CURRENCYSHARES BRITISH POUND STERLING TRUST
Form 10-Q
June 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2016

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 001-32906

CurrencyShares® British Pound Sterling Trust

Sponsored by Guggenheim Specialized Products, LLC,

d/b/a Guggenheim Investments

(Exact name of registrant as specified in its charter)

New York	**No. 03-6118853**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

805 King Farm Boulevard, Suite 600

Rockville, Maryland 20850

(Address of principal executive offices) (Zip Code)

(301) 296-5100

(Registrant s telephone number, including area code)

Indicate by check mark whether the 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 x 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 (d232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 definitions of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	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 x

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CURRENCYSHARES® BRITISH POUND STERLING TRUST

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CurrencyShares® British Pound Sterling Trust

Statements of Financial Condition

	April 30, 2016 (Unaudited)	October 31, 2015
Assets		
Current Assets:		
British Pound Sterling deposits, interest bearing	$ 50,163,548	$ 60,533,068
British Pound Sterling deposits, non-interest bearing		
Receivable from accrued interest	3,985	4,355
Total Current Assets	$ 50,167,533	$ 60,537,423
Liabilities, Redeemable Capital Shares and Shareholders Equity		
Current Liabilities:		
Accrued Sponsor s fee	$ 16,445	$ 19,319
Total Current Liabilities	16,445	19,319
Commitments and Contingent Liabilities (note 8)		
Redeemable Capital Shares, at redemption value, no par value, 13,000,000 authorized 350,000 and 400,000 issued and outstanding, respectively	50,151,088	60,518,104
Shareholders Equity:		
Retained Earnings		
Cumulative Translation Adjustment		
Total Liabilities, Redeemable Capital Shares and Shareholders Equity	$ 50,167,533	$ 60,537,423

See Notes to Financial Statements.

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CurrencyShares® British Pound Sterling Trust

Statements of Comprehensive Income

(Unaudited)

	Three months ended April 30, 2016	Three months ended April 30, 2015	Six months ended April 30, 2016	Six months ended April 30, 2015
Income				
Interest Income	$ 11,766	$ 9,522	$ 24,943	$ 17,838
Total Income	11,766	9,522	24,943	17,838
Expenses				
Sponsor s fee	(48,424)	(45,392)	(106,934)	(99,191)
Total Expenses	(48,424)	(45,392)	(106,934)	(99,191)
Net Loss	$ (36,658)	$ (35,870)	$ (81,991)	$ (81,353)
Basic and Diluted Earnings per Share	$ (0.10)	$ (0.11)	$ (0.22)	$ (0.24)
Weighted-average Shares Outstanding	351,667	315,730	376,099	332,597
Cash Dividends per Share	$	$	$	$
Other Comprehensive (Loss)/Income:				
Currency translation adjustment	(937)	(706)	1,111	760
Total Comprehensive Loss	$ (37,595)	$ (36,576)	$ (80,880)	$ (80,593)

See Notes to Financial Statements.

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CurrencyShares® British Pound Sterling Trust

Statements of Changes in Shareholders Equity

	Six months ended April 30, 2016 (Unaudited)	Year Ended October 31, 2015
Retained Earnings, Beginning of Period	$	$
Net Loss	(81,991)	(160,582)
Adjustment of redeemable capital shares to redemption value	81,991	160,582
Retained Earnings, End of Period	$	$
Cumulative Translation Adjustment, Beginning of Period	$	$
Currency translation adjustment	1,111	486
Adjustment of redeemable capital shares to redemption value	(1,111)	(486)
Cumulative Translation Adjustment, End of Period	$	$

See Notes to Financial Statements.

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CurrencyShares® British Pound Sterling Trust

Statements of Cash Flows

(Unaudited)

	Six months ended April 30, 2016	Six months ended April 30, 2015
Cash flows from operating activities		
Cash received for accrued income	$ 25,075	$ 17,930
Cash paid for expenses	(108,669)	(106,805)
Net cash used in operating activities	(83,594)	(88,875)
Cash flows from financing activities		
Cash received to purchase redeemable shares		22,521,805
Cash paid to redeem redeemable shares	(7,132,340)	(30,043,507)
Net cash used in financing activities	(7,132,340)	(7,521,702)
Adjustment to period cash flows due to currency movement	(3,153,586)	(2,515,388)
Decrease in cash	(10,369,520)	(10,125,965)
Cash at beginning of period	60,533,068	62,912,537
Cash at end of period	$ 50,163,548	$ 52,786,572
Reconciliation of net loss to net cash used in operating activities		
Net Loss	$ (81,991)	$ (81,353)
Adjustments to reconcile net loss to net cash used in operating activities:		
Receivable from accrued interest	(3,985)	(3,578)
Prior period receivable from accrued interest	4,355	3,794
Currency translation adjustment	901	968
Accrued sponsor fee	16,445	16,196
Prior period accrued sponsor fee	(19,319)	(24,902)
Net cash used in operating activities	$ (83,594)	$ (88,875)

See Notes to Financial Statements.

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CurrencyShares® British Pound Sterling Trust

Notes to Financial Statements

(Unaudited)

1. Organization and Description of the Trust

The CurrencyShares® British Pound Sterling Trust (the Trust) was formed under the laws of the State of New York on June 8, 2006 when Guggenheim Specialized Products, LLC d/b/a Guggenheim Investments (the Sponsor) deposited 100 British Pounds Sterling in the Trust s primary deposit account held by JPMorgan Chase Bank, N.A., London Branch (the Depository). The Sponsor is a Delaware limited liability company whose sole member is Security Investors, LLC (also d/b/a Guggenheim Investments). The Sponsor is responsible for, among other things, overseeing the performance of The Bank of New York Mellon (the Trustee) and the Trust s principal service providers, including the preparation of financial statements. The Trustee is responsible for the day-to-day administration of the Trust.

The investment objective of the Trust is for the Trust s shares (the Shares) to reflect the price in U.S. Dollars (USD) of the British Pound Sterling plus accrued interest, if any, less the Trust s expenses and liabilities. The Shares are intended to provide investors with a simple, cost-effective means of gaining investment benefits similar to those of holding British Pounds Sterling. The Trust s assets primarily consist of British Pounds Sterling on demand deposit in two deposit accounts maintained by the Depository: a primary deposit account which may earn interest and a secondary deposit account which does not earn interest. The secondary deposit account is used to account for any interest that may be received and paid out on creations and redemptions of blocks of 50,000 Shares (Baskets). The secondary account is also used to account for interest earned, if any, on the primary deposit account, pay Trust expenses and distribute any excess interest to holders of Shares (Shareholders) on a monthly basis.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q. In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust s financial statements included in the Form 10-K as filed on January 14, 2016.

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets, liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period and the evaluation of subsequent events through the issuance date of the financial statements. Actual results could differ from those estimates.

B. Foreign Currency Translation

The Trustee calculates the Trust s net asset value (NAV) each business day, as described in Note 4. For NAV calculation purposes, British Pound Sterling deposits (cash) are translated at the Closing Spot Rate, which is the British Pound Sterling/USD exchange rate as determined and published by The WM Company, at 4:00 PM (London time / London fixing) on each day that NYSE Arca, Inc. (NYSE Arca) is open for regular trading.

The functional currency of the Trust is the British Pound Sterling in accordance with generally accepted accounting standards. For financial statement reporting purposes, the U.S. Dollar is the reporting currency. As a result, the financial records of the Trust are translated from British Pounds Sterling to USD. The Closing Spot Rate on the last day of the period is used for translation in the statements of financial condition. The average Closing Spot Rate for the period is used for translation in the statements of comprehensive income and the statements of cash flows. Any currency translation adjustment is included in comprehensive income.

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C. Federal Income Taxes

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Interest, gains and losses are passed through to the Shareholders.

Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro-rata share of the assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro-rata portion of the Trust s income, if any, and as if they directly incurred their respective pro-rata portion of the Trust s expenses. The acquisition of Shares by a U.S. Shareholder as part of a creation of a Basket will not be a taxable event to the Shareholder.

The Sponsor s fee accrues daily and is payable monthly. For U.S. federal income tax purposes, an accrual-basis U.S. Shareholder generally will be required to take into account as an expense its allocable portion of the USD-equivalent of the amount of the Sponsor s fee that is accrued on each day, with such USD-equivalent being determined by the currency exchange rate that is in effect on the respective day. To the extent that the currency exchange rate on the date of payment of the accrued amount of the Sponsor s fee differs from the currency exchange rate in effect on the day of accrual, the U.S. Shareholder will recognize a currency gain or loss for U.S. federal income tax purposes.

The Trust does not expect to generate taxable income except for interest income (if any) and gain (if any) upon the sale of British Pounds Sterling. A non-U.S. Shareholder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the sale or other disposition of Shares, or upon the sale of British Pounds Sterling by the Trust, unless: (1) the non-U.S. Shareholder is an individual and is present in the United States for 183 days or more during the taxable year of the sale or other disposition, and the gain is treated as being from United States sources; or (2) the gain is effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

A non-U.S. Shareholder s portion of any interest income earned by the Trust generally will not be subject to U.S. federal income tax unless the Shares owned by such non-U.S. Shareholder are effectively connected with the conduct by the non-U.S. Shareholder of a trade or business in the United States.

D. Revenue Recognition

Interest on the primary deposit account, if any, accrues daily as earned and is received or paid on a monthly basis. Any interest below zero for the period is reflected as interest expense.

E. Dividends

To the extent that the interest earned by the Trust, if any, exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trust will distribute, as a dividend (herein referred to as dividends or distributions), the excess interest earned in British Pounds Sterling effective on the first business day of the subsequent month. The Trustee will direct that the excess British Pounds Sterling be converted into USD at the prevailing market rate and the Trustee will distribute the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own).

3. British Pound Sterling Deposits

British Pound Sterling principal deposits are held in a British Pound Sterling-denominated, interest-bearing demand account. For the six months ended April 30, 2016, there were no British Pound Sterling principal deposits, British Pound Sterling principal redemptions of 4,894,215 and British Pound Sterling withdrawals (to pay expenses) of 57,362, resulting in an ending British Pound Sterling principal balance of 34,243,645. This equates to 50,163,548 USD. For the year ended October 31, 2015, there were British Pound Sterling principal deposits of 49,037,380, British Pound Sterling principal redemptions of 49,058,362 and British Pound Sterling withdrawals (to pay expenses) of 107,843, resulting in an ending British Pound Sterling principal balance of 39,195,222. This equates to 60,533,068 USD.

Net interest, if any, associated with creation and redemption activity is held in a British Pound Sterling-denominated non-interest-bearing account, and any balance is distributed in full as part of the monthly income distributions, if any.

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4. Redeemable Capital Shares

Shares are classified as redeemable for financial statement purposes, since they are subject to redemption. Shares are issued and redeemed continuously in Baskets in exchange for British Pounds Sterling. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. Only Authorized Participants (as defined below) may place orders to create and redeem Baskets. An Authorized Participant is a Depository Trust Company (DTC) participant that is a registered broker-dealer or other institution eligible to settle securities transactions through the book-entry facilities of the DTC and which has entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption process. Only Authorized Participants may redeem their Shares at any time in Baskets.

Due to expected continuing creations and redemptions of Baskets and the three-day period for settlement of each creation or redemption, the Trust reflects Shares created as a receivable on the trade date. Shares redeemed are reflected as a liability on the trade date. Outstanding Shares are reflected at a redemption value, which is the NAV per Share at the period end date. Adjustments to redeemable capital Shares at redemption value are recorded against retained earnings or, in the absence of retained earnings, by charges against the cumulative translation adjustment.

Activity in redeemable capital Shares is as follows:

	Six months ended April 30, 2016 (Unaudited)		Year ended October 31, 2015	
	Shares	**U.S. Dollar Amount**	**Shares**	**U.S. Dollar Amount**
Opening Balance	400,000	$ 60,518,104	400,000	$ 62,891,429
Shares issued			500,000	75,444,008
Shares redeemed	(50,000)	(7,132,340)	(500,000)	(75,476,291)
Adjustment to period Shares due to currency movement and other		(3,234,676)		(2,341,042)
Ending Balance	350,000	$ 50,151,088	400,000	$ 60,518,104

The Trustee calculates the Trust s NAV each business day. To calculate the NAV, the Trustee subtracts the Sponsor s accrued fee through the previous day from the British Pounds Sterling held by the Trust (including all unpaid interest, if any, accrued through the preceding day) and calculates the value of the British Pounds Sterling in USD based upon the Closing Spot Rate. If, on a particular evaluation day, the Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate will be used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation. If the Trustee and the Sponsor determine that the most recent Closing Spot Rate is not an appropriate basis for valuation of the Trust s British Pounds Sterling, they will determine an alternative basis for the valuation. The Trustee also determines the NAV per Share, which equals the NAV of the Trust, divided by the number of outstanding Shares. Shares deliverable under a purchase order are considered outstanding for purposes of determining NAV per Share; Shares deliverable under a redemption order are not considered outstanding for this purpose.

5. Sponsor s Fee

The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling in the Trust (including all unpaid interest but excluding unpaid fees, each as accrued through the immediately preceding day) and is paid monthly.

The Sponsor assumes and pays the following administrative and marketing expenses incurred by the Trust: the Trustee s monthly fee, NYSE Arca listing fees, SEC registration fees, typical maintenance and transaction fees of the Depository, printing and mailing costs, audit fees and expenses, up to $100,000 per year in legal fees and expenses, and applicable license fees.

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In certain exceptional cases the Trust will pay for some expenses in addition to the Sponsor s fee. These exceptions include expenses not assumed by the Sponsor (i.e., expenses other than those identified in the preceding paragraph), expenses resulting from a negative interest rate, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Trustee or the Sponsor on behalf of the Trust or action taken by the Trustee or the Sponsor to protect the Trust or the interests of Shareholders, indemnification of the Sponsor under the Depositary Trust Agreement, audit fees and legal expenses in excess of $100,000 per year.

6. Related Parties

The Sponsor is a related party of the Trust. The Sponsor oversees the performance of the Trustee and the Trust s principal service providers, including the preparation of financial statements, but does not exercise day-to-day oversight over the Trustee or the Trust s service providers.

7. Concentration Risk

All of the Trust s assets are British Pounds Sterling, which creates a concentration risk associated with fluctuations in the price of the British Pound Sterling. Accordingly, a decline in the British Pound Sterling to USD exchange rate will have an adverse effect on the value of the Shares. Factors that may have the effect of causing a decline in the price of the British Pound Sterling include national debt levels and trade deficits, domestic and foreign inflation rates, domestic and foreign interest rates, investment and trading activities of institutions and global or regional political, economic or financial events and situations. Substantial sales of British Pounds Sterling by the official sector (central banks, other governmental agencies and related institutions that buy, sell and hold British Pounds Sterling as part of their reserve assets) could adversely affect an investment in the Shares.

All of the Trust s British Pounds Sterling are held by the Depository. Accordingly, a risk associated with the concentration of the Trust s assets in accounts held by a single financial institution exists and increases the potential for loss by the Trust and the Trust s beneficiaries in the event that the Depository becomes insolvent.

8. Commitments and Contingencies

Under the Trust s organizational documents, the Sponsor is indemnified against any liability or expense it incurs without negligence, bad faith or willful misconduct on its part. The Trust s maximum exposure under this arrangement is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipate, expect, intend, plan, believe, s outlook and estimate and other similar words. Forward-looking statements are based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance. Various factors may cause our actual results to differ materially from those expressed in our forward-looking statements. These factors include fluctuations in the price of the British Pound Sterling, as the value of the Shares relates directly to the value of the British Pounds Sterling held by the Trust and price fluctuations could materially adversely affect an investment in the Shares. Readers are urged to review the Risk Factors section contained in the Trust s most recent annual report on Form 10-K for a description of other risks and uncertainties that may affect an investment in the Shares.

Neither Guggenheim Specialized Products, LLC d/b/a Guggenheim Investments (the Sponsor) nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements contained in this report. The forward-looking statements are made as of the date of this report, and will not be revised or updated to reflect actual results or changes in the Sponsor s expectations or predictions.

Trust Overview

The CurrencyShares® British Pound Sterling Trust (the Trust) is a grantor trust that was formed on June 8, 2006. The Trust issues shares (the Shares) in blocks of 50,000 (a Basket) in exchange for deposits of British Pound Sterling and distributes British Pound Sterling in connection with the redemption of Baskets. The Shares began trading on the New York Stock Exchange under the ticker symbol FXB on June 26, 2006. The primary listing of the Shares was transferred to NYSE Arca on October 30, 2007.

The investment objective of the Trust is for the Shares to reflect the price of the British Pound Sterling plus accrued interest, if any, less the expenses of the Trust s operations. The Shares are intended to offer investors an opportunity to participate in the market for the British Pound Sterling through an investment in securities. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding the British Pound Sterling. The Shares are bought and sold on NYSE Arca like any other exchange-listed security. The Shares are backed by the assets of the Trust, which does not hold or use derivative products. The Trust is a passive investment vehicle and does not have any officers, directors or employees. The Trust does not engage in any activities designed to obtain profit from, or ameliorate losses caused by, changes in the price of the British Pound Sterling. Investing in the Shares does not insulate the investor from certain risks, including price volatility.

Definition of Net Asset Value

The Trustee calculates, and the Sponsor publishes, the Trust s Net Asset Value (NAV) each business day. To calculate the NAV, the Trustee adds to the amount of British Pounds Sterling in the Trust at the end of the preceding day accrued but unpaid interest, if any, British Pounds Sterling receivable under pending purchase orders and the value of other Trust assets, and subtracts the accrued but unpaid Sponsor s fee, British Pounds Sterling payable under pending redemption orders and other Trust expenses and liabilities, if any. The NAV is expressed in USD based on the British Pound Sterling/USD exchange rate as determined by The WM Company, at 4:00 PM (London time / London fixing) (the Closing Spot Rate) on each day that NYSE Arca is open for regular trading. If, on a particular evaluation day, the

Closing Spot Rate has not been determined and announced by 6:00 PM (London time), then the most recent Closing Spot Rate is used to determine the NAV of the Trust unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate to use as the basis for the valuation.

The Trustee also determines the NAV per Share, which equals the NAV of the Trust divided by the number of outstanding Shares. The NAV of the Trust and NAV per Share are published by the Sponsor on each day that NYSE Arca is open for regular trading and are posted on the Trust s website, www.currencyshares.com.

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Movements in the Price of British Pound Sterling

The investment objective of the Trust is for the Shares to reflect the price in USD of the British Pound Sterling plus accrued interest, if any, less the expenses of the Trust s operations. The Shares are intended to provide institutional and retail investors with a simple, cost-effective means of gaining investment benefits similar to those of holding British Pounds Sterling. Each outstanding Share represents a proportional interest in the British Pounds Sterling held by the Trust. The following chart provides recent trends on the price of the British Pound Sterling. The chart illustrates movements in the price of the British Pound Sterling in USD and is based on the Closing Spot Rate:

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NAV per Share; Valuation of British Pound Sterling

The following chart illustrates the movement in the price of the Shares based on (1) NAV per Share, (2) the bid and ask midpoint offered on NYSE Arca and (3) the Closing Spot Rate, expressed as a multiple of 100 British Pounds Sterling:

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Liquidity

The Sponsor is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to the Trust s liquidity needs. The Trust s Depository, JPMorgan Chase Bank, N.A., London Branch, maintains two deposit accounts for the Trust, a primary deposit account that may earn interest and a secondary deposit account that does not earn interest. Interest on the primary deposit account, if any, accrues daily and is paid monthly. The interest rate in effect as of April 30, 2016 was an annual nominal rate of 0.09%. The following chart provides the daily rate paid by the Depository since April 30, 2011:

In exchange for a fee, the Sponsor bears most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the period covered by this report was the Sponsor s fee. Each month the Depository deposits into the secondary deposit account accrued but unpaid interest, if any, and the Trustee withdraws British Pounds Sterling from the secondary deposit account to pay the accrued Sponsor s fee for the previous month plus other Trust expenses, if any. When the interest deposited, if any, exceeds the sum of the Sponsor s fee for the prior month plus other Trust expenses, if any, the Trustee converts the excess into USD at a prevailing market rate and distributes the USD as promptly as practicable to Shareholders on a pro-rata basis (in accordance with the number of Shares that they own). The Trust did not make any distributions during the quarter ended April 30, 2016.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Sponsor s management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period covered by this report.

In addition to the description below, please refer to Note 2 to the financial statements for further discussion of our accounting policies.

The functional currency of the Trust is the British Pound Sterling in accordance with ASC 830, Foreign Currency Translation.

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Results of Operations

As of October 31, 2015, the number of British Pounds Sterling owned by the Trust was 39,195,222, resulting in a redeemable capital Share value of $60,518,104. During the six months ended April 30, 2016, no additional Shares were created and 50,000 shares were redeemed in exchange for 4,894,215 British Pound Sterling. In addition, 57,362 British Pounds Sterling were withdrawn to pay the portion of sponsor fee that exceeded the interest earned. As of April 30, 2016, the number of British Pounds Sterling owned by the Trust was 34,243,645, resulting in a redeemable capital Share value of $50,151,088.

A decrease in the Trust s redeemable capital Share value from $60,518,104 at October 31, 2015 to $50,151,088 at April 30, 2016 was primarily the result a decrease in the number of Shares outstanding from 400,000 at October 31, 2015 to 350,000 at April 30, 2016 coupled with a decrease in the Closing Spot Rate from 1.5444 at October 31, 2015 to 1.4649 at April 30, 2016.

Interest income increased from $9,522 for the three months ended April 30, 2015 to $11,766 for the three months ended April 30, 2016, and increased from $17,838 for the six months ended April 30, 2015 to $24,943 for the six months ended April 30, 2016, attributable primarily to an increase in the weighted-average British Pound Sterling in the Trust and an increase in the annual nominal interest rate paid by the Depository, as set forth in the chart above.

The Sponsor s fee accrues daily at an annual nominal rate of 0.40% of the British Pounds Sterling in the Trust. Due primarily to an increase in the weighted-average British Pounds Sterling in the Trust, the Sponsor s fee increased from $45,392 for the three months ended April 30, 2015 to $48,424 for the"> 1,073.2 960.7

Property, plant and equipment, net	705.1	710.3	725.8
Goodwill	133.3	133.3	133.3
Deferred tax assets	34.4	33.0	22.9
Other assets, net	87.0	85.9	79.0
Total Assets	$2,180.5	$2,035.7	$1,921.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$17.5	$17.6	$17.6
Accounts payable	261.4	192.9	238.4
Other current liabilities	178.2	152.5	152.8
Income taxes payable	11.5	46.9	3.1
Total current liabilities	468.6	409.9	411.9
Long-term debt, exluding current portion			

	250.0	250.0	250.0
Income taxes payable, long-term	15.4	14.7	19.6
Other liabilities	121.6	107.9	100.1
Total liabilities	855.6	782.5	781.6
Commitments and contingencies			
Shareholders' equity	1,324.9	1,253.2	1,140.1
Total Liabilities and Shareholders' Equity	$2,180.5	$2,035.7	$1,921.7
Common shares outstanding	88.3	90.8	90.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	39 Weeks Ended	
(In millions)	October 31, 2009	November 1, 2008
Cash flows from operating activities:		
Net income	$ 185.5	$ 124.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116.5	119.8
Other non-cash adjustments to net income	19.2	47.6
Changes in operating assets and liabilities	(98.6)	(205.2)
Net cash provided by operating activities	222.6	86.5
Cash flows from investing activities:		
Capital expenditures	(113.8)	(104.2)
Purchase of short-term investments	-	(34.7)
Proceeds from sales of short-term investments	-	75.2
Purchase of restricted investments	(10.5)	(16.2)
Proceeds from sales of restricted investments	6.4	15.5
Other	-	(0.4)
Net cash used in investing activities	(117.9)	(64.8)
Cash flows from financing activities:		
Payments for share repurchases	(154.6)	-
Proceeds from stock issued pursuant to stock-based compensation plans	24.1	16.0
Tax benefit of stock-based compensation	3.8	1.5
Other	(0.3)	(1.2)
Net cash provided by (used in) financing activities	(127.0)	16.3
Net increase (decrease) in cash and cash equivalents	(22.3)	38.0
Cash and cash equivalents at beginning of period	364.4	40.6
Cash and cash equivalents at end of period	$ 342.1	$ 78.6
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 5.5	$ 7.8
Income taxes	$ 139.4	$ 114.8

See accompanying Notes to Condensed Consolidated Financial Statements.

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DOLLAR TREE, INC.
AND SUBSIDIARIES
NOTES TO 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 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 31, 2009 contained in the Company’s Annual Report on Form 10-K filed March 26, 2009. The results of operations for the 13 and 39 weeks ended October 31, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 30, 2010.

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 October 31, 2009 and November 1, 2008 and the results of its operations and cash flows for the periods presented. The January 31, 2009 balance sheet information was derived from the audited consolidated financial statements as of that date.

The Company has evaluated subsequent events for potential recognition and/or disclosure through November 24, 2009, the date the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q were filed with the SEC.

Certain 2008 amounts have been reclassified for comparability with the current period presentation. Goodwill has been stated separately and other intangible assets have been included in “Other Assets” in the accompanying Condensed Consolidated Balance Sheets.

2. INTEREST RATE SWAPS

On March 20, 2008, the Company 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 the Company’s variable rate debt. Under these agreements, the Company pays interest to financial institutions at a fixed rate of 2.8%. In exchange, the financial institutions pay the Company 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 October 31, 2009 is a liability of $4.4 million and is included in “Other liabilities” in the accompanying Condensed Consolidated Balance Sheet as of October 31, 2009. The fair value of these swaps as of November 1, 2008 was an asset of $0.1 million and is included in “Other assets, net” in the accompanying Condensed Consolidated Balance Sheet as of November 1, 2008.

3. FAIR VALUE MEASUREMENTS

In February 2008, the Financial Accounting Standards Board (FASB) released new guidance which delayed the effective date to value all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) until the first quarter of 2009. The adoption of the new guidance did not have a significant impact on the Condensed Consolidated Financial Statements.

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset and liability. As a basis for considering such assumptions, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and

Level 3 - Unobservable inputs in which there is little or no market data which require the reporting entity to develop its own assumptions.

The Company’s cash and cash equivalents, restricted investments and interest rate swaps represent the financial assets and liabilities that were accounted for at fair value on a recurring basis as of October 31, 2009. 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 and restricted investments was $342.1 million and $62.6 million, respectively at October 31, 2009. These fair values were determined using Level 1 measurements in the fair value hierarchy. The fair value of the swaps as of October 31, 2009 was a liability of $4.4 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 curves. The curves were obtained from independent pricing services reflecting broker market quotes.

4. INCOME TAXES

During 2008, the Company adjusted its balance of unrecognized tax benefits primarily as a result of the filing of accounting method changes for certain temporary differences. Accordingly, “Income taxes payable long-term” was reduced by $34.7 million, of which $32.8 million reduced “Deferred tax assets”, $1.6 million represented the after-tax impact associated with accrued interest on uncertain tax positions and $0.3 million represented the settlement of federal and state tax audits.

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5. NET INCOME PER SHARE

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

	13 Weeks Ended		39 Weeks Ended	
	October 31,	November 1,	October 31,	November 1,
(In millions, except per share data)	2009	2008	2009	2008
Basic net income per share:				
Net income	$ 68.2	$ 43.1	$ 185.5	$ 124.3
Weighted average number of shares outstanding	89.3	90.5	89.8	90.2
Basic net income per share	$ 0.76	$ 0.48	$ 2.07	$ 1.38
Diluted net income per share:				
Net income	$ 68.2	$ 43.1	$ 185.5	$ 124.3
Weighted average number of shares outstanding	89.3	90.5	89.8	90.2
Dilutive effect of stock options and restricted stock units (as determined by applying the treasury stock method)	0.6	0.5	0.6	0.4
Weighted average number of shares and dilutive potential shares outstanding	89.9	91.0	90.4	90.6
Diluted net income per share	$ 0.76	$ 0.47	$ 2.05	$ 1.37

For the 13 and 39 weeks ended October 31, 2009, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares. For the 13 and 39 weeks ended November 1, 2008, approximately 0.4 million and 0.6 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 $5.3 million and $16.2 million, respectively, during the 13 and 39 weeks ended October 31, 2009, respectively. Total stock-based compensation expense was $4.0 million and $12.6 million, respectively, during the 13 and 39 weeks ended November 1, 2008.

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 39 weeks ended October 31, 2009. The estimated $17.2 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 $1.4 million and $4.2 million of expense related to these RSUs for the 13 and 39 weeks ended October 31, 2009.

In 2009 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 2009. If the Company meets these performance targets in fiscal 2009, then the RSUs will vest ratably over three years, ending April 1, 2012. The Company recognized $0.8 million and $1.7 million of expense related to these RSUs in the 13 and 39 weeks ended October 31, 2009.

7. SHAREHOLDERS' EQUITY

Comprehensive Income

The Company's comprehensive income reflects the effect of recording the derivative financial instrument entered into in March 2008. The following table provides a reconciliation of Net income to Total comprehensive income:

(In millions)	13 Weeks Ended October 31, 2009	13 Weeks Ended November 1, 2008	39 Weeks Ended October 31, 2009	39 Weeks Ended November 1, 2008
Net income	$ 68.2	$ 43.1	$ 185.5	$ 124.3
Fair value adjustment-derivative cash flow hedging instrument	-	(2.5)	(0.1)	0.1
Income tax expense	-	1.0	-	-
Fair value adjustment, net of tax	-	(1.5)	(0.1)	0.1
Total comprehensive income	$ 68.2	$ 41.6	$ 185.4	$ 124.4

Share Repurchase Program

The Company repurchased approximately 1.4 million and 3.5 million shares of common stock for approximately $69.3 million and $154.6 million, respectively during the 13 and 39 weeks ended October 31, 2009. The Company did not repurchase any shares in the 13 and 39 weeks ended November 1, 2008. As of October 31, 2009, the Company had approximately $299.1 million remaining under Board approved repurchase authorizations.

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 Company expects the Court to decide whether to decertify the collective action early in 2010. If the case proceeds as a collective action, it will likely proceed to trial in the Spring of 2010. 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 the company anticipates it will seek to decertify the class. No trial date has been scheduled. 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 approximately 350 individuals opted in. The Company expects that the Court will consider a motion to decertify the collective action at a future date. In October 2009, 33 plaintiffs filed a new Complaint in a federal court in Virginia, alleging gender pay and promotion discrimination under Title VII, as a class action. The Company has filed a Motion to dismiss on the grounds that the Complaint is time barred. The Company will vigorously defend itself in both of these matters.

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.

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 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 26, 2009. Also see section 1A. “Risk Factors” in Part II of this Quarterly Report on Form 10-Q.

- A continued downturn in economic conditions could adversely affect our sales.
- Our profitability is especially vulnerable to cost increases.
- 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.
- Sales below our expectations during peak seasons may cause our operating results to suffer materially.

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- Our sales and profits rely on directly and indirectly imported merchandise which may increase in cost or become unavailable.
- We may be unable to expand our square footage as timely and profitably as planned.
- Our profitability is affected by the mix of products we sell.
- Pressure from competitors, including competition for merchandise, may reduce our sales and profits.
- 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 October 31, 2009 we operated 3,803 stores in 48 states, with 32.3 million selling square feet compared to 3,572 stores with 30.1 million selling square feet at November 1, 2008. During the 39 weeks ended October 31, 2009, we opened 233 stores, expanded 74 stores and closed 21 stores, compared to 201 stores opened, 79 stores expanded and 40 stores closed during the 39 weeks ended November 1, 2008. In the 13 and 39 weeks ended October 31, 2009, we added approximately 0.9 million and 2.0 million selling square feet, respectively, of which approximately 0.1 million and 0.3 million, respectively, was added through expanding existing stores. The average size of stores opened during the 39 weeks ended October 31, 2009 was approximately 8,500 selling square feet. We believe that this size store is our optimal size operationally and that this size also gives the customer a shopping environment which invites them to shop longer, buy more and make return visits, which increases our customer traffic.

For the 13 and 39 weeks ended October 31, 2009, comparable store net sales increased 6.5% and 7.5%, respectively, primarily due to increased traffic. 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 and 39 weeks ended October 31, 2009, and we continued the roll-out of frozen and refrigerated merchandise to more of our stores. At October 31, 2009, we had frozen and refrigerated merchandise in approximately 1,400 stores compared to approximately 1,220 stores at November 1, 2008. 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 2,700 qualified stores compared to approximately 2,160 stores at November 1, 2008.

With the pressures of the current economic environment, we have seen increases in the demand for basic, consumable products in 2009. As a result, we have shifted the mix of inventory carried in our stores to more consumer product merchandise which we believe increases the traffic in our stores and has helped to increase our sales even during the current economic downturn. While this shift in mix has impacted our merchandise costs we were able to offset that impact in the 13 and 39 weeks ended October 31, 2009 with decreased costs for merchandise in many of our categories.

In May 2007, legislation was enacted that increased the Federal Minimum Wage. The last increase to $7.25 an hour was effective in July 2009. As a result, our wages have increased in the third quarter of 2009 and wages will continue to increase through the first half of 2010; however, we believe that we can offset the increase in payroll costs through increased store productivity and continued efficiencies in product flow to our stores.

Results of Operations

13 Weeks Ended October 31, 2009 Compared to the 13 Weeks Ended November 1, 2008

Net sales. Net sales increased 12.1%, or $134.7 million, over last year’s third 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 October 31, 2009, our gross profit margin increased to 35.3% compared to our gross profit margin of 34.1% for the 13 weeks ended November 1, 2008. This increase can be attributed to the following:

- Merchandise costs, including inbound freight, decreased 90 basis points due primarily to lower fuel costs and lower ocean freight rates compared to the prior year quarter. Improved initial mark-up in many categories during the quarter was offset by an increase in the mix of higher cost consumer product merchandise during the quarter as compared to the prior year quarter.
- Occupancy and distribution costs decreased 30 basis points in the quarter resulting from the leveraging of the comparable store net sales increase.

Selling, General and Administrative Expenses. Selling, general, and administrative expenses for the current quarter decreased to 26.7%, as a percentage of net sales, compared to 27.8% for the same period last year. This decrease was primarily due to the following:

- Store operating costs decreased 40 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 resulting from lower field payroll costs as a percentage of sales, due to the leveraging of the comparable store sales increase, partially offset by increased incentive compensation due to favorable sales and earnings results in relation to their targets in the current quarter and year.

Operating Income. Operating income for the current quarter was 8.6% as a percentage of net sales compared to 6.2% for the same period last year as a result of 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 was 35.7% for the current quarter and the prior year quarter.

39 Weeks Ended October 31, 2009 Compared to the 39 Weeks Ended November 1, 2008

Net sales. Net sales increased 12.7%, or $414.2 million, over the same period last year resulting from a 7.5% 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 39 weeks ended October 31, 2009, our gross profit margin was 34.8% compared to 33.7% for the first nine months of 2008. This increase can be attributed to the following:

- Merchandise costs, including inbound freight, decreased 50 basis points due primarily to lower fuel costs and lower ocean freight rates compared to the prior year period. Improved initial mark-up in many categories during the year was partially offset by an increase in the mix of higher cost consumer product merchandise during the 39 weeks ended October 31, 2009 as compared to the 39 weeks ended November 1, 2008.
  - Outbound freight costs decreased 30 basis points in the current year due primarily to decreased fuel costs.
- Occupancy and distribution costs decreased 30 basis points in the current year resulting from the leveraging of the comparable store net sales increase.

Selling, General and Administrative Expenses. Selling, general, and administrative expenses for the 39 weeks ended October 31, 2009, decreased to 26.8%, as a percentage of net sales, compared to 27.6% for the same period last year. This decrease was primarily due to the following:

- Depreciation decreased 50 basis points primarily due to the leveraging associated with the increase in comparable store net sales in the current year.
    - Store operating costs decreased 30 basis points primarily due to lower utility costs, as a percentage of sales, in the current year compared to the prior year resulting from lower rates in the current year and the leveraging associated with the increase in comparable store net sales.

Operating Income. Operating income for the 39 weeks ended October 31, 2009, was 8.0% as a percentage of net sales compared to 6.2% for the same period last year as a result of the increased gross profit margin and decreased selling, general and administrative expenses, as a percentage of net sales, noted above.

Income Taxes. The income tax rate for each of the 39 weeks ended October 31, 2009 and November 1, 2008 was 36.2%. The current year rate reflects a reduction in tax expense of $2.3 million resulting from an immaterial correction of deferred tax assets relating to fixed assets. The prior year rate reflects the recognition of certain tax benefits in accordance with standards of accounting for uncertainty in income taxes.

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 39 weeks ended October 31, 2009 and November 1, 2008:

	39 Weeks ended	
(In millions)	October 31, 2009	November 1, 2008
Net cash provided by (used in):		
Operating activities	$ 222.6	$ 86.5
Investing activities	(117.9)	(64.8)
Financing activities	(127.0)	16.3

Net cash provided by operating activities increased $136.1 million due primarily to increased earnings before income taxes and depreciation and amortization in the current year. Also providing more cash at October 31, 2009 were higher accounts payable balances due to the timing of payments and increased incentive compensation accruals as compared to the prior year.

Net cash used in investing activities increased $53.1 million primarily due to short-term investment activity in the prior year. In the prior year we liquidated our short-term investments due to market conditions. The net proceeds from this liquidation of $40.5 million were put into cash equivalent money market accounts. In the current year, capital expenditures have increased $9.6 million resulting from an increase in new stores opened in the current year as compared to the prior year.

In the current year, financing activities used cash of $127.0 million. The use of cash resulted from share repurchases in the current year partially offset by stock option exercises and employee stock plan purchases. In the prior year, financing activities provided cash of $16.3 million as a result of employee stock plan purchases and limited stock option exercises. There were no share repurchases in the 39 weeks ended November 1, 2008.

At October 31, 2009, our long-term borrowings were $267.5 million, our capital lease commitments were $0.4 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 $113.7 million was committed to letters of credit issued for routine purchases of imported merchandise as of October 31, 2009.

During the 13 and 39 weeks ended October 31, 2009, we repurchased approximately 1.4 million and 3.5 million shares of common stock for approximately $69.3 million and $154.6 million, respectively. We did not repurchase any shares during the 13 and 39 weeks ended November 1, 2008. As of October 31, 2009, we had approximately $299.1 million remaining under repurchase authorizations.

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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 to manage our exposure to interest rate changes, and we may employ other risk management strategies, including the use of fuel hedges and foreign currency forward contracts. 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 October 31, 2009 is a liability of $4.4 million. The fair value of these swaps as of November 1, 2008 was an asset of $0.1 million.

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 October 31, 2009, our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended October 31, 2009 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 26, 2009.

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

The following table presents our share repurchase activity for the 13 weeks ended October 31, 2009:

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)
August 2, 2009 to August 29, 2009	-	$ -	-	$ 368.4
August 30, 2009 to October 3, 2009	-	-	-	368.4
October 4, 2009 to October 31, 2009	1,416,256	48.93	1,416,256	299.1
Total	1,416,256	$ 48.93	1,416,256	$ 299.1

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. Articles and Bylaws

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. (the Company), as amended (Exhibit 3.1 to the Company's June 18, 2009 Report on Form 8-K, incorporated herein by this reference)

4. Instruments Defining the Rights of Security Holders

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)

31. Certifications required under Section 302 of the Sarbanes-Oxley Act

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. Certifications required under Section 906 of the Sarbanes-Oxley Act

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: November 24, 2009	By:	/s/ Kevin S. Wampler Kevin S. Wampler Chief Financial Officer (principal financial and accounting officer)

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Forward to Exhibit 31.1