

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934  
**For the quarterly period ended May 1, 2010**

OR

Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934  
**Commission File Number: 0-25464**



**DOLLAR TREE**

**DOLLAR TREE, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of  
incorporation or organization)

**26-2018846**  
(I.R.S. Employer  
Identification No.)

**500 Volvo Parkway**  
**Chesapeake, Virginia 23320**  
(Address of principal executive offices)

**Telephone Number (757) 321-5000**  
(Registrant's telephone number, including area code)

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).  
Yes  No

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  Accelerated filer   
Non accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of May 14, 2010, there were 84,823,304 shares of the Registrant's Common Stock outstanding.

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**DOLLAR TREE, INC.  
AND SUBSIDIARIES**

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

**DOLLAR TREE, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED INCOME STATEMENTS  
(Unaudited)**

(In millions, except per share data)	13 Weeks Ended	
	May 1, 2010	May 2, 2009
Net sales	\$ 1,352.6	\$ 1,201.1
Cost of sales, excluding non-cash		
beginning inventory adjustment	876.1	785.7
Non-cash beginning inventory adjustment	26.3	-
Gross profit	450.2	415.4
Selling, general and administrative expenses	347.6	317.8
Operating income	102.6	97.6
Interest expense, net	1.4	0.8
Other income	(0.9)	-
Income before income taxes	102.1	96.8
Provision for income taxes	38.5	36.4
Net income	\$ 63.6	\$ 60.4
Net income per share:		
Basic	\$ 0.74	\$ 0.67
Diluted	\$ 0.73	\$ 0.66

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**DOLLAR TREE, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

(In millions)	May 1, 2010	January 30, 2010	May 2, 2009
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 338.6	\$ 571.6	\$ 355.2
Short-term investments	51.5	27.8	-
Merchandise inventories	707.7	679.8	688.2
Other current assets	47.0	26.4	65.8
Total current assets	<u>1,144.8</u>	<u>1,305.6</u>	<u>1,109.2</u>
Property, plant and equipment, net	719.4	714.3	705.0
Goodwill	133.3	133.3	133.3
Deferred tax assets	43.5	35.0	41.5
Other assets, net	101.7	101.5	84.7
Total Assets	<u>\$ 2,142.7</u>	<u>\$ 2,289.7</u>	<u>\$ 2,073.7</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Current portion of long-term debt	\$ 17.5	\$ 17.5	\$ 17.6
Accounts payable	258.6	219.9	208.6
Other current liabilities	154.4	189.9	145.3
Income taxes payable	37.7	48.6	42.9
Total current liabilities	<u>468.2</u>	<u>475.9</u>	<u>414.4</u>
Long-term debt, excluding current portion	250.0	250.0	250.0
Income taxes payable, excluding current portion	15.0	14.4	15.0
Other liabilities	116.5	120.2	112.8
Total liabilities	<u>849.7</u>	<u>860.5</u>	<u>792.2</u>
Commitments and contingencies			
Shareholders' equity	<u>1,293.0</u>	<u>1,429.2</u>	<u>1,281.5</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,142.7</u>	<u>\$ 2,289.7</u>	<u>\$ 2,073.7</u>
Common shares outstanding	<u>84.8</u>	<u>87.5</u>	<u>90.2</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**DOLLAR TREE, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(In millions)	13 Weeks Ended	
	May 1, 2010	May 2, 2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 63.6	\$ 60.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39.3	38.8
Other non-cash adjustments to net income	26.3	2.0
Changes in operating assets and liabilities	(93.4)	(46.6)
Net cash provided by operating activities	35.8	54.6
<b>Cash flows from investing activities:</b>		
Capital expenditures	(45.1)	(34.1)
Purchase of short-term investments	(29.0)	-
Proceeds from sales of short-term investments	5.4	-
Purchase of restricted investments	(36.4)	(0.1)
Proceeds from sales of restricted investments	36.4	-
Net cash used in investing activities	(68.7)	(34.2)
<b>Cash flows from financing activities:</b>		
Payments for share repurchases	(220.8)	(39.6)
Proceeds from stock issued pursuant to stock-based compensation plan	13.3	9.3
Tax benefit of stock-based compensation	7.5	0.8
Other	(0.1)	(0.1)
Net cash used in financing activities	(200.1)	(29.6)
Net decrease in cash and cash equivalents	(233.0)	(9.2)
Cash and cash equivalents at beginning of period	571.6	364.4
Cash and cash equivalents at end of period	\$ 338.6	\$ 355.2
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	\$ 1.6	\$ 2.2
Income taxes	\$ 49.4	\$ 44.7

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**DOLLAR TREE, INC.  
AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements of Dollar Tree, Inc. and its wholly-owned subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 30, 2010 contained in the Company's Annual Report on Form 10-K filed March 19, 2010. The results of operations for the 13 weeks ended May 1, 2010 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 29, 2011.

In the Company's opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of those of a normal recurring nature) considered necessary for a fair presentation of its financial position as of May 1, 2010 and May 2, 2009 and the results of its operations and cash flows for the periods presented. The January 30, 2010 balance sheet information was derived from the audited consolidated financial statements as of that date.

**2. MERCHANDISE INVENTORIES**

The Company assigns cost to store inventories using the retail inventory method, determined on a weighted average cost basis. Since inception through fiscal 2009, the Company used one inventory pool for this calculation. Over the years, the Company has invested in retail technology systems, that has allowed it to refine the estimate of inventory cost under the retail method. On January 31, 2010, the first day of fiscal 2010, the Company began using approximately thirty inventory pools in its retail inventory calculation. As a result of this change, the Company recorded a non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of approximately \$26.3 million in the first quarter of 2010. This is a prospective change and will not have any effect on prior periods. This change in estimate to include thirty inventory pools in the retail method calculation is preferable to using one pool in the calculation as this will give the Company a more accurate estimate of cost of store level inventories.

**3. FAIR VALUE MEASUREMENTS**

The Company's cash and cash equivalents, short-term investments, restricted investments and interest rate and diesel fuel swaps represent the financial assets and liabilities that were accounted for at fair value on a recurring basis as of May 1, 2010. As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The fair value of the Company's cash and cash equivalents, short-term investments and restricted investments was \$338.6 million, \$51.5 million and \$78.4 million, respectively at May 1, 2010. These fair values were determined using Level 1 measurements in the fair value hierarchy. The fair value of the interest rate swaps as of May 1, 2010 was a liability of \$3.2 million and the fair value of the diesel fuel swaps as of May 1, 2010 was an asset of \$0.7 million. These fair values were estimated using Level 2 measurements in the fair value hierarchy. These estimates used discounted cash flow calculations based upon forward interest-rate yield and diesel cost curves.

The carrying value of the Company's long-term debt approximates its fair value because the debt's interest rates vary with market interest rates.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). There were no changes in fair value related to these assets during the first quarter of 2010.

#### 4. INCOME TAXES

During the first quarter of 2010, the Company adjusted its balance of unrecognized tax benefits primarily as a result of recording accrued interest on uncertain tax liabilities and additional reserves. Accordingly, "Income taxes payable, excluding current portion" was increased by \$0.6 million. The total amount of unrecognized tax benefits at May 1, 2010, that, if recognized would affect the effective tax rate was \$9.95 million (net of federal tax benefit).

#### 5. NET INCOME PER SHARE

The following table sets forth the calculation of basic and diluted net income per share:

(In millions, except per share data)	13 Weeks Ended	
	May 1, 2010	May 2, 2009
Basic net income per share:		
Net income	\$ 63.6	\$ 60.4
Weighted average number of shares outstanding	86.2	90.5
Basic net income per share	\$ 0.74	\$ 0.67
Diluted net income per share:		
Net income	\$ 63.6	\$ 60.4
Weighted average number of shares outstanding	86.2	90.5
Dilutive effect of stock options and restricted stock units (as determined by applying the treasury stock method)	0.6	0.6
Weighted average number of shares and dilutive potential shares outstanding	86.8	91.1
Diluted net income per share	\$ 0.73	\$ 0.66

For the 13 weeks ended May 1, 2010 and May 2, 2009, less than 0.1 million and approximately 0.1 million stock options, respectively were not included in the calculation of the weighted average number of shares and dilutive potential shares outstanding because their effect would be anti-dilutive.

#### 6. STOCK-BASED COMPENSATION

The Company's stock-based compensation expense includes the fair value of granted stock options and restricted stock units (RSUs) and employees' purchase rights under the Company's Employee Stock Purchase Plan. Stock-based compensation expense was \$7.1 million and \$5.4 million, during the 13 weeks ended May 1, 2010 and May 2, 2009, respectively.

The Company granted approximately 0.4 million service-based RSUs from the Equity Incentive Plan (EIP) and the Executive Officer Equity Incentive Plan (EOEP) to employees and officers in the 13 weeks ended May 1, 2010. The estimated \$24.0 million fair value of these RSUs is being expensed ratably over the three-year vesting periods, or a shorter period based on the retirement eligibility of certain grantees. The fair value was determined using the Company's closing stock price on the date of grant. The Company recognized \$2.0 million of expense related to these RSUs for the 13 weeks ended May 1, 2010.

In fiscal 2010 the Company granted 0.1 million RSUs from the EIP and the EOEP to certain officers of the Company, contingent on the Company meeting certain performance targets in fiscal 2010. If the Company meets these performance targets in fiscal 2010, then the RSUs will vest ratably over three years, ending April 1, 2013. The Company recognized \$0.5 million of expense related to these RSUs in the 13 weeks ended May 1, 2010.

The Company recognized \$3.4 million of expense related to RSUs granted prior to fiscal 2010 in the 13 weeks ended May 1, 2010. For the 13 weeks ended May 2, 2009, the Company recognized \$3.9 million of expense related to RSUs.

In the 13 weeks ended May 1, 2010, approximately 0.5 million RSUs vested and approximately 0.3 million shares, net of taxes were issued. During the 13 weeks ended May 2, 2009, approximately 0.3 million RSUs vested and approximately 0.2 million shares, net of taxes were issued.

## 7. SHAREHOLDERS' EQUITY

### Comprehensive Income

The Company's comprehensive income reflects the effect of recording the interest rate swaps entered into in March 2008 at fair value. The following table provides a reconciliation of Net income to Total comprehensive income:

(In millions)	13 Weeks Ended	
	May 1, 2010	May 2, 2009
Net income	\$ 63.6	\$ 60.4
Fair value adjustment-derivative		
cash flow hedging instrument	0.8	(0.4)
Income tax (expense) benefit	(0.3)	0.1
Fair value adjustment, net of tax	0.5	(0.3)
Total comprehensive income	\$ 64.1	\$ 60.1

### Share Repurchase Program

On March 19, 2010, the Company entered into an agreement to repurchase \$200.0 million of the Company's common shares under an Accelerated Share Repurchase Agreement (ASR). The entire \$200.0 million is subject to a "collar" agreement. Under this agreement, the Company initially received 3.1 million shares through March 31, 2010, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the collar. The maximum number of shares that can be received under the agreement is 3.5 million. The number of shares is determined based on the weighted average market price of the Company's common stock, less a discount, during a specified period of time. The repurchase period ranges from one and one-half to four months following a two week maximum hedge completion period. The weighted average market price through May 1, 2010 as defined in the "collared" agreement was \$58.05. Therefore, if the transaction had settled on May 1, 2010, the Company would have received an additional 0.4 million shares under the "collared" agreement. Based on the applicable accounting literature, these additional shares were not included in the weighted average diluted earnings per share calculation because their effect would be antidilutive. Based on the hedge period reference price of \$59.42, there is approximately \$18.2 million of the \$200.0 million related to the agreement, as of May 1, 2010, that is recorded as a reduction to shareholders' equity pending final settlement of the agreement.



The Company also repurchased approximately 0.4 million additional shares of common stock for approximately \$18.4 million during the 13 weeks ended May 1, 2010. The Company repurchased approximately 1.1 million shares of common stock for approximately \$42.7 million during the 13 weeks ended May 2, 2009. The Company also had less than 0.1 million shares totaling \$2.4 million that were accrued as share repurchases at January 30, 2010 that settled during the 13 weeks ended May 1, 2010. At May 1, 2010 the Company had approximately \$42.2 million remaining under Board authorization.

## **8. LITIGATION MATTERS**

In 2006, a former store manager filed a collective action against the Company in Alabama federal court. She claims that she and other store managers should have been classified as non-exempt employees under the Fair Labor Standards Act and received overtime compensation. The Court preliminarily allowed nationwide (except California) notice to be sent to all store managers employed for the three years immediately preceding the filing of the suit. Approximately 500 individuals are included in the collective action. The Court presently has before it the Company's motion to decertify the collective action together with the briefs of the parties. On May 6, 2010, the Court, on its own motion, continued the case from its July 2010 trial date. No new trial date has been scheduled. The Company is vigorously defending itself in this matter.

In 2007, two store managers filed a class action against the Company in California federal court, claiming they and other California store managers should have been classified as non-exempt employees under California and federal law. The Court has allowed notice to be sent to all California store managers employed since December 12, 2004, and a class of approximately 720 individuals exists. Following discovery, which is on-going, the Company will seek to decertify the class. If that motion is denied, the case is scheduled to proceed to trial in March of 2011. The Company is vigorously defending itself in this matter.

In 2008, the Company was sued under the Equal Pay Act in Alabama federal court by two female store managers alleging that they and other female store managers were paid less than male store managers. Among other things, they seek monetary damages and back pay. The Court ordered that notice be sent to potential plaintiffs and there are now approximately 340 opt-in plaintiffs. The Company expects that the Court will consider a motion by the Company to decertify the collective action later in 2010. In October 2009, 34 plaintiffs, most of whom are opt-in plaintiffs in the Alabama action, filed a new class action Complaint in a federal court in Virginia, alleging gender pay and promotion discrimination under Title VII. On March 11, 2010, the case was dismissed with prejudice. Plaintiffs have filed a motion requesting the Court to alter, amend and vacate its dismissal Order. This motion has been briefed by the parties and awaits the Court's ruling.

The Company does not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on its business or financial condition. The Company cannot give assurance, however, that one or more of these lawsuits will not have a material adverse effect on its results of operations for the period in which they are resolved.

## **9. SUBSEQUENT EVENT**

In May 2010, the Company entered into additional fuel derivative contracts with a third party for approximately 3.2 million gallons of diesel fuel, or approximately 33% of its fuel needs from August 2010 through April 2011. Under these contracts, the Company pays the third party a fixed price for diesel fuel and receives variable diesel fuel prices at amounts approximating current diesel fuel costs, thereby creating the economic equivalent of a fixed-rate obligation. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives will be included in earnings.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**INTRODUCTORY NOTE:** Unless otherwise stated, references to "we," "our" and "us" generally refer to Dollar Tree, Inc. and its direct and indirect subsidiaries on a consolidated basis.

**A WARNING ABOUT FORWARD-LOOKING STATEMENTS:** This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments or results and typically use words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." For example, our forward-looking statements include statements regarding:

- our anticipated sales, including comparable store net sales, net sales growth, earnings growth and new store growth;
- costs of pending and possible future legal claims;
- the average size of our stores and their performance compared with other store sizes;
- the effect of the continued shift in merchandise mix to include more consumables and the continued roll-out of frozen and refrigerated merchandise on gross profit margin and sales;
- the effect on quarterly gross profit of using the new retail inventory calculation;
- the possible effect of the current economic downturn, inflation and other economic changes on our costs and profitability, including future changes in minimum wage rates, shipping rates, domestic and foreign freight costs, fuel costs and wage and benefit costs;
- our cash needs, including our ability to fund our future capital expenditures and working capital requirements; and,
- the future reliability of, and cost associated with, our sources of supply, particularly imported goods such as those sourced from China and Hong Kong.

For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully review the risk factors summarized below and the more detailed discussions in the "Risk Factors" and "Business" sections in our Annual Report on Form 10-K filed March 19, 2010. Also see section 1A. "Risk Factors" in Part II of this Quarterly Report on Form 10-Q.

- Our profitability is especially vulnerable to cost increases.
- Litigation may adversely affect our business, financial condition and results of operations.
- Changes in federal, state or local law, or our failure to comply with such laws, could increase our expenses and expose us to legal risks.
- We could encounter disruptions or additional costs in receiving and distributing merchandise.
- We may be unable to expand our square footage as timely and profitably as planned.
- Sales below our expectations during peak seasons may cause our operating results to suffer materially.
- Our sales and profits rely on directly and indirectly imported merchandise which may increase in cost or become unavailable.

- A downturn in economic conditions could adversely affect our sales.
- Our profitability is affected by the mix of products we sell.
- Pressure from competitors, including competition for merchandise, may reduce our sales and profits.
- The price of our common shares as traded on the Nasdaq Global Select Market may be volatile.
- Certain provisions in our articles of incorporation and bylaws could delay or discourage a takeover attempt.

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this quarterly report and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, it is against our policy to selectively disclose to them any material nonpublic information or other confidential commercial information. Accordingly, shareholders should not assume that we agree with any statement or report issued by any analyst regardless of the content of the statement or report, as we have a policy against confirming information issued by others. Thus, to the extent that reports issued by securities analysts contain any financial projections, forecasts or opinions, such reports are not our responsibility.

## Overview

Our net sales are derived from the sale of merchandise. Two major factors tend to affect our net sales trends. First is our success at opening new stores or adding new stores through mergers or acquisitions. Second is the performance of stores once they are open. Sales vary at our existing stores from one year to the next. We refer to this change as a change in comparable store net sales, because we include only those stores that are open throughout both of the periods being compared, beginning after the first fifteen months of operation. We include sales from stores expanded during the period in the calculation of comparable store net sales, which has the effect of increasing our comparable store net sales. The term “expanded” also includes stores that are relocated.

At May 1, 2010 we operated 3,874 stores in 48 states, with 33.0 million selling square feet compared to 3,667 stores with 31.0 million selling square feet at May 2, 2009. During the 13 weeks ended May 1, 2010, we opened 74 stores, expanded 34 stores and closed 6 stores, compared to 79 stores opened, 25 stores expanded and 3 stores closed during the 13 weeks ended May 2, 2009. In each of the 13 weeks ended May 1, 2010 and May 2, 2009, we added approximately 0.7 million selling square feet, of which approximately 0.1 million was added in each period through expanding existing stores. The average size of stores opened during the 13 weeks ended May 1, 2010 was approximately 8,500 selling square feet. We believe that this size store is our optimal size operationally and that this size also gives our customers a shopping environment which invites them to shop longer, buy more and make return visits, which increases our customer traffic.

For the 13 weeks ended May 1, 2010, comparable store net sales increased 6.5% due to increased traffic and increased average ticket. We believe comparable store net sales continue to be positively affected by a number of our initiatives, as debit and credit card penetration continued to increase in the 13 weeks ended May 1, 2010, and we continued the roll-out of frozen and refrigerated merchandise to more of our stores. At May 1, 2010, we had frozen and refrigerated merchandise in approximately 1,560 stores compared to approximately 1,320 stores at May 2, 2009. We believe that this has and will continue to enable us to increase sales and earnings by increasing the number of shopping trips made by our customers. In addition, we now accept food stamps (under the Supplemental Nutrition Assistance Program (“SNAP”)) in approximately 2,990 qualified stores compared to approximately 2,270 stores at May 2, 2009.

We assign cost to store inventories using the retail inventory method, determined on a weighted average cost basis. Since inception through fiscal 2009, we used one inventory pool for this calculation. Over the years, we have invested in our retail technology systems, that has allowed us to refine the estimate of inventory cost under the retail method. On January, 31, 2010, the first day of fiscal 2010, we began using approximately thirty inventory pools in our retail inventory calculation. This change gives us a more accurate inventory cost which will facilitate improved decision making and will enhance our assortment planning process. As a result of this change, we recorded a non-cash charge to gross profit and a corresponding reduction in inventory, at cost, of approximately \$26.3 million in the first quarter of 2010. This is a prospective change and will not have any effect on prior periods. This change could result in more variability in gross profit between quarters compared to the previous calculation.

## Results of Operations

### 13 Weeks Ended May 1, 2010 Compared to the 13 Weeks Ended May 2, 2009

**Net sales.** Net sales increased 12.6%, or \$151.5 million, over last year's first quarter resulting from a 6.5% increase in comparable store net sales and sales in our new stores. Comparable store net sales are positively affected by our expanded and relocated stores, which we include in the calculation, and are negatively affected when we open new stores or expand stores near existing stores.

**Gross Profit.** For the 13 weeks ended May 1, 2010, our gross profit margin decreased to 33.3% compared to our gross profit margin of 34.6% for the 13 weeks ended May 2, 2009, as a result of the \$26.3 million non-cash beginning inventory adjustment. This adjustment reflects our refined estimate of inventory cost as of January 31, 2010 using approximately thirty inventory pools in our retail inventory calculation, whereas, prior to the first quarter of 2010, we used one inventory pool for this calculation. Without this charge, our gross profit margin increased to 35.2% for the 13 weeks ended May 1, 2010 compared to 34.6% for the 13 weeks ended May 2, 2009. This increase can be attributed to the following:

- Occupancy and distribution costs decreased 35 basis points in the quarter resulting from the leveraging of the comparable store net sales increase
- Shrink costs decreased 15 basis points in the quarter due to favorable adjustments to shrink estimates in the current quarter based on actual inventory results.
- Merchandise costs, including freight, decreased 10 basis points due primarily to lower ocean freight rates compared to the prior year quarter, partially offset by an increase in the sales mix of higher cost consumer product merchandise and higher diesel fuel costs compared with the prior year quarter.

**Selling, General and Administrative Expenses.** Selling, general, and administrative expenses for the current quarter decreased to 25.7%, as a percentage of net sales, compared to 26.5% for the same period last year. This decrease was primarily due to the following:

- Store operating costs decreased 30 basis points primarily due to lower utility costs, as a percentage of sales, in the current quarter, resulting from lower rates compared to the prior year quarter and the leveraging associated the increase in comparable store net sales.
- Depreciation decreased 30 basis points primarily due to the leveraging associated with the increase in comparable store net sales in the current quarter.
- Payroll-related expenses decreased 25 basis points due primarily to the leveraging of the comparable store sales increase.

**Operating Income.** Operating income for the current quarter was 7.6% as a percentage of net sales compared to 8.1% for the same period last year. This decrease is due to the \$26.3 million adjustment to reduce beginning inventory on the first day of fiscal 2010. Without that adjustment our operating income for the current quarter, as a percentage of net sales, was 9.5%, reflecting the increased gross profit margin and decreased selling, general and administrative expenses, as a percentage of net sales, noted above.

**Income Taxes.** Our effective tax rate for the 13 weeks ended May 1, 2010 was 37.7% compared to 37.6% for the 13 weeks ended May 2, 2009.

### Liquidity and Capital Resources

Our business requires capital to open new stores, expand our distribution network and operate our existing business. Our working capital requirements for our existing business are seasonal in nature and typically reach their peak in the months of September and October. Historically, we have satisfied our seasonal working capital requirements, funded our store opening and expansion programs and repurchased shares from internally generated funds and borrowings under our credit facilities.

The following table compares cash flow information for the 13 weeks ended May 1, 2010 and May 2, 2009:

(In millions)	13 Weeks ended	
	May 1, 2010	May 2, 2009
Net cash provided by (used in):		
Operating activities	\$ 35.8	\$ 54.6
Investing activities	(68.7)	(34.2)
Financing activities	(200.1)	(29.6)

Net cash provided by operating activities decreased \$18.8 million due primarily to increased inventory levels due to the timing of receipts and increased incentive compensation payouts in the current year resulting from the higher accruals at the end of fiscal 2009. These decreases were partially offset by increased non-cash adjustments resulting primarily from the \$26.3 million adjustment to reduce beginning inventory and an increase in accounts payable resulting from the timing of payments.

Net cash used in investing activities increased \$34.5 million primarily due to short-term investment purchases in the current year and increased capital expenditures. Capital expenditures increased in the current year primarily resulting from costs for our new distribution center in San Bernardino, CA that opened during the first quarter of fiscal 2010.

Net cash used in financing activities increased \$170.5 million compared with the first quarter of fiscal 2009 primarily due to increased share repurchases in the current year.

At May 1, 2010, our long-term borrowings were \$267.5 million, our capital lease commitments were \$0.3 million and we had \$300.0 million available on the revolving credit portion of our Unsecured Credit Agreement. We also have \$121.5 million and \$50.0 million Letter of Credit Reimbursement and Security Agreements, under which approximately \$108.4 million was committed to letters of credit issued for routine purchases of imported merchandise as of May 1, 2010.

On March 19, 2010, we entered into an agreement to repurchase \$200.0 million of our common shares under an Accelerated Share Repurchase Agreement (ASR). The entire \$200.0 million is subject to a "collar" agreement. Under this agreement, we initially received 3.1 million shares through March 31, 2010, representing the minimum number of shares to be received based on a calculation using the "cap" or high-end of the price range of the collar. The maximum number of shares that can be received under the agreement is 3.5 million. The number of shares is determined based on the weighted average market price of our common stock, less a discount, during a specified period of time. The repurchase period ranges from one and one-half to four months following a two week maximum hedge completion period. The weighted average market price through May 1, 2010 as defined in the "collared" agreement was \$58.05. Therefore, if the transaction had settled on May 1, 2010, we would have received an additional 0.4 million shares under the "collared" agreement. Based on the applicable accounting literature, these additional shares were not included in the weighted average diluted earnings per share calculation because their effect would be antidilutive. Based on the hedge period reference price of \$59.42, there is approximately \$18.2 million of the \$200.0 million related to the agreement, as of May 1, 2010, that is recorded as a reduction to shareholders' equity pending final settlement of the agreement.

We also repurchased approximately 0.4 million additional shares of common stock for approximately \$18.4 million during the 13 weeks ended May 1, 2010. We repurchased approximately 1.1 million shares of common stock for approximately \$42.7 million during the 13 weeks ended May 2, 2009. We also had less than 0.1 million shares totaling \$2.4 million that were accrued as share repurchases at January 30, 2010 that settled during the 13 weeks ended May 1, 2010. At May 1, 2010, we had approximately \$42.2 million remaining under Board authorization.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to various types of market risk in the normal course of our business, including the impact of interest rate changes, fuel costs and foreign currency rate fluctuations. We may enter into interest rate swaps, fuel hedges and foreign currency forward contracts to manage our exposure to market risk. We do not enter into derivative instruments for any purpose other than cash flow hedging purposes.

On March 20, 2008, we entered into two \$75.0 million interest rate swap agreements. These interest rate swaps are used to manage the risk associated with interest rate fluctuations on a portion of our variable rate debt. Under these agreements, we pay interest to financial institutions at a fixed rate of 2.8%. In exchange, the financial institutions pay us at a variable rate, which equals the variable rate on the debt, excluding the credit spread. These swaps qualify for hedge accounting treatment and expire in March 2011. The fair value of these swaps as of May 1, 2010 and May 2, 2009 was a liability of \$3.2 million and \$4.8 million, respectively.

In order to manage fluctuations in cash flows resulting from changes in diesel fuel costs, we entered into fuel derivative contracts with a third party in the fourth quarter of 2009 for 2.4 million gallons of diesel fuel, or approximately 25% of our fuel needs from May 2010 through January 2011. Under these contracts, we pay the third party a fixed price for diesel fuel and receive variable diesel fuel prices at amounts approximating current diesel fuel costs, thereby creating the economic equivalent of a fixed-rate obligation. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives are included in earnings. The fair value of these contracts at May 1, 2010 was an asset of \$0.7 million.

In May 2010, we entered into additional fuel derivative contracts with a third party for approximately 3.2 million gallons of diesel fuel, or approximately 33% of our fuel needs from August 2010 through April 2011. Under these contracts, we pay the third party a fixed price for diesel fuel and receive variable diesel fuel prices at amounts approximating current diesel fuel costs, thereby creating the economic equivalent of a fixed-rate obligation. These derivative contracts do not qualify for hedge accounting and therefore all changes in fair value for these derivatives will be included in earnings.

### **Item 4. CONTROLS AND PROCEDURES.**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of May 1, 2010, our disclosure controls and procedures are effective.

Effective January 31, 2010, we refined our estimate of store level inventory cost under the retail method as we began using approximately thirty inventory pools in our retail inventory calculation. Prior to this change, we used one inventory pool in our retail inventory calculation. This change has materially modified our internal controls over financial reporting. We believe that this change gives us a more accurate store level inventory cost and will enhance our operational decision making.

There have been no other changes in our internal control over financial reporting during the quarter ended May 1, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS.**

From time to time, we are defendants in ordinary, routine litigation or proceedings incidental to our business, including allegations regarding:

- employment-related matters;
- infringement of intellectual property rights;
- product safety matters, which may include product recalls in cooperation with the Consumer Products Safety Commission or other jurisdictions;
- personal injury/wrongful death claims; and
- real estate matters related to store leases.

In addition, we are defendants in several class or collective action lawsuits. For a discussion of these lawsuits, please refer to “Note 8. Litigation Matters”, included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q.

We will vigorously defend ourselves in these lawsuits. We do not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on our business or financial condition. We cannot give assurance, however, that one or more of these lawsuits will not have a material adverse effect on our results of operations for the period in which they are resolved.

### **Item 1A. RISK FACTORS**

There have been no material changes to the risk factors described in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K, filed with the SEC on March 19, 2010.



**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

The following table presents our share repurchase activity for the 13 weeks ended May 1, 2010:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
January 31, 2010 to February 27, 2010	385,600	\$ 47.80	385,600	\$ 242.2
February 28, 2010 to April 3, 2010	3,060,107	59.42	3,060,107	42.2
April 4, 2010 to May 1, 2010	-	-	-	42.2
Total	<u>3,445,707</u>	\$ 58.12	<u>3,445,707</u>	\$ 42.2

On March 19, 2010, we entered into an agreement to repurchase \$200.0 million of our common shares under an Accelerated Share Repurchase Agreement (ASR). The entire \$200.0 million is subject to a “collar” agreement. Under this agreement, we initially received 3.1 million shares through March 31, 2010, representing the minimum number of shares to be received based on a calculation using the “cap” or high-end of the price range of the collar. The maximum number of shares that can be received under the agreement is 3.5 million. The number of shares is determined based on the weighted average market price of our common stock, less a discount, during a specified period of time. The repurchase period ranges from one and one-half to four months following a two week maximum hedge completion period. The weighted average market price through May 1, 2010 as defined in the “collared” agreement was \$58.05. Therefore, if the transaction had settled on May 1, 2010, we would have received an additional 0.4 million shares under the “collared” agreement. Based on the applicable accounting literature, these additional shares were not included in the weighted average diluted earnings per share calculation because their effect would be antilutative. Based on the hedge period reference price of \$59.42, there is approximately \$18.2 million of the \$200.0 million related to the agreement, as of May 1, 2010, that is recorded as a reduction to shareholders’ equity pending final settlement of the agreement.

**Item 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**Item 5. OTHER INFORMATION.**

None.

**Item 6. EXHIBITS.**

- 3.1 Articles of Incorporation of Dollar Tree, Inc. (as amended, effective June 23, 2008) (Exhibit 3.1 to the Company's June 19, 2008 Current Report on Form 8-K, incorporated herein by this reference)
- 3.2 Bylaws of Dollar Tree, Inc., as amended (Exhibit 3.1 to the Company's January 14, 2010 Current Report on Form 8-K, incorporated herein by this reference)
- 4.1 Form of Common Stock Certificate (Exhibit 4.1 to the Company's March 13, 2008 Current Report on Form 8-K, incorporated herein by this reference)
- 10.1 Accelerated Share Repurchase Program Collared Master Confirmation dated March 19, 2010 (filed herewith)
- 10.2 Accelerated Share Repurchase Program Supplemental Confirmation dated March 19, 2010 (filed herewith)
- 18.1 Preferability Letter of Independent Registered Public Accounting Firm (filed herewith)
- 31.1 Certification required under Section 302 of the Sarbanes-Oxley Act of Chief Executive Officer
- 31.2 Certification required under Section 302 of the Sarbanes-Oxley Act of Chief Financial Officer
- 32.1 Certification required under Section 906 of the Sarbanes-Oxley Act of Chief Executive Officer
- 32.2 Certification required under Section 906 of the Sarbanes-Oxley Act of Chief Financial Officer

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**DOLLAR TREE, INC.**

Date: May 20, 2010

By: /s/ Kevin S. Wampler  
Kevin S. Wampler  
Chief Financial Officer  
(principal financial and accounting officer)

March 19, 2010



To: Dollar Tree, Inc.  
 500 Volvo Parkway  
 Chesapeake, VA 23320  
 Attn: Roger Dean, VP – Treasurer  
 Shawnta Totten, VP – Governance and Corporate Counsel  
 Facsimile: 757-321-5111

From: Bank of America, N.A.  
 c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated  
 One Bryant Park, 8th Floor  
 New York, NY 10036  
 Attn: John Servidio  
 Telephone: 646-855-6770  
 Facsimile: 212-230-8610

Re: **Issuer Forward Repurchase Transaction**  
**(Transaction Reference Number: NY-40037)**

Ladies and Gentlemen:

This master confirmation (this “**Master Confirmation**”) is intended to supplement the terms and provisions of certain Transactions (each, a “**Transaction**”) entered into from time to time between Bank of America, N.A. (“**BofA**”) and Dollar Tree, Inc. (“**Counterparty**”). This Master Confirmation, taken alone, is neither a commitment by either party to enter into any Transaction nor evidence of a Transaction. The terms of any particular Transaction shall be set forth in (i) a Supplemental Confirmation in the form of Exhibit A hereto (a “**Supplemental Confirmation**”), which shall reference this Master Confirmation and supplement, form a part of, and be subject to this Master Confirmation and (ii) a Trade Notification in the form of Exhibit B hereto (a “**Trade Notification**”), which shall reference the relevant Supplemental Confirmation and supplement, form a part of, and be subject to such Supplemental Confirmation. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification together shall constitute a “Confirmation” as referred to in the Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (the “**2000 Definitions**”) and the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”) and together with the 2000 Definitions, the “**Definitions**”), as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”), are incorporated into this Master Confirmation and each Supplemental Confirmation and Trade Notification. This Master Confirmation, each Supplemental Confirmation and the related Trade Notification evidence a complete binding agreement between Counterparty and BofA as to the subject matter and terms of each Transaction to which this Master Confirmation, such Supplemental Confirmation and Trade Notification relate and shall supersede all prior or contemporaneous written or oral communications with respect thereto.

This Master Confirmation, each Supplemental Confirmation and each Trade Notification supplement, form a part of, and are subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement (the “**ISDA Form**”) as if BofA and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Master Confirmation, each Supplemental Confirmation and each Trade Notification).

For each Transaction, all provisions contained or incorporated by reference in the Agreement shall govern this Master Confirmation, the Supplemental Confirmation and each Trade Notification relating to such Transaction except as expressly modified herein or in such Supplemental Confirmation or Trade Notification.

If, in relation to any Transaction to which this Master Confirmation, a Supplemental Confirmation and a Trade Notification relate, there is any inconsistency between the Agreement, this Master Confirmation, any Supplemental Confirmation, any Trade Notification and the Equity Definitions, the following will prevail for purposes of such Transaction in the order of precedence indicated: (i) such Trade Notification, (ii) such Supplemental Confirmation; (iii) this Master Confirmation; (iv) the Agreement; and (v) the Equity Definitions.

1. Each Transaction constitutes a Share Forward Transaction for the purposes of the Equity Definitions Set forth below are the terms and conditions which, together with the terms and conditions set forth in the related Supplemental Confirmation and Trade Notification (in respect of the relevant Transaction), shall govern each such Transaction.

General Terms:

Trade Date: For each Transaction, as set forth in the Supplemental Confirmation.

Buyer: Counterparty

Seller: BofA

Shares: Shares of common stock, par value USD 0.01 per share, of Counterparty (Exchange Ticker: "DLTR")

Forward Price: The arithmetic average of the VWAP Prices for each Exchange Business Day in the Calculation Period

VWAP Price: For any Exchange Business Day, as determined by the Calculation Agent based on the Rule 10b-18 Volume Weighted Average Price per Share for the regular trading session (including any extensions thereof) of the Exchange on such Exchange Business Day (without regard to pre-open or after hours trading outside of such regular trading session for such Exchange Business Day), as published by Bloomberg at 4:15 p.m. New York time (or 15 minutes following the end of any extension of the regular trading session) on such Exchange Business Day, on Bloomberg page "DLTR.Q <Equity> AQR\_SEC" (or any successor thereto). For purposes of calculating the VWAP Price, the Calculation Agent will include only those trades that are reported during the period of time during which Counterparty could purchase its own shares under Rule 10b-18(b)(2) and pursuant to the conditions of Rule 10b-18(b)(3), each under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (such trades, "**Rule 10b-18 eligible transactions**").

Forward Price Adjustment Amount: For each Transaction, as set forth in the Supplemental Confirmation.

Calculation Period: The period from and including the Calculation Period Start Date to and including the Termination Date (as adjusted in accordance with the provisions hereof).

Calculation Period Start Date: For each Transaction, as set forth in the Supplemental Confirmation.

Termination Date: For each Transaction, the Scheduled Termination Date set forth in the Supplemental Confirmation (as the same may be postponed in accordance with the provisions hereof); *provided* that BofA shall have the right to designate any date (the "**Accelerated Termination Date**") on or after the First Acceleration Date to be the Termination Date by providing notice to Counterparty of any such designation by 7:00 p.m. New York City time on the Exchange Business Day following such date.

First Acceleration Date: For each Transaction, as set forth in the Supplemental Confirmation.

Hedge Period: The period from and including the day immediately after the Trade Date to and including the Hedge Completion Date (as adjusted in accordance with the provisions hereof).

Hedge Completion Date: For each Transaction, as set forth in the Trade Notification, to be the Exchange Business Day on which BofA finishes establishing its initial Hedge Positions in respect of such Transaction, as determined by BofA in its good faith and commercially reasonable discretion, which date shall be subject to any limitations set forth in the Supplemental Confirmation.

Hedge Period Reference Price: For each Transaction, as set forth in the Trade Notification, to be the arithmetic average of the VWAP Prices for each Exchange Business Day in the Hedge Period.

Market Disruption Event: The definition of "Market Disruption Event" in Section 6.3(a) of the Equity Definitions is hereby amended by deleting the words "at any time during the one-hour period that ends at the relevant Valuation Time" and inserting the words "at any time on any Scheduled Trading Day during the Hedge Period or Calculation Period or" after the word "material," in the third line thereof.

Notwithstanding anything to the contrary in the Equity Definitions, to the extent that a Disrupted Day occurs in the Hedge Period or the Calculation Period, the Calculation Agent may in good faith and acting in a commercially reasonable manner postpone the Hedge Completion Date or the Termination Date, as the case may be. In such event, the Calculation Agent must determine whether (i) such Disrupted Day is a Disrupted Day in full, in which case the VWAP Price for such Disrupted Day shall not be included for purposes of determining the Hedge Period Reference Price or the Forward Price, as the case may be, or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the VWAP Price for such Disrupted Day shall be determined by the Calculation Agent based on Rule 10b-18 eligible transactions in the Shares on such Disrupted Day effected before the relevant Market Disruption Event occurred and/or after the relevant Market Disruption Event ended, and the weighting of the VWAP Price for the relevant Exchange Business Days during the Hedge Period or the Calculation Period, as the case may be, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Hedge Period Reference Price or the Forward Price, as the case may be, with such adjustments based on, among other factors, the duration of any Market Disruption Event and the volume, historical trading patterns and price of the Shares.

If a Disrupted Day occurs during the Hedge Period or the Calculation Period, as the case may be, and each of the seven immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent, in its good faith and commercially reasonable discretion, may either (i) deem such seventh Scheduled Trading Day to be an Exchange Business Day and determine the VWAP Price for such seventh Scheduled Trading Day using its good faith estimate of the value of the Shares on such seventh Scheduled Trading Day based on the volume, historical trading patterns and price of the Shares and any other factors that may customarily be used for the purposes of valuation of common equity securities or (ii) further extend the Hedge Period or the Calculation Period, as the case may be, as it deems necessary to determine the VWAP Price.

Exchange: NASDAQ Global Select Market

Related Exchange(s): All Exchanges.

Prepayment\ Variable Obligation: Applicable

Prepayment Amount: For each Transaction, as set forth in the Supplemental Confirmation.

Prepayment Date: Two (2) Exchange Business Day following the Trade Date.

Settlement Terms:

Physical Settlement: Applicable; *provided* that BofA does not, and shall not, make the agreement or the representations set forth in Section 9.11 of the Equity Definitions related to the restrictions imposed by applicable securities laws with respect to any Shares delivered by BofA to Counterparty under any Transaction.

Number of Shares to be Delivered: A number of Shares equal to (a) the Prepayment Amount *divided by* (b) (i) the Forward Price *minus* (ii) the Forward Price Adjustment Amount; *provided* that the Number of Shares to be Delivered shall not be less than the Minimum Shares and shall not be greater than the Maximum Shares; and *provided further* that the Number of Shares to be Delivered on the Settlement Date shall be reduced, but not below zero, by (i) any Shares delivered pursuant to the Initial Share Delivery described below and (ii) any Shares delivered pursuant to the Minimum Share Delivery described below.

Excess Dividend Amount: For the avoidance of doubt, all references to the Excess Dividend Amount shall be deleted from Section 9.2(a)(iii) of the Equity Definitions.

Settlement Date: Three (3) Exchange Business Days following the Termination Date.

Settlement Currency: USD

Initial Share Delivery: BofA shall deliver a number of Shares equal to the Initial Shares to Counterparty on the Initial Share Delivery Date in accordance with Section 9.4 of the Equity Definitions, with the Initial Share Delivery Date deemed to be a "Settlement Date" for purposes of such Section 9.4.

Initial Share Delivery Date: Two (2) Exchange Business Day following the Trade Date.

Initial Shares: For each Transaction, as set forth in the Supplemental Confirmation.

Minimum Share Delivery: BofA shall deliver a number of Shares equal to the excess, if any, of the Minimum Shares over the Initial Shares on the Minimum Share Delivery Date in accordance with Section 9.4 of the Equity Definitions, with the Minimum Share Delivery Date deemed to be a "Settlement Date" for purposes of such Section 9.4.

Minimum Share Delivery Date: Three (3) Exchange Business Days following the Hedge Completion Date.

Minimum Shares: For each Transaction, as set forth in the Supplemental Confirmation.

Maximum Shares: For each Transaction, as set forth in the Supplemental Confirmation.

Share Adjustments:

Potential Adjustment Event: Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, an Extraordinary Dividend shall not constitute a Potential Adjustment Event.

It shall constitute an additional Potential Adjustment Event if the Termination Date is postponed pursuant to "Market Disruption Event" above, in which case the Calculation Agent shall, in its commercially reasonable discretion, adjust any relevant terms of each Transaction as the Calculation Agent determines appropriate to account for the economic effect on such Transaction of such postponement, based on stock price volatility, interest rates, strike price, stock loan rate, liquidity and VWAP averaging dates.

Extraordinary Dividend: For any calendar quarter occurring (in whole or in part) during the period from and including the first day of the Calculation Period to and including the Termination Date, any dividend or distribution on the Shares with an ex-dividend date occurring during such calendar quarter (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) or (B) of the Equity Definitions).

Agreement Regarding Dividends: Notwithstanding any other provision of this Confirmation, the Definitions or the Agreement to the contrary, in calculating any adjustment pursuant to Article 11 of the Equity Definitions or any amount payable in respect of any termination or cancellation of the Transaction pursuant to Article 12 of the Equity Definitions or Section 6 of the Agreement, the Calculation Agent shall not take into account changes to any dividends since the Trade Date. For the avoidance of doubt, if an Early Termination Date occurs in respect of the Transaction, the amount payable pursuant to Section 6 of the Agreement in respect of such Early Termination Date shall be determined without regard to the difference between actual dividends declared (including Extraordinary Dividends) and expected dividends as of the Trade Date.

Method of Adjustment: Calculation Agent Adjustment

Consequences of Merger Events and Tender Offers:

(a) Share for Share: Modified Calculation Agent Adjustment

(b) Share-for-Other: Cancellation and Payment

(c) Share-for-Combined: Component Adjustment



Determining Party: BofA

Tender Offer: Applicable

New Shares: In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) thereof shall be deleted in its entirety (including the word “and” following such clause (i)) and replaced with “publicly quoted, traded or listed on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors)”.

Nationalization, Insolvency or Delisting: Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Notwithstanding anything to the contrary in the Equity Definitions, if, as a result of a Merger Event, a Tender Offer, a Nationalization, an Insolvency or a Delisting, Cancellation and Payment applies to one or more Transactions hereunder (whether in whole or in part), an Additional Termination Event (with the Transactions (or portions thereof) to which Cancellation and Payment applies being the Affected Transactions, Counterparty being the sole Affected Party and the Early Termination Date being the date on which such Transactions would be cancelled pursuant to Article 12 of the Equity Definitions) shall be deemed to occur, and, in lieu of Sections 12.7 and 12.8 of the Equity Definitions, Section 6 of the Agreement shall apply to such Affected Transactions.

Additional Disruption Events:

- (a) Change in Law: Applicable
- (b) Failure to Deliver: Applicable
- (c) Insolvency Filing: Applicable
- (d) Hedging Disruption: Applicable
- (e) Increased Cost of Hedging: Applicable
- (f) Loss of Stock Borrow: Applicable; *provided* that Sections 12.9(a)(vii) and 12.9(b)(iv) of the Equity Definitions shall be amended by deleting the words “at a rate equal to or less than the Maximum Stock Loan Rate” and replacing them with “at a rate of return equal to or greater than zero”.

Hedging Party: BofA

Determining Party: BofA

Notwithstanding anything to the contrary in the Equity Definitions, if, as a result of an Additional Disruption Event, any Transaction is cancelled or terminated, an Additional Termination Event (with such terminated Transaction(s) being the Affected Transaction(s), Counterparty being the sole Affected Party and the Early Termination Date being the date on which such Transaction(s) would be cancelled or terminated pursuant to Article 12 of the Equity Definitions) shall be deemed to occur, and, in lieu of Sections 12.7 and 12.8 of the Equity Definitions, Section 6 of the Agreement shall apply to such Affected Transaction(s).

Non-Reliance/Agreements and Acknowledgements Regarding Hedging Activities/Additional Acknowledgements:

Applicable

Transfer:

Notwithstanding anything to the contrary in the Agreement, BofA may transfer or assign its rights and obligations hereunder and under the Agreement, in whole or in part, to (i) any of its Affiliates (as defined in Rule 405 of the Securities Act of 1933, as amended (the "Securities Act")), (ii) any entities sponsored or organized by, or on behalf of or for the benefit of, BofA, or (iii) any third party, in each case without the consent of Counterparty.

Account Details:

(a) Instructions for delivery of Shares to Counterparty:

Computershare  
7530 Lucerne Drive, Suite 305  
Cleveland, OH 44130  
Attn: Sharon R. Boughter  
Phone: (440) 239-7361  
Facsimile: (440) 239-7355  
[sharon.boughter@computershare.com](mailto:sharon.boughter@computershare.com)  
[Janelle.calame@computershare.com](mailto:Janelle.calame@computershare.com)  
[Options.services@computershare.com](mailto:Options.services@computershare.com)

(b) Account for payments to Counterparty:

To be provided upon request.

(c) Account for payments to BofA:

Bank of America  
New York, NY  
SWIFT: BOFAUS65  
Bank Routing: 026-009-593  
Account Name: Bank of America

Account No. : 0012333-34172

Offices:

(a) The Office of Counterparty for the Transaction is: Counterparty is not a Multibranch Party

(b) The Office of BofA for the Transaction is: New York

Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Dollar Tree, Inc.  
500 Volvo Parkway  
Chesapeake, VA 23320  
Attn: Roger Dean, VP – Treasurer  
Shawnta Totten, VP – Governance and Corporate Counsel  
Facsimile: 757-321-5111

(b) Address for notices or communications to BofA:

Bank of America, N.A.  
c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park, 8th Floor  
New York, NY 10036  
Attn: John Servidio  
Telephone: 646-855-6770  
Facsimile: 212-230-8610

2. Calculation Agent: BofA

3. Additional Mutual Representations, Warranties and Covenants of BofA and Counterparty. In addition to the representations and warranties in the Agreement, each party represents, warrants and covenants to the other party that:

(a) Eligible Contract Participant. (i) It is an "eligible contract participant", as defined in the U.S. Commodity Exchange Act (as amended), and (ii) is entering into each Transaction hereunder as principal (and not as agent or in any other capacity, fiduciary or otherwise) and not for the benefit of any third party.

(b) Accredited Investor. Each party acknowledges that the offer and sale of each Transaction to it is intended to be exempt from registration under the Securities Act, by virtue of Section 4(2) thereof and the provisions of Regulation D promulgated thereunder ("**Regulation D**"). Accordingly, each party represents and warrants to the other that (i) it has the financial ability to bear the economic risk of its investment in each Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined under Regulation D, (iii) it will purchase each Transaction not with a view to the distribution or resale thereof in a manner that would violate the Securities Act and (iv) the disposition of each Transaction is restricted under this Master Confirmation, the Securities Act and state securities laws.

4. Additional Representations, Warranties and Covenants of BofA. In addition to the representations, warranties and covenants in the Agreement and those contained herein, BofA hereby represents, warrants and covenants to Counterparty that:

(a) with respect to all purchases of Shares made by BofA during any relevant Hedge Period in respect of any Transaction, BofA will use good faith efforts to effect such purchases in a manner so that, if such purchases were made by Counterparty, they would meet the requirements of Rule 10b-18(b)(2), (3) and (4), and effect calculations in respect thereof, taking into account any applicable Securities and Exchange Commission no-action letters as appropriate and subject to any delays between the execution and reporting of a trade of the Shares on the Exchange and other circumstances beyond BofA's control;

(b) it will conduct its purchases in connection herewith in a manner that would not be deemed to constitute a tender offer within the meaning of Section 14(d)(1) of the Exchange Act; and

(c) for the avoidance of doubt, BofA has implemented reasonable policies and procedures, taking into consideration the nature of its business, to ensure that individuals making investment decisions would not violate laws prohibiting trading on the basis of material nonpublic information. Such individuals shall not be in possession of material nonpublic information during all relevant times beginning on the date hereof and continuing through the Hedge Period and the Calculation Period for any Transaction.

5. Additional Representations, Warranties and Covenants of Counterparty. In addition to the representations, warranties and covenants in the Agreement and those contained herein, as of (i) the date hereof, (ii) the Trade Date for each Transaction hereunder and (iii) to the extent indicated below, each day during the Hedge Period and Calculation Period for each Transaction hereunder, Counterparty represents, warrants and covenants to BofA that:

(a) assuming the accuracy of the representations by BofA in Section 4(b) hereof, the purchase or writing of each Transaction and the transactions contemplated hereby will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act;

(b) it is not entering into any Transaction (i) on the basis of, and is not aware of, any material non-public information with respect to the Shares (ii) in anticipation of, in connection with, or to facilitate, a distribution of its securities, a self tender offer or a third-party tender offer or (iii) to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares);

(c) each Transaction is being entered into pursuant to a publicly disclosed Share buy-back program and its Board of Directors has approved the use of derivatives to effect the Share buy-back program;

(d) without limiting the generality of Section 13.1 of the Equity Definitions, it acknowledges that BofA is not making any representations or warranties with respect to the treatment of any Transaction under any accounting standards, including ASC Topic 260, Earnings Per Share, ASC Topic 815, Derivatives and Hedging, or ASC Topic 480, Distinguishing Liabilities from Equity and ASC 815-40, Derivatives and Hedging – Contracts in Entity's Own Equity (or any successor issue statements);

(e) Counterparty is in compliance with its reporting obligations under the Exchange Act in all material respects and its most recent Annual Report on Form 10-K, together with all reports subsequently filed by it pursuant to the Exchange Act, taken together and as amended and supplemented to the date of this representation, do not, as of their respective filing dates, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Counterparty shall report each Transaction as required under Regulation S-K and/or Regulation S-B under the Exchange Act, as applicable;

(g) Counterparty is not, and will not be, engaged in a "distribution" of Shares or securities that are convertible into, or exchangeable or exercisable for Shares for purposes of Regulation M promulgated under the Exchange Act ("**Regulation M**") at any time during the Hedge Period or the period commencing on the first day of the Calculation Period and ending on the last day of the Calculation Period or, in the event BofA designates an Accelerated Termination Date or either party designates an Early Termination Date or an Early Termination Date is deemed to occur, the 15th Exchange Business Day immediately following such Accelerated Termination Date or Early Termination Date, as the case may be, or such earlier day as elected by BofA and communicated to Counterparty on such day (the "**Relevant Period**") unless Counterparty has provided written notice to BofA of such distribution (a "**Regulation M Distribution Notice**") not later than the Scheduled Trading Day immediately preceding the first day of the relevant "restricted period" (as defined in Regulation M); Counterparty acknowledges that any such notice may cause the Hedge Period or the Calculation Period to be extended or suspended pursuant to Section 6 below; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 7 below;

(h) Counterparty acknowledges that each Transaction is a derivatives transaction in which it has granted BofA an option; BofA may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the related Transaction;

(i) as of the Trade Date, the Prepayment Date, the Initial Share Delivery Date, the Minimum Share Delivery Date and the Settlement Date for each Transaction, Counterparty is not and will not be "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")) and Counterparty would be able to purchase a number of Shares equal to the Maximum Shares in compliance with the laws of the jurisdiction of Counterparty's incorporation;

(j) Counterparty is not and, after giving effect to any Transaction, will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended; and

(k) Counterparty has not and, during the Hedge Period or Relevant Period for any Transaction, will not enter into agreements similar to the Transactions described herein where any initial hedge period (however defined), the calculation period (however defined) or the relevant period (however defined) in such other transaction will overlap at any time (including as a result of extensions in such initial hedge period, calculation period or relevant period as provided in the relevant agreements) with any Hedge Period or Relevant Period under this Master Confirmation. In the event that the initial hedge period, calculation period or relevant period in any other similar transaction overlaps with any Hedge Period or Relevant Period under this Master Confirmation as a result of an extension of the Termination Date pursuant to Section 6 herein, Counterparty shall promptly amend such transaction to avoid any such overlap.

#### 6. Suspension of Hedge Period or Calculation Period

(a) If Counterparty concludes that it will be engaged in a distribution of the Shares for purposes of Regulation M, Counterparty agrees that it will, on a day no later than the Scheduled Trading Day immediately preceding the start of the relevant restricted period, provide BofA with a Regulation M Distribution Notice. Upon the effectiveness of such Regulation M Distribution Notice, BofA shall halt any purchase of Shares in connection with hedging any Transaction during the relevant restricted period (other than any purchases made by BofA in connection with dynamic hedge adjustments of BofA's exposure to any Transaction as a result of any equity optionality contained in such Transaction). If on any Scheduled Trading Day Counterparty delivers the Regulation M Distribution Notice in writing (and confirms by telephone) by 8:30 a.m. New York City time (the "Notification Time") then such notice shall be effective as of such Notification Time. In the event that Counterparty delivers such Regulation M Distribution Notice in writing and/or confirms by telephone after the Notification Time, then such notice shall be effective as of 8:30 a.m. New York City time on the following Scheduled Trading Day or as otherwise required by law or agreed between Counterparty and BofA. Upon the effectiveness of such Regulation M Distribution Notice, the Calculation Period or the Hedge Period, as the case may be, shall be suspended and the Termination Date or the Hedge Completion Date or both, as the case may be, shall be postponed for each Scheduled Trading Day in such restricted period; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 7 below, including, without limitation, the requirement that such notice be made at a time at which none of Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

(b) In the event that BofA reasonably concludes, in its good faith discretion, based on advice of outside legal counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by BofA), for it to refrain from purchasing Shares on any Scheduled Trading Day during the Hedge Period or the Calculation Period, BofA may by written notice to Counterparty (confirmed by telephone) elect to suspend the Hedge Period or the Calculation Period, as the case may be, for such number of Scheduled Trading Days as is specified in the notice; *provided* that BofA may exercise this right to suspend only in relation to events or circumstances that are unknown to it or any of its Affiliates at the Trade Date of any Transaction, occur within the normal course of its or any of its Affiliates' businesses, and are not the result of deliberate actions of it or any of its Affiliates with the intent to avoid its obligations under the terms of any Transaction. The notice shall not specify, and BofA shall not otherwise communicate to Counterparty, the reason for BofA's election to suspend the Hedge Period or the Calculation Period, as the case may be. The Hedge Period or the Calculation Period, or both, as the case may be, shall be suspended and the Termination Date shall be extended for each Scheduled Trading Day occurring during any such suspension.

(c) In the event that the Calculation Period or the Hedge Period, as the case may be, is suspended pursuant to Section 6(a) or 6(b) above during the regular trading session on the Exchange, such suspension shall be deemed to be an additional Market Disruption Event, and the second and third paragraphs under "Market Disruption Event" shall apply.

(d) In the event that the Calculation Period is extended pursuant to any provision hereof (including, without limitation, pursuant to Section 10(d) below), the Calculation Agent, in its good faith and commercially reasonable discretion, shall adjust any relevant terms of the related Transaction if necessary to preserve as nearly as practicable the economic terms of such Transaction prior to such extension; *provided* that Counterparty shall not be required to make any additional cash payments or deliver any Shares in connection with any such adjustments.

7. 10b5-1 Plan. Counterparty represents, warrants and covenants to BofA that for each Transaction:

(a) Counterparty is entering into this Master Confirmation and each Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act (“**Rule 10b5-1**”) or any antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Counterparty acknowledges that it is the intent of the parties that each Transaction entered into under this Master Confirmation comply with the requirements of Rule 10b5-1(c)(1)(i)(A) and (B) and each Transaction entered into under this Master Confirmation shall be interpreted to comply with the requirements of Rule 10b5-1(c).

(b) Counterparty will not seek to control or influence BofA to make “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under any Transaction entered into under this Master Confirmation, including, without limitation, BofA’s decision to enter into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Master Confirmation, each Supplemental Confirmation and each Trade Notification under Rule 10b5-1.

(c) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Master Confirmation, the relevant Supplemental Confirmation or Trade Notification must be effected in accordance with the requirements for the amendment or termination of a “**plan**” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification, waiver or termination shall be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding Counterparty or the Shares.

8. Counterparty Purchases.

Counterparty (or any “affiliated purchaser” as defined in Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”)) shall not, without the prior written consent of BofA, directly or indirectly purchase any Shares (including by means of a derivative instrument), listed contracts on the Shares or securities that are convertible into, or exchangeable or exercisable for Shares (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18)) during any Hedge Period or Relevant Period (as extended pursuant to the provisions hereof). During this time, any such purchases by Counterparty shall be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”), which is an Affiliate of BofA, or if not through MLPF&S, with the prior written consent of BofA (which shall not be unreasonably withheld), and in compliance with Rule 10b-18 or otherwise in a manner that Counterparty and BofA reasonably believe is in compliance with applicable requirements. However, the foregoing shall not limit Counterparty’s ability, pursuant to its employee incentive plan, to re-acquire Shares in connection with the related equity transactions or to limit Counterparty’s ability to withhold shares to cover tax liabilities associated with such equity transaction or otherwise restrict Counterparty’s ability to repurchase Shares under privately negotiated transactions with any of its employees, officers, directors or affiliates, so long as any re-acquisition, withholding or repurchase does not constitute a “Rule 10b-18 purchase” (as defined in Rule 10b-18). Furthermore, this Section shall not restrict any purchase by Counterparty of Shares effected during any suspension of any Hedge Period or Calculation Period in accordance with Section 6(b).

9. Additional Termination Event. It shall constitute an Additional Termination Event with Counterparty as the sole Affected Party and all Transactions hereunder as the Affected Transactions if, at any time during the Hedge Period or Calculation Period for any Transaction, Counterparty shall declare any Extraordinary Dividend.

10. Special Provisions for Merger Transactions Notwithstanding anything to the contrary herein or in the Equity Definitions,

(a) Counterparty shall, prior to the opening of trading in the Shares on any day during any Hedge Period or Calculation Period on which Counterparty makes, or expects to be made, any public announcement (as defined in Rule 165(f) under the Securities Act) of any Merger Transaction, notify BofA of such public announcement;

(b) promptly notify BofA following any such announcement that such announcement has been made; and

(c) promptly provide BofA with written notice specifying (i) Counterparty's average daily Rule 10b-18 Purchases (as defined in Rule 10b-18) during the three full calendar months immediately preceding the Announcement Date that were not effected through BofA or its affiliates and (ii) the number of Shares purchased pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the Announcement Date. Such written notice shall be deemed to be a certification by Counterparty to BofA that such information is true and correct. In addition, Counterparty shall promptly notify BofA of the earlier to occur of the completion of such transaction and the completion of the vote by target shareholders. Counterparty acknowledges that any such notice may cause the terms of any Transaction to be adjusted or such Transaction to be terminated; accordingly, Counterparty acknowledges that its delivery of such notice must comply with the standards set forth in Section 7; and

(d) BofA in its good faith and commercially reasonable discretion may (i) make adjustments to the terms of any Transaction, including, without limitation, the Termination Date, the Forward Price Adjustment Amount and the Maximum Shares to account for the number of Shares that could be purchased on each day during the Hedge Period or the Calculation Period in compliance with Rule 10b-18 following such public announcement, *provided* that Counterparty shall not be required to make any additional cash payments or deliver any Shares in connection with any such adjustments or (ii) treat the occurrence of such public announcement as an Additional Termination Event with Counterparty as the sole Affected Party and the Transactions hereunder as the Affected Transactions.

**"Merger Transaction"** means any merger, acquisition or similar transaction involving a recapitalization as contemplated by Rule 10b-18(a)(13)(iv) under the Exchange Act.

11. Acknowledgments. The parties hereto intend for:

(a) each Transaction to be a "securities contract" as defined in Section 741(7) of the Bankruptcy Code, a "swap agreement" as defined in Section 101(53B) of the Bankruptcy Code and a "forward contract" as defined in Section 101(25) of the Bankruptcy Code, and the parties hereto to be entitled to the protections afforded by, among other Sections, Sections 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 555, 556, 560 and 561 of the Bankruptcy Code;

(b) a party's right to liquidate or terminate any Transaction and to exercise any other remedies upon the occurrence of any Event of Default or Termination Event under the Agreement with respect to the other party or any Extraordinary Event that results in the termination or cancellation of any Transaction to constitute a "contractual right" (as defined in the Bankruptcy Code);

(c) any cash, securities or other property transferred as performance assurance, credit support or collateral with respect to each Transaction to constitute "margin payments" (as defined in the Bankruptcy Code); and

(d) all payments for, under or in connection with each Transaction, all payments for the Shares and the transfer of such Shares to constitute "settlement payments" and "transfers" (as defined in the Bankruptcy Code).

12. Credit Support Documents. The parties hereto acknowledge that no Transaction hereunder is secured by any collateral.

13. No Netting and Set-off. Notwithstanding any provision of the Agreement (including without limitation Section 6(f) thereof) and this Master Confirmation or any other agreement between the parties to the contrary, neither party shall net or set off its obligations under any Transaction against its rights against the other party under any other transaction or instrument.

14. **Early Termination.** In the event that an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction (except as a result of a Merger Event in which the consideration or proceeds to be paid to holders of Shares consists solely of cash), if BofA would owe any amount to Counterparty pursuant to Section 6(d)(ii) of the Agreement (calculated as if the Transactions being terminated on such Early Termination Date were the sole Transactions under the Agreement) (any such amount, a “**BofA Amount**”), then, in lieu of any payment of such BofA Amount, Counterparty may, no later than the Early Termination Date or the date on which such Transaction is terminated, elect for BofA to deliver to Counterparty a number of Shares (or, in the case of a Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Merger Event (each such unit, an “**Alternative Delivery Unit**” and, the securities or property comprising such unit, “**Alternative Delivery Property**”)) with a value equal to the BofA Amount, as determined by the Calculation Agent (and the parties agree that, in making such determination of value, the Calculation Agent may take into account a number of factors, including the market price of the Shares or Alternative Delivery Property on the date of early termination and the prices at which BofA purchases Shares or Alternative Delivery Property to fulfill its delivery obligations under this Section 14); *provided* that in determining the composition of any Alternative Delivery Unit, if the relevant Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.

15. **Payment Date upon Early Termination.** Notwithstanding anything to the contrary in Section 6(d)(ii) of the Agreement, all amounts calculated as being due in respect of an Early Termination Date under Section 6(e) of the Agreement will be payable on the day that notice of the amount payable is effective; *provided* that if Counterparty elects to receive Shares or Alternative Delivery Property in accordance with Section 14), such Shares or Alternative Delivery Property shall be delivered on a date selected by BofA as promptly as practicable.

16. **Special Provisions for Counterparty Payments.** The parties hereby agree that, notwithstanding anything to the contrary herein or in the Agreement, in the event that an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to any Transaction and, as a result, Counterparty owes to BofA an amount calculated under Section 6(e) of the Agreement (calculated as if the Transactions being terminated on such Early Termination Date were the sole Transactions under the Agreement), such amount shall be deemed to be zero. It is understood and agreed that once Buyer has paid the Prepayment Amount for any Transaction, it has no further obligations to deliver cash or securities upon the settlement of such Transaction or under Section 6(e) of the Agreement in respect of such Transaction.

17. **Claim in Bankruptcy.** BofA agrees that in the event of the bankruptcy of Counterparty, BofA shall not have rights or assert a claim that is senior in priority to the rights and claims available to the shareholders of the common stock of Counterparty.

18. **Staggered Settlement.** BofA may, by notice to Counterparty prior to the Settlement Date (a “**Nominal Settlement Date**”), elect to deliver the Shares deliverable on such Nominal Settlement Date on two or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date as follows: (i) in such notice, BofA will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares it is required to deliver under “Physical Settlement” among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that BofA will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that BofA would otherwise be required to deliver on such Nominal Settlement Date.

19. **Amendments to Equity Definitions.** The following amendments shall be made to the Equity Definitions:

(a) The first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: ‘(c) If “Calculation Agent Adjustment” is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction or Share Forward Transaction, then following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a material effect on the theoretical value of the relevant Shares or options on the Shares and, if so, will (i) make appropriate adjustment(s), if any, to any one or more of:’ *and* clause (B) thereof is hereby amended by inserting, after ‘the Forward Price,’ ‘the Maximum Shares, the Minimum Shares,*and* the portion of such sentence immediately preceding clause (ii) thereof is hereby amended by deleting the words “diluting or concentrative” and the words “(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)” and replacing such latter phrase with the words “(and, for the avoidance of doubt, adjustments may be made to account solely for changes in volatility, stock loan rate or liquidity relative to the relevant Shares)”;



(b) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “diluting or concentrative” and replacing them with “material”; and

(c) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor, and (2) deleting the semi-colon at the end of subsection (B) thereof and inserting the following words therefor “or (C) at BofA’s option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the ISDA Master Agreement with respect to that issuer”.

20. Designation by BofA. Notwithstanding any other provision in this Master Confirmation to the contrary requiring or allowing BofA to sell or deliver any Shares or other securities to Counterparty, BofA (the “**Designator**”) may designate any of its Affiliates (the “**Designee**”) to deliver and otherwise perform its obligations to deliver, if any, any such Shares or other securities in respect of each Transaction, and the Designee may assume such obligations, if any. Such designation shall not relieve the Designator of any of its obligations, if any, hereunder. Notwithstanding the previous sentence, if the Designee shall have performed the obligations, if any, of the Designator hereunder, then the Designator shall be discharged of its obligations, if any, to Counterparty to the extent of such performance.

21. Agreements regarding each Supplemental Confirmation and related Trade Notification

(a) Counterparty accepts and agrees to be bound by the contractual terms and conditions as set forth in a properly completed Supplemental Confirmation and related Trade Notification for each Transaction. Upon receipt of the Trade Notification, Counterparty shall promptly execute and return a properly completed Trade Notification to BofA; *provided* that Counterparty’s failure to so execute and return a properly completed Trade Notification shall not affect the binding nature of the Trade Notification, and the terms set forth therein shall be binding on Counterparty to the same extent, and with the same force and effect, as if Counterparty had executed a written version of the Trade Notification.

(b) Counterparty and BofA agree and acknowledge that (A) the Transactions contemplated by this Master Confirmation will be entered into in reliance on the fact that this Master Confirmation, and each Supplemental Confirmation and related Trade Notification form a single agreement between Counterparty and BofA, and BofA would not otherwise enter into such transactions; (B) this Master Confirmation, as amended by each Supplemental Confirmation and related Trade Notification, is a “qualified financial contract”, as such term is defined in Section 5-701(b)(2) of the General Obligations Law of New York (the “**General Obligations Law**”); (C) the Trade Notification, regardless of whether the Trade Notification is transmitted electronically or otherwise, constitutes a “confirmation in writing sufficient to indicate that a contract has been made between the parties” hereto, as set forth in Section 5-701(b)(3)(b) of the General Obligations Law; and (D) this Master Confirmation and each Supplemental Confirmation constitutes a prior “written contract”, as set forth in Section 5-701(b)(1)(b) of the General Obligations Law, and each party hereto intends and agrees to be bound by this Master Confirmation, as supplemented by each Supplemental Confirmation and related Trade Notification.

(c) Counterparty and BofA further agree and acknowledge that this Master Confirmation, as supplemented by each Supplemental Confirmation and related Trade Notification, constitutes a contract “for the sale or purchase of a security”, as set forth in Section 8-113 of the Uniform Commercial Code of New York.

22. Termination Currency. The Termination Currency shall be USD.

23. Waiver of Trial by Jury. EACH OF COUNTERPARTY AND BOFA HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION OR THE ACTIONS OF BOFA OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

24. Governing Law. THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION, EACH TRADE NOTIFICATION AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT, THIS MASTER CONFIRMATION, EACH SUPPLEMENTAL CONFIRMATION AND EACH TRADE NOTIFICATION SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CONFLICT OF LAWS PROVISIONS THEREOF. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

25. Counterparts. This Master Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Master Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Master Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

BANK OF AMERICA, N.A.

By: /s/ Jake Mendlesohn

Name: Jake Mendlesohn

Title: Director

Confirmed as of the date first above written:

DOLLAR TREE, INC.

By: /s/ Kevin Wampler

Name: Kevin Wampler

Title: Chief Financial Officer

## CONFIDENTIAL TREATMENT REQUESTED

Confidential material has been separately filed with the Securities and Exchange Commission under an application for confidential treatment. Terms for which confidential treatment has been requested have been omitted and marked with an asterisk [\*]



## SUPPLEMENTAL CONFIRMATION

March 19, 2010

To: Dollar Tree, Inc.  
500 Volvo Parkway  
Chesapeake, VA 23320  
Attn: Roger Dean, VP – Treasurer  
Shawnta Totten, VP – Governance and Corporate Counsel  
Facsimile: 757-321-5111

From: Bank of America, N.A.  
c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park  
New York, NY 10036  
Telephone: 646-855-8900  
Facsimile: 704-208-2869

Re: Issuer Share Swap Transaction  
**Reference: NY-40037**

The purpose of this Supplemental Confirmation is to confirm the terms and conditions of the Transaction entered into between Bank of America, N.A. (**BofA**) and Dollar Tree, Inc. (**Counterparty**) and together with BofA, the **Contracting Parties**) on the Trade Date specified below. This Supplemental Confirmation is a binding contract between BofA and Counterparty as of the relevant Trade Date for the Transaction referenced below.

1. This Supplemental Confirmation supplements, forms part of, and is subject to the Master Confirmation dated as of March 19, 2010 (the **Master Confirmation**) between the Contracting Parties, as amended and supplemented from time to time. All provisions contained in the Master Confirmation govern this Supplemental Confirmation except as expressly modified below.

2. The terms of the Transaction to which this Supplemental Confirmation relates are as follows:

Trade Date:	March 19, 2010
Hedge Completion Date:	As set forth in the Trade Notification, but in no event later than April 5, 2010.
Calculation Period Start Date:	April 6, 2010 (or if such date is not an Exchange Business Day, the next following Exchange Business Day), subject to postponement due to the occurrence of a Market Disruption Event during the Hedge Period.

Scheduled Termination Date: August 6, 2010 (or if such date is not an Exchange Business Day, the next following Exchange Business Day), subject to BofA's right to accelerate the Termination Date to any date on or after the First Acceleration Date.

First Acceleration Date: May 17, 2010

Initial Shares: 2,240,000

Prepayment Amount: USD 200,000,000

Minimum Shares: As set forth in the Trade Notification, to be a number of shares equal to (a) the Prepayment Amount *divided by* (b) 110.0% of the Hedge Period Reference Price.

Maximum Shares: As set forth in the Trade Notification, to be a number of shares equal to (a) the Prepayment Amount *divided by* (b) 97.5% of the Hedge Period Reference Price.

Forward Price Adjustment Amount: [\*]

3. Counterparty represents and warrants to BofA that neither it nor any "affiliated purchaser" (as defined in Rule 10b-18 under the Exchange Act) has made any purchases of blocks pursuant to the proviso in Rule 10b-18(b)(4) under the Exchange Act during the four full calendar weeks immediately preceding the Trade Date other than through BofA.

4. This Supplemental Confirmation may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Supplemental Confirmation by signing and delivering one or more counterparts.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Supplemental Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

BANK OF AMERICA, N.A.

By: /s/ Jake Mendlesohn  
Name: Jake Mendelsohn  
Title: Director

Confirmed as of the date first above written:

DOLLAR TREE, INC.

By: /s/ Kevin Wampler  
Name: Kevin Wampler  
Title: Chief Financial Officer

## Preferability Letter of Independent Registered Public Accounting Firm

May 20, 2010

Dollar Tree, Inc.

Chesapeake, Virginia

Ladies and Gentlemen:

We have been furnished with a copy of the quarterly report on Form 10-Q of Dollar Tree, Inc. and subsidiaries (the Company) for the thirteen-week period ended May 1, 2010, and have read the Company's statements contained in note 2 to the condensed consolidated financial statements included therein. As stated in note 2, on January 31, 2010, the Company changed its method of accounting for store inventories by expanding the number of retail inventory pools utilized in converting its retail inventories to cost from one to thirty. Note 2 also states that this change in accounting estimate inseparable from a change in accounting principle is preferable in the circumstances because it will provide a more precise inventory value, cost of sales and gross margin in the Company's financial reporting. In accordance with your request, we have reviewed and discussed with Company officials the circumstances and business judgment and planning upon which the decision to make this change in the method of accounting was based.

We have not audited any financial statements of the Company as of any date or for any period subsequent to January 30, 2010, nor have we audited the information set forth in the aforementioned note 2 to the condensed consolidated financial statements; accordingly, we do not express an opinion concerning the factual information contained therein.

With regard to the aforementioned accounting change, authoritative criteria have not been established for evaluating the preferability of one acceptable method of accounting over another acceptable method. However, for purposes of the Company's compliance with the requirements of the Securities and Exchange Commission, we are furnishing this letter.

Based on our review and discussion, with reliance on management's business judgment and planning, we concur that the newly adopted method of accounting is preferable in the Company's circumstances.

Very truly yours,

\\s\ KPMG LLP

Chief Executive Officer Certification

I, Bob Sasser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2010

/s/ Bob Sasser  
Bob Sasser  
Chief Executive Officer



Chief Financial Officer Certification

I, Kevin S. Wampler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dollar Tree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2010

/s/ Kevin S. Wampler  
Kevin S. Wampler  
Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Dollar Tree, Inc. (the "Company") on Form 10-Q for the quarter ending May 1, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bob Sasser, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 20, 2010  
Date

/s/ Bob Sasser  
Bob Sasser  
Chief Executive Officer

A signed original of this written statement required by Section 906 has been furnished to Dollar Tree, Inc. and will be retained by Dollar Tree, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Dollar Tree, Inc. (the "Company") on Form 10-Q for the quarter ending May 1, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin S. Wampler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 20, 2010  
Date

/s/ Kevin S. Wampler  
Kevin S. Wampler  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been furnished to Dollar Tree, Inc. and will be retained by Dollar Tree, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.