DOLLAR GENERAL CORP
Form 424B7
September 07, 2011

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**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement 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.**

**Filed Pursuant to Rule 424(b)(7)**
**Registration No. 333-165800**

**Subject to Completion. Dated September 7, 2011.**

**Supplement to Prospectus dated March 31, 2010.**

# 25,000,000 Shares

# Common Stock

This is an offering of 25,000,000 shares of common stock of Dollar General Corporation by the selling shareholders named in this prospectus supplement, including members of our senior management and an entity affiliated with certain directors of our company. See "Selling Shareholders." We will not receive any proceeds from the sale of shares of common stock by the selling shareholders, including pursuant to any exercise by the underwriters of their option to purchase additional shares.

Our common stock is listed on the New York Stock Exchange under the symbol "DG". On September 6, 2011, the last reported sale price of our common stock on the New York Stock Exchange was $36.45 per share.

***Investing in our common stock involves risks. See "Risk Factors" beginning on page S-9 of this prospectus supplement, beginning on page 2 of the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended January 28, 2011 (which document is incorporated by reference herein) to read about factors you should consider before making a decision to invest in 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 accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Initial price to public | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to the selling shareholders | $ | $ |

To the extent that the underwriters sell more than 25,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 3,750,000 shares from certain of the selling shareholders at the initial price to public less the underwriting discount. See "Selling Shareholders."

The underwriters expect to deliver the shares of common stock against payment in New York, New York on or about , 2011.

*Joint Book-Running Managers*

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

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

*Co-Managers*

**Barclays Capital** **Wells Fargo Securities** **Sanford C. Bernstein** **CICC** **Deutsche Bank Securities** **HSBC**

Prospectus Supplement dated , 2011.

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### Prospectus Supplement



### Prospectus



**We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference herein or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement is current only as of its date. Our business, financial condition, results of operation and prospects may have changed since that date.**

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document has two parts, a prospectus supplement and an accompanying prospectus dated March 31, 2010. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC, utilizing the SEC's "shelf" registration process. The prospectus supplement, which describes certain matters relating to us and the specific terms of this offering of shares of common stock, adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein. Generally, when we refer to this document, we are referring to both parts of this document combined. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. The accompanying prospectus gives more general information, some of which may not apply to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. If the information contained in this prospectus supplement differs or varies from the information contained in a document we have incorporated by reference, you should rely on the information in the more recent document.

Before you invest in our common stock, you should read the registration statement of which this document forms a part and this document, including the documents incorporated by reference herein that are described under the heading "Incorporation by Reference."

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. We are not making an offer of the common stock in any jurisdiction where the offer is not permitted. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the common stock. We are not making any representation to you regarding the legality of an investment in the common stock by you under applicable investment or similar laws.

In this prospectus supplement, unless otherwise indicated or the context otherwise requires, references to "Dollar General", the "Company", "we", "us" and "our" refer to Dollar General Corporation, a Tennessee corporation, and its consolidated subsidiaries. References to the "IPO" refer to our initial public offering on November 13, 2009 of 39,215,000 shares of our common stock, including shares issued to the underwriters of the IPO pursuant to their election to exercise in full their option to purchase additional shares. References to the "selling shareholders" refer to the selling shareholders listed in the table under the caption "Selling Shareholders" in this prospectus supplement. References to our "2010 Annual Report" refer to our Annual Report on Form 10-K for the fiscal year ended January 28, 2011, which is incorporated by reference in this prospectus supplement. In addition, unless otherwise noted or the context requires otherwise, "2011," "2010," "2009," "2008" and "2007" refer to our fiscal years ending or ended February 3, 2012, January 28, 2011, January 29, 2010, January 30, 2009, and February 1, 2008.

Unless indicated otherwise, the information included in this prospectus supplement assumes no exercise by the underwriters of their option to purchase additional shares of common stock from certain of the selling shareholders.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights selected information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. It does not contain all of the information that you should consider before investing in shares of our common stock. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the factors described or referred to under the heading "Risk Factors" herein and in our 2010 Annual Report, as well as the financial statements and related notes and other information incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.*

## Dollar General

### Our Company

We are the largest discount retailer in the United States by number of stores, with 9,641 stores located in 35 states as of July 29, 2011, primarily in the southern, southwestern, midwestern and eastern United States. We offer a broad selection of merchandise, including consumables, seasonal, home products 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 merchandise at everyday low prices (typically $10 or less) through our convenient small-box (approximately 7,200 square feet) locations.

### Our Business Model

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.

Fiscal year 2010 represented our 21st 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 compelling value and convenience proposition. Both customer traffic and average transaction amount increased during 2009 and 2010 despite a very difficult economic environment. We believe that our customers recognize our efforts to provide them with a pleasant, efficient shopping experience along with our ongoing commitment to meet their everyday needs, which encourages them to continue to shop with us in the future.

Our attractive store economics, including a relatively low initial investment and simple, low cost operating model, have allowed us to grow our store base to over 9,600 stores in 35 states, and provide us significant opportunities to continue our strategy of profitable store growth.

For the 26 weeks ended July 29, 2011, we generated strong sales growth of 11.1%, including same-store sales growth of 5.6%, and operating profit growth of 13.6%. During the period, we utilized cash on hand and borrowings under our ABL facility to repurchase $864.3 million of our 10.625% senior notes, the remaining outstanding amount, resulting in a non-operating pretax loss of $60.3 million. Including this loss, we generated net income of $303.0 million for the 26-week period ended July 29, 2011, an increase of 9.3% compared to the comparable 2010 period.

### Our History

J.L. Turner founded our Company in 1939 as J.L. Turner and Son, Wholesale. We were incorporated as a Kentucky corporation under the name J.L. Turner & Son, Inc. in 1955, when we opened our first Dollar General store. 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

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Kohlberg Kravis Roberts & Co. L.P., or KKR. On November 13, 2009 our common stock again became publicly traded upon our completion of an initial public offering of 39,215,000 shares of our common stock, including 22,700,000 newly issued shares. We are majority owned by Buck Holdings, L.P., a Delaware limited partnership controlled by KKR. The membership interests of Buck Holdings, L.P. and Buck Holdings, LLC, the general partner of Buck Holdings, L.P., are held by a private investor group, including affiliates of each of KKR and Goldman, Sachs & Co. (the "GS Investors") and other equity investors (collectively, the "Investors").

**Our Competitive Strengths**

We believe the following competitive strengths differentiate us from other retailers:

***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 create a compelling shopping experience that distinguishes 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 allows us to succeed in small markets with limited shopping alternatives, as well as to profitably coexist alongside larger retailers in more competitive markets. 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 over 70% 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 to five 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. Our low cost economic model enables us to serve many areas with fewer than 1,500 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 where shopping carts are located to promote efficient navigation of the store. Our product offering includes most necessities, such as basic packaged and refrigerated food and dairy products, cleaning supplies, paper products, and health and beauty care items, as well as greeting cards, party supplies, apparel, housewares, hardware and automotive supplies, among others. Our typical store hours are 8:00 a.m. to 9:00 p.m., seven days per week. Our convenient hours and broad merchandise offering allow our customers to fulfill their routine shopping requirements and minimize their need to shop elsewhere.

*Everyday Low Prices on Quality Merchandise.* 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. Our ability to offer everyday low prices on quality merchandise is supported by our low-cost operating structure and our strategy to maintain a limited number of stock keeping units, or SKUs, per category, which we believe helps us maintain strong purchasing power. Most items are priced below $10, with approximately 24% at $1 or less. We offer quality nationally advertised brands at these everyday low prices in addition to offering 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, 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 less than two years. Our

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stringent market analysis, real estate site selection and new store approval processes as well as our new store marketing programs help us optimize financial returns and minimize the risks of opening unprofitable stores. Because of the recent favorable real estate market, we have opportunistically purchased a number of our existing and new store locations since late 2010.

Our lean store staffing model and centralized management of utilities, maintenance and supplies procurement contribute to our relatively low operating costs and efficient store operations.

***Substantial Growth Opportunities.*** We believe that we have substantial growth opportunities through both improved profitability of existing stores and new store openings. We are continuing our efforts to remodel or relocate many of our existing stores to improve their profitability. 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 generating strong returns on capital. See "Our Growth Strategy" for additional details.

**Our Growth Strategy**

We believe we have the right strategy and execution capabilities to capitalize on the considerable growth opportunities afforded by our business model. We believe we continue to have significant opportunities to drive profitable growth through increasing same-store sales, expanding our operating profit rate and growing our store base.

***Increasing Same-Store Sales.*** We believe the combination of our necessity-driven product mix and our attractive value proposition, including a well-balanced merchandising approach, provides a strong basis for increased sales. Our average sales per square foot increased to $205 for the 52 week-period ended July 29, 2011, up from $201 in 2010, $195 in 2009 and $180 in 2008. We believe we will continue to have additional opportunities to increase our store productivity through improved in-stock positions, price optimization and additional operating and merchandising initiatives. In early 2011, we completed our initiative to raise the shelf height in our stores, with the final phase encompassing the expansion of health and beauty aids. Among other projects in 2011, we plan to further expand our frozen and refrigerated foods and add space dedicated to the $1 price point in many of our stores. In the current economic environment, we expect our consumables sales to increase at a rate higher than our home, apparel and seasonal categories, which are generally more discretionary. We will focus on increasing sales in these areas as we continue to fulfill our customers' basic home, apparel and seasonal needs in the near-term and going forward.

In addition, in 2011, we plan to relocate or remodel approximately 575 stores, including 371 stores relocated or remodeled in the 26-week period ended July 29, 2011, which we expect to further drive same-store sales growth. In 2010, we remodeled or relocated 504 stores. Remodels and relocations generally consist of updating the stores to our new customer-centric format, which we believe appeals to a broader customer base. A relocation typically results in an improved, more visible and accessible location, and usually includes increased square footage. We continue to have opportunities for additional remodels and relocations beyond 2011.

***Expanding Operating Profit Rate.*** Another key component of our growth strategy is improving our operating profit rate through enhanced gross profit and expense reduction initiatives. Our financial results during 2010 and 2009 reflect the favorable impact of our strong category management processes on gross margin improvement and our continued efforts to reduce selling, general and administrative expenses as a percent of sales.

In the 26-week period ended July 29, 2011, our gross profit rate decreased from the comparable 2010 period, primarily attributable to a higher mix of consumables sales, which generally have lower gross profit rates, and by increased product costs resulting from increased costs of commodities, including cotton, wheat, corn, sugar, coffee and resin, as well as increased transportation fuel costs, and higher markdowns. These pressures were partially offset by increased pricing, reduced inventory shrinkage and improved distribution efficiencies. We believe economic pressures on consumer discretionary spending and high commodity costs will continue through the end of 2011. However, we believe that we continue to have opportunities to increase our gross profit rate over the long-term, including changes to our product selection, such as alternate national brands and the further expansion of our private brands, modifications to our packaging and product size, expansion of direct foreign sourcing, price optimization strategies, and growth in our home, apparel and seasonal categories.

We intend to continue to drive our private brand penetration going forward. Our private brand program complements our model of offering customers nationally branded consumables merchandise at everyday low prices. Generally, private brand items have higher gross profit margins than similar national brand items, and in 2010 represented approximately 22% of our consumables sales. In 2010, we made significant progress in expanding our private brand efforts to our non-consumable offerings, dramatically improving the visual impact of our many non-consumables, including housewares, domestics, lawn and garden tools and summer toys.

We believe we have the potential to directly source a larger portion of our products at savings to current costs. In 2010, we imported approximately $750 million of goods, or 8% of total purchases, at cost.

We continually look for ways to improve our cost structure and enhance efficiencies throughout the organization. We are in the process of implementing a store workforce management and work simplification program in 2011, which thus far has resulted in significant savings, and we believe we have additional opportunities to improve our store workforce productivity. In addition, in 2010, we centralized our procurement system which is assisting us in reducing the cost of various purchases throughout the Company.

***Growing Our Store Base.*** Based on a detailed, market-by-market analysis, we believe we have the potential to at least double our current number of stores through expansion in both existing and new markets. We plan to open approximately 625 new stores in fiscal year 2011, including 301 stores opened through July 29, 2011, and to enter three additional states: Connecticut, New Hampshire and Nevada. Our new store opening plans for 2011 include the addition of approximately 10 Dollar General Market stores. We are currently in the process of developing our strategy and locating store sites for our planned entrance into California in 2012. 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 at least our present level of new store growth is sustainable for the foreseeable future. In addition, we believe that in the current real estate market environment there may be opportunities to negotiate lower rent than would have previously been available or to purchase stores at favorable prices, allowing us to continue to improve the overall quality of our sites at attractive rates of return.

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We are incorporated under the laws of the state of Tennessee, and our principal executive offices are located at 100 Mission Ridge, Goodlettsville, Tennessee 37072. Our telephone number is (615) 855-4000, and our website address is www.dollargeneral.com. Information contained on our website does not constitute part of this document.

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**The Offering**

*The following summary of the offering contains basic information about the offering and the common stock and is not intended to be complete. It does not contain all the information that may be important to you. For a more complete understanding of the common stock, please refer to the section of the accompanying prospectus entitled "Description of Common Stock."*

| | |
|---|---|
| Common stock offered by the selling shareholders | 25,000,000 shares. |
| Use of proceeds | We will not receive any proceeds from this sale of shares by the selling shareholders. |
| Underwriters' option | Certain of the selling shareholders have granted the underwriters a 30-day option to purchase up to 3,750,000 additional shares at the initial price to public less the underwriting discount. See "Selling Shareholders." |
| Dividend policy | We have no current plans to pay any cash dividends on our common stock 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. See "Dividend Policy." |
| Risk factors | You should carefully read and consider the information set forth under "Risk Factors" herein, in the accompanying prospectus and in the documents incorporated by reference herein, including our 2010 Annual Report, before investing in our common stock. |
| New York Stock Exchange 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 or for our executive officers 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. In addition, Goldman, Sachs & Co. and KKR Capital Markets LLC or their affiliates will each receive more than 5% of the net proceeds of this offering through their investment in Buck Holdings, L.P. Therefore each of Goldman, Sachs & Co. and KKR Capital Markets LLC may be deemed to have a "conflict of interest" with us within the meaning of Rule 5121 ("Rule 5121") of the Financial Industry Regulatory Authority, Inc. In addition, since an investment fund affiliated with KKR beneficially owns approximately 10% of China International Capital Corporation, we are deemed to be under common control with China International Capital Corporation. Therefore, China International Capital Corporation Hong Kong Securities Limited may be deemed to have a "conflict of interest" within the meaning of Rule 5121. See "Conflicts of Interest" in the "Underwriting" section of this prospectus supplement. |

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

- assumes no exercise of the underwriters' option to purchase additional shares of our common stock; and
- does not reflect (1) 11,413,100 shares of our common stock issuable upon the exercise of outstanding stock options held by our directors, officers and employees at a weighted average exercise price of $10.45 per share as of August 31, 2011, 7,111,312 of which were then exercisable; and (2) 17,805,518 shares of our common stock reserved for future grants under our Amended and Restated 2007 Stock Incentive Plan.

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**Summary Historical Financial and Other Data**

The following table sets forth our summary consolidated financial information as of the dates and for the periods indicated. The summary historical statement of income data and statement of cash flows data for the fiscal years ended January 28, 2011, January 29, 2010 and January 30, 2009, and balance sheet data as of January 28, 2011 and January 29, 2010 have been derived from our historical audited consolidated financial statements included in the 2010 Annual Report and incorporated by reference in this prospectus supplement. The summary historical balance sheet data as of January 30, 2009 presented in this table have been derived from our audited consolidated financial statements not included in the 2010 Annual Report. We derived the consolidated selected financial data for the 26-week periods ended July 29, 2011 and July 30, 2010 from our unaudited condensed consolidated interim financial statements included in our Quarterly Report on Form 10-Q for the period ended July 29, 2011 and incorporated by reference in this prospectus supplement. We have prepared the unaudited condensed consolidated interim financial information set forth below on the same basis as our audited consolidated financial statements, 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 February 3, 2012 or for any other 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 in the 2010 Annual Report and in our Quarterly Reports on Form 10-Q that are incorporated by reference in this prospectus supplement.

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| (Amounts in millions, excluding per share data, number of stores, selling square feet, and net sales per square foot) | Year Ended January 30, 2009 | Year Ended January 29, 2010 | Year Ended January 28, 2011 | 26 Weeks Ended July 30, 2010 | 26 Weeks Ended July 29, 2011 |
|---|---|---|---|---|---|
| **Statement of Income Data:** | | | | | |
| Net sales | $ 10,457.7 | $ 11,796.4 | $ 13,035.0 | $ 6,325.5 | $ 7,026.9 |
| Cost of goods sold | 7,396.6 | 8,106.5 | 8,858.4 | 4,289.7 | 4,791.2 |
| Gross profit | 3,061.1 | 3,689.9 | 4,176.6 | 2,035.7 | 2,235.7 |
| Selling, general and administrative expenses | 2,448.6 | 2,736.6 | 2,902.5 | 1,444.3 | 1,564.1 |
| Litigation settlement and related costs, net | 32.0 | | | | |
| Operating profit | 580.5 | 953.3 | 1,274.1 | 591.5 | 671.6 |
| Interest income | (3.1) | (0.1) | (0.2) | (0.0) | (0.0) |
| Interest expense | 391.9 | 345.7 | 274.2 | 141.3 | 126.2 |
| Other (income) expense | (2.8) | 55.5 | 15.1 | 6.7 | 60.5 |
| Income before income taxes | 194.4 | 552.1 | 985.0 | 443.5 | 484.9 |
| Income tax expense | 86.2 | 212.7 | 357.1 | 166.3 | 181.9 |
| Net income | $ 108.2 | $ 339.4 | $ 627.9 | $ 277.2 | $ 303.0 |
| Earnings per share basic | $ 0.34 | $ 1.05 | $ 1.84 | $ 0.81 | $ 0.89 |
| Earnings per share diluted | 0.34 | 1.04 | 1.82 | 0.80 | 0.88 |
| Dividends per share | | 0.7525 | | | |
| **Statement of Cash Flows Data:** | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | $ 575.2 | $ 672.8 | $ 824.7 | $ 279.3 | $ 398.4 |
| Investing activities | (152.6) | (248.0) | (418.9) | (162.5) | (217.7) |
| Financing activities | (144.8) | (580.7) | (130.4) | (57.4) | (565.2) |
| Total capital expenditures | (205.5) | (250.7) | (420.4) | (163.1) | (218.1) |
| **Other Financial and Operating Data:** | | | | | |
| Same store sales growth(1) | 9.0% | 9.5% | 4.9% | 5.9% | 5.6% |
| Same store sales(1) | $ 10,118.5 | $ 11,356.5 | $ 12,227.1 | $ 5,955.5 | $ 6,594.6 |
| Number of stores included in same store sales calculation | 8,153 | 8,324 | 8,712 | 8,427 | 8,938 |
| Number of stores (at period end) | 8,362 | 8,828 | 9,372 | 9,113 | 9,641 |
| Selling square feet (in thousands at period end) | 58,803 | 62,494 | 67,094 | 64,923 | 69,279 |
| Net sales per square foot(2) | $ 180 | $ 195 | $ 201 | $ 199 | $ 205 |
| Consumables sales | 69.3% | 70.8% | 71.6% | 71.6% | 73.1% |
| Seasonal sales | 14.6% | 14.5% | 14.5% | 14.2% | 13.7% |
| Home products sales | 8.2% | 7.4% | 7.0% | 7.1% | 6.7% |
| Apparel sales | 7.9% | 7.3% | 6.9% | 7.1% | 6.5% |
| Rent expense | $ 389.6 | $ 428.6 | $ 489.3 | $ 236.1 | $ 261.9 |
| **Balance Sheet Data (at period end):** | | | | | |
| Cash and cash equivalents and short-term investments | $ 378.0 | $ 222.1 | $ 497.4 | $ 281.4 | $ 113.1 |
| Total assets | 8,889.2 | 8,863.5 | 9,546.2 | 9,179.5 | 9,529.1 |
| Total debt | 4,137.1 | 3,403.4 | 3,288.2 | 3,352.4 | 2,780.4 |
| Total shareholders' equity | 2,831.7 | 3,390.3 | 4,054.5 | 3,682.8 | 4,373.6 |

(1) Same-store sales are calculated based upon stores that were open at least 13 full fiscal months and remain open at the end of the reporting period.

(2) 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 the Company's three interim fiscal quarters.

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## RISK FACTORS

*An investment in our common stock involves risk. Before investing in our common stock, you should carefully consider the risks described below as well as other factors and information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including the risk factors set forth in our 2010 Annual Report and our financial statements and related notes, all of which are incorporated by reference into this prospectus supplement and the accompanying prospectus. Any such risks could materially and adversely affect our business, financial condition, results of operations or liquidity. However, the selected risks described below and in our 2010 Annual Report are not the only risks facing us. Our business, financial condition, results of operations or liquidity could also be adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful. 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.*

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

You may not be able to resell your shares at or above the offering price due to a number of factors such as those listed in "Risk Factors" in our 2010 Annual Report and the following, some of which are beyond our 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 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.

***Because we have no current plans to pay cash dividends on our common stock, 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. 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 indenture governing our 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 amended and restated charter and bylaws could make it difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. For example, our amended and restated 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" in the accompanying 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, 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 by the Investors. After giving effect to this offering, the Investors are expected to continue to have an indirect interest in approximately 64% of our outstanding common stock (or approximately 63% if the underwriters exercise their option to purchase additional shares in full) through their investment in Buck Holdings, L.P. In addition, the Investors have the ability to elect our entire Board of Directors. As a result, the Investors 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. As long as the Investors continue to have an indirect interest in 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 entered into with Buck Holdings, L.P., KKR and the GS Investors, KKR has consent rights over certain significant corporate actions and KKR and the GS Investors have certain rights to appoint directors to our Board and certain of its committees.

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. As 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 New York Stock Exchange rules and, as a result, 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 are expected to continue to control a majority of the voting power of our outstanding common stock. As a result, we expect we will continue to be a "controlled company" within the meaning of the New York Stock Exchange 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 continue to utilize these exemptions. As a result, we do not have a majority of independent directors, no independent directors serve on our nominating/corporate governance committee, and our compensation committee does not consist entirely of independent directors and such committees are not required to conduct 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 New York Stock Exchange.

***If we, the Investors or other significant shareholders sell a large number of shares of our common stock, 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 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 issue equity securities in the future at a time and at a price that we deem appropriate. As of August 31, 2011, we had 341,585,051 shares of common stock outstanding, of which less than 29% were freely tradable on the New York Stock Exchange. After giving effect to this offering approximately 36% of our shares of common stock outstanding would be freely tradable on the New York Stock Exchange (or 37% if the underwriters exercise their option to purchase additional shares from certain of the selling shareholders in full).

We, our directors and executive officers, the selling shareholders and, through their investment in Buck Holdings, L.P., 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 75 days from the date of this prospectus supplement, subject to certain exceptions. In addition, pursuant to a registration rights agreement, we have granted the Investors 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 or to piggyback on a registration statement in certain circumstances. Certain members of management hold similar piggyback registration rights. These rights will not be able to be exercised during the 75-day restricted period described above. Collectively, these shares will represent approximately 64% of our outstanding common stock following this offering (or 63%, if the underwriters exercise their option to purchase additional shares from certain of the selling shareholders in full). To the extent that such registration rights are exercised, the resulting sale of a substantial number of shares of our common stock into the market could cause the market price of our common stock to decline. 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 (and, in the case of our management shareholders, subject to transfer restrictions contained in management stockholders agreements). As restrictions on resale end, the market price of our common stock could also decline if the holders of restricted shares sell them or are perceived by the market as intending to sell them.

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## FORWARD-LOOKING STATEMENTS

This prospectus supplement contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements because they are not limited to statements of historical fact or they use words such as "may," "should," "could," "believe," "anticipate," "project," "plan," "schedule," "on track," "expect," "estimate," "objective," "forecast," "goal," "focus," "intend," "committed," "continue" or "will likely result" and similar expressions that concern our strategy, plans, intentions or beliefs about future occurrences or results. For example, statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for future operations, growth or initiatives; and the expected outcome or effect of pending or threatened litigation or audits are forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and other factors that may change at any time, so our actual results may differ materially from the expectations expressed in or implied by such forward-looking statements, including, but not limited to:

- 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, as well as trade restrictions;
- our level of success in gaining and maintaining broad market acceptance of our private brands and in achieving our other initiatives;
- 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, disposable income, credit availability and spending patterns, inflation and the cost of goods;
- increases in commodity prices (including, without limitation, cotton, wheat, corn, sugar, oil, paper and resin);
- 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 changes in or noncompliance with governmental laws and regulations (including, but not limited to, product safety, healthcare and unionization) and developments in and outcomes of legal proceedings, investigations or audits;

disruptions, unanticipated expenses or operational failures in our supply chain including, without limitation, a decrease in transportation capacity for overseas shipments or work stoppages or other labor disruptions that could impede the receipt of merchandise;

delays or unanticipated expenses in constructing a new distribution center;

damage or interruption to our information systems;

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

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- natural disasters, unusual weather conditions, pandemic outbreaks, boycotts, war and geo-political events;
- the incurrence of material uninsured losses, excessive insurance costs or accident costs;
- our failure to protect our brand name;
- our loss of key personnel or our inability to hire additional qualified personnel;
- interest rate and currency exchange fluctuations;
- a data security breach;
- our failure to maintain effective internal controls;
- changes to income tax expense due to changes in or interpretation of tax laws, or as a result of federal or state income tax examinations;
- changes to or new accounting guidance, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards.

We derive many of these statements from our operating budgets and forecasts, which are based on many detailed assumptions that we believe are reasonable. However, it is very difficult to predict the impact of known factors, and we cannot anticipate all factors that could affect our actual results that may be important to an investor. Important factors that could cause actual results to differ materially from the expectations expressed in our forward-looking statements are disclosed under "Risk Factors" in this prospectus supplement and in the section entitled "Risk Factors" in our 2010 Annual Report as well as the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2010 Annual Report and our Quarterly Reports on Form 10-Q, which are incorporated by reference into this prospectus supplement. All written and oral forward-looking statements we make in the future are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that we make from time to time in our other SEC filings and public communications. You should evaluate all of our forward-looking statements 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 or incorporated by reference into this prospectus supplement 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 will not receive any proceeds from this sale of shares by the selling shareholders.

## PRICE RANGE OF COMMON STOCK

Our common stock is listed on the NYSE and is traded under the symbol "DG". There was no established public trading market for our common stock after our merger that occurred on July 6, 2007 until our IPO on November 13, 2009. At the close of business on August 31, 2011, there were 1,099 holders of record of our shares of common stock. The last reported price of our common stock on the NYSE on September 6, 2011 was $36.45 per share.

The following table sets forth for the periods indicated the high and low reported sale prices per share for the common stock, as reported on the NYSE:

| | High | Low |
|---|---|---|
| ***2009*** | | |
| First Quarter | N/A | N/A |
| Second Quarter | N/A | N/A |
| Third Quarter | N/A | N/A |
| Fourth Quarter | $ 24.90 | $ 21.75 |
| ***2010*** | | |
| First Quarter | $ 29.91 | $ 21.30 |
| Second Quarter | $ 31.41 | $ 26.61 |
| Third Quarter | $ 30.20 | $ 26.64 |
| Fourth Quarter | $ 33.73 | $ 27.29 |
| ***2011*** | | |
| First Quarter | $ 33.58 | $ 26.65 |
| Second Quarter | $ 35.09 | $ 31.10 |
| Third Quarter (through September 6, 2011) | $ 36.86 | $ 29.84 |

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## DIVIDEND POLICY

We have not declared or paid recurring dividends since prior to our 2007 merger. However, prior to our IPO, 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. We have no current plans to pay any cash dividends on our common stock 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 indenture governing our outstanding senior subordinated notes due 2017. See "Liquidity and Capital Resources" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2010 Annual Report and in our Quarterly Reports on Form 10-Q that are incorporated by reference into this prospectus supplement for a description of restrictions on our ability to pay dividends.

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## SELLING SHAREHOLDERS

The following table sets forth, for each selling shareholder, the name, the number of shares of common stock beneficially owned as of August 31, 2011, the number of shares of common stock being offered pursuant to this prospectus supplement and the number of shares of common stock that will be beneficially owned immediately after the offering contemplated by this prospectus supplement.

A person is a "beneficial owner" of a security if that person has or shares voting or investment power over the security or if he has the right to acquire beneficial ownership within 60 days of August 31, 2011. Unless otherwise noted, these persons may be contacted at our executive offices and, to our knowledge, have sole voting and investment power over the shares listed. Where shares are indicated as being indirectly held through Buck Holdings, L.P., shares to be sold in the offering will be sold by Buck Holdings, L.P. on behalf of such selling shareholder. Percentage computations are based on 341,585,051 shares of our common stock outstanding as of August 31, 2011.

| Name of Selling Shareholder | Shares of Common Stock Beneficially Owned Prior to this Offering | Shares of Common Stock Being Offered | Shares of Common Stock Subject to Option | Shares of Common Stock Beneficially Owned After this Offering With Option | Shares of Common Stock Beneficially Owned After this Offering Without Option | Percentage of Common Stock Beneficially Owned Prior to this Offering | Percentage of Common Stock Beneficially Owned After this Offering With Option | Percentage of Common Stock Beneficially Owned After this Offering Without Option |
|---|---|---|---|---|---|---|---|---|
| **5% Shareholders:** | | | | | | | | |
| Buck Holdings, L.P.(1) | 241,997,057 | 24,214,291 | 3,750,000 | 214,032,766 | 217,782,766 | 70.8% | 62.7% | 63.8% |
| **Executive Officers:** | | | | | | | | |
| Richard W. Dreiling(2) | 1,566,053 | 170,000 | | 1,396,053 | 1,396,053 | * | * | * |
| Anita C. Elliott(2) | 192,025 | 18,674 | | 173,351 | 173,351 | * | * | * |
| John W. Flanigan(2) | 173,831 | 17,176 | | 156,655 | 156,655 | * | * | * |
| Kathleen R. Guion(2) | 363,641 | 36,650 | | 326,991 | 326,991 | * | * | * |
| Susan S. Lanigan(2) | 284,645 | 28,688 | | 255,957 | 255,957 | * | * | * |
| Robert D. Ravener(2) | 174,514 | 17,585 | | 156,929 | 156,929 | * | * | * |
| David M. Tehle(2) | 475,542 | 45,981 | | 429,561 | 429,561 | * | * | * |
| Todd J. Vasos(2) | 282,619 | 61,986 | | 220,633 | 220,633 | * | * | * |
| **Other Selling Shareholders:** | | | | | | | | |
| Gayle C. Aertker(2) | 168,415 | 16,973 | | 151,442 | 151,442 | * | * | * |
| Michael W. Buxton(2) | 166,939 | 16,825 | | 150,114 | 150,114 | * | * | * |
| James W. Thorpe(2) | 160,970 | 16,124 | | 144,846 | 144,846 | * | * | * |
| All other Selling Shareholders as a group(3) | 3,396,726 | 339,047 | | 3,057,679 | 3,057,679 | * | * | * |

* Less than 1%.

(1) Buck Holdings, L.P. directly holds 241,997,057 shares. The general partner of Buck Holdings, L.P. is Buck Holdings, LLC. The membership interests of Buck Holdings, LLC are held by a private investor group, including affiliates of KKR and Goldman, Sachs & Co. and other equity investors.

Each of KKR 2006 Fund L.P., KKR PEI Investments, L.P., 8 North America Investor L.P., Buck Co-Invest, LP and KKR Partners III, L.P. (collectively, the "KKR Funds") directly holds membership interests in Buck Holdings, LLC and limited partnership interests in Buck Holdings, L.P. The KKR Funds hold the majority of such membership interests and limited partnership interests. KKR 2006 Fund, L.P. holds a majority of the membership interests of Buck Holdings, LLC and the limited partnership interests of Buck Holdings, L.P. that are held by the KKR Funds. The sole general partner of the KKR 2006 Fund L.P. is KKR Associates 2006 L.P., and the sole general partner of KKR Associates 2006 L.P. is KKR 2006 GP LLC. The designated member of KKR 2006 GP LLC is KKR Fund Holdings L.P.

As the designated members of KKR Management LLC (which indirectly controls or manages KKR 2006 Fund L.P., PEI Investments, L.P. and 8 North America Investor L.P.) and the managing members of KKR III GP LLC, (which indirectly controls KKR Partners III, L.P.), Henry R. Kravis and George R. Roberts may be deemed to share voting and dispositive power with respect to the shares beneficially owned by Buck Holdings, L.P. but disclaim beneficial ownership of such shares. The address for the KKR Funds, Henry R. Kravis and KKR is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, NY 10019. The address for George R. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025.

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The Goldman Sachs Group, Inc. ("GS Group") may be deemed to share voting and dispositive power with respect to 52,474,940 shares held by Buck Holdings, L.P. Each of the following entities directly owns limited partnership interests in Buck Holdings, L.P. and may be deemed to share voting and dispositive power with respect to the specified number of shares: GS Capital Partners VI Parallel, L.P. (5,332,395); GS Capital Partners VI GmbH & Co. KG (689,182); GS Capital Partners VI Fund, L.P. (19,391,727); GS Capital Partners VI Offshore Fund, L.P. (16,129,357); Goldman Sachs DGC Investors, L.P. (2,926,695); Goldman Sachs DGC Investors Offshore Holdings, L.P. (5,819,128) and GSUIG, LLC (2,186,456) (collectively, the "Investing Entities"). The shares held by the Investing Entities may be deemed to be beneficially owned by Goldman, Sachs & Co. The general partner, managing general partner or other manager of each of the Investing Entities is an affiliate of GS Group. Goldman, Sachs & Co. is a direct and indirect wholly-owned subsidiary of GS Group. Goldman, Sachs & Co. is the investment manager of certain of the Investing Entities. Each of the Investing Entities disclaims beneficial ownership of any shares of common stock owned by Buck Holdings, L.P. or by the other investors of Buck Holdings L.P., except to the extent disclosed above. The address of each of the Investing Entities other than GS Capital Partners VI GmbH & Co. KG is c/o Goldman, Sachs & Co., 200 West Street, New York, New York 10282. The address of GS Capital Partners VI GmbH & Co. KG is Messeturm, Friedrich-Ebert-Anlage 49 60323, Frankfurt/Main, Germany.

(2)

Shares shown in the table include the following numbers of shares that such person has the right to acquire, in the aggregate, within 60 days after August 31, 2011, upon the exercise of vested options: Mr. Dreiling (1,242,856); Ms. Elliott (190,379); Mr. Flanigan (152,333); Ms. Guion (363,641); Ms. Lanigan (284,645); Mr. Ravener (148,419); Mr. Tehle (466,402); Mr. Vasos (208,333); Ms. Aertker (168,415); Mr. Buxton (166,939); and Mr. Thorpe (160,470). The shares described in this note are considered outstanding for purposes of computing the percentage of outstanding stock owned by each named person, but not for the purpose of computing the percentage ownership of any other person.

(3)

Shares shown in the table include shares owned by the selling shareholders other than those named in the table that in the aggregate beneficially own less than 1.0% of our common stock as of August 31, 2011. Shares shown in the table include 3,139,502 shares that such selling shareholders have the right to acquire, in the aggregate within 60 days after August 31, 2011 upon the exercise of vested options. The shares described in this note are considered outstanding for purposes of computing the percentage of outstanding stock owned by such group, but not for the purpose of computing the percentage ownership of any other person.

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## UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material United States federal income and estate tax consequences of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset by a non-U.S. holder.

A "non-U.S. holder" means a beneficial owner of our common stock that is not, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes);
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, "controlled foreign corporation," "passive foreign investment company" or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership and upon certain determinations made at the partner level. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

**If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership and disposition of the common stock, as well as the consequences to you arising under the laws of any other applicable taxing jurisdiction, in light of your particular circumstances.**

### Dividends

Dividends paid to a non-U.S. holder generally will be subject to withholding of United States federal income tax at a 30% rate, or such lower rate as may be specified by an applicable income tax

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treaty, of the gross amount of the dividends paid. However, dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment of the non-U.S. holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete Internal Revenue Service Form W-8BEN (or other applicable form) and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the United States Internal Revenue Service.

**Gain on Disposition of Common Stock**

Any gain realized by a non-U.S. holder on the disposition of our common stock generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a "United States real property holding corporation" for United States federal income tax purposes at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock.

In the case of a non-U.S. holder described in the first bullet point immediately above, the gain will be subject to United States federal income tax on a net income basis in the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. In the case of an individual non-U.S. holder described in the second bullet point immediately above, except as otherwise provided by an applicable income tax treaty, the gain, which may be offset by United States source capital losses, will be subject to a flat 30% tax even though the individual is not considered a resident of the United States under the Code.

We believe we are not and do not anticipate becoming a "United States real property holding corporation" for United States federal income tax purposes.

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**Federal Estate Tax**

Our common stock that is owned (or treated as owned) by an individual who is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death will be included in such individual's gross estate for United States federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise, and, therefore, may be subject to United States federal estate tax.

**Information Reporting and Backup Withholding**

We must report annually to the United States Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty or agreement.

A non-U.S. holder will be subject to backup withholding on dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the United States Internal Revenue Service.

**Additional Withholding Requirements**

Under recently enacted legislation and administrative guidance, the relevant withholding agent may be required to withhold 30% of any dividends paid after December 31, 2013 and the proceeds of a sale of our common stock paid after December 31, 2014 to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other specified requirements. If payment of this withholding tax is made, non-U.S. holders that are otherwise eligible for an exemption from, or reduction of, United States withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the Internal Revenue Service to obtain the benefit of such exemption or reduction. Non-U.S. holders should contact their own tax advisors regarding the particular consequences to them of this legislation.

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**UNDERWRITING**

Citigroup Global Markets Inc., Goldman, Sachs & Co., KKR Capital Markets LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC are acting as joint book-running managers for the offering and as representatives of the underwriters named below. We, the selling shareholders and the representatives have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter named below has severally agreed to purchase and the selling shareholders have agreed to sell the number of shares indicated in the following table.

| Underwriter | Number of Shares |
|---|---|
| Citigroup Global Markets Inc. | |
| Goldman, Sachs & Co. | |
| KKR Capital Markets LLC | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| J.P. Morgan Securities LLC | |
| Barclays Capital Inc. | |
| Wells Fargo Securities, LLC | |
| Sanford C. Bernstein & Co., LLC | |
| China International Capital Corporation Hong Kong Securities Limited | |
| Deutsche Bank Securities Inc. | |