this offering.

Table of Contents

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 26-week periods ended July 31, 2009 and August 1, 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.

Table of Contents

(amounts in millions, excluding number of stores, selling square feet, net sales per square foot and per share data)	Historical			Pro Forma	Historical		
	Predecessor		Successor		Successor		
						26 Weeks Ended	
	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	August 1, 2008	July 31, 2009
Statement of Operations Data:							
Net sales	$ 9,169.8	$ 3,923.8	$ 5,571.5	$ 9,495.2	$ 10,457.7	$ 5,012.9	$ 5,681.8
Cost of goods sold	6,801.6	2,852.2	3,999.6	6,852.5	7,396.6	3,561.8	3,920.4
Gross profit	2,368.2	1,071.6	1,571.9	2,642.8	3,061.1	1,451.1	1,761.4
Selling, general and administrative expenses	2,119.9	960.9	1,324.5	2,310.9	2,448.6	1,197.2	1,303.3
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	253.9	458.1
Interest income	(7.0)	(5.0)	(3.8)	(8.8)	(3.1)	(2.2)	(0.1)
Interest expense	34.9	10.3	252.9	436.7	391.9	200.3	179.2
Other (income) expense			3.6	3.6	(2.8)	0.6	(0.7)
Income (loss) before income taxes	220.4	4.0	(6.6)	(100.9)	194.4	55.2	279.7
Income tax expense (benefit)	82.4	12.0	(1.8)	(42.9)	86.2	21.6	103.1
Net income (loss)	$ 137.9	$ (8.0)	$ (4.8)	$ (57.9)	$ 108.2	$ 33.6	$ 176.6