



PRICING POLICY EFFECTIVE SEPTEMBER 21, 2008

After more than a quarter century of holding the line on prices, inflation has caused 99¢ Only Stores to now add a charge of .99 cents (.99 of one cent) onto the base unit price for our merchandise, and we want to clarify how our 99/100 of a cent pricing works.

First, we want to emphasize the price we charge for the items we sell will appear in total form on the register display before the purchase is made. This is the price that will be charged for the total purchase. If our customers do not believe this price is correct, or do not wish to pay it, they do not have to complete the transaction. We are committed to making sure no transaction is completed unless and until the price is acceptable to our customers. When the final price is tallied and displayed on the register, please know you have the opportunity not to complete the transaction. Once the purchase is made, you have agreed to the purchase price and so it is important that customers with any concerns or questions not proceed before the transaction is made, i.e., before payment is made.

Put simply, the price that appears on the register is the total price we are charging, with applicable tax added, for the items you have selected; if you complete the transaction and pay this price, you are agreeing to this price for the items selected and presented for purchase.

OVERVIEW EXAMPLES

If the base price of an item was formerly and would otherwise have been 99 cents per item, it would now be 99.99 cents for that item, such that the purchase price, after rounding, would be \$1.00 if no other purchases are made at the same time as this sample transaction.

In some instances, this base price is applied to multiple items. For example, there may be some items priced as 99.99 cents for two items. As an example, there may be a situation where two candy bars are priced at 99.99 cents for the two bars. In this case, the purchase price for these two candy bars would be \$1.00 after the rounding, assuming no other purchases at that time.

For example:

Single Purchase of Base Price Item

List price:	99.99 cents
Actual Purchase Price:	\$1.00

Single Purchase of Items Grouped for Sale at Base Price (for example., 2 for 99.99 cents)

List price:	99.99 cents for quantity greater than one
Actual Purchase Price:	\$1.00 for all items



Therefore, purchases of a single item will round up to the nearest penny. An item at 39.99 cents will round to 40 cents; 79.99 cents will round to 80 cents, and so forth. However, because purchases that result in less than .5 cent round down and those that result in .5 cent or more round up, at a certain quantity, the fractional pricing will result in downward rounding for the item resulting in this tipping point, with the overall sum of a transaction rounding downward by a penny. For example:

Single Purchase of Items Grouped for Sale by Individual Base Price (for example, 10 items at 99.99 cents per individual items)

List price: 99.99 cents per item in group
Actual Purchase Price: \$1.00 per item if 50 or fewer individual items
Actual Purchase Price: If more than 50 up to 100 individual items, then rounding will lead to a price of 99 cents for the last, but only the last, item (so, for example, 51 items at base price would yield a total purchase price of \$50.99)

Multiple Purchases of Different Items

List price: 99.99 cents per item
Actual Purchase Price: \$1.00 per item if 50 or fewer individual items
Actual Purchase Price: If more than 50 up to 100 individual items, then rounding will lead to a price of 99 cents for the last but only the last item (so, for example, 51 items at base price would yield a purchase price of \$50.99)

EXPLANATION OF ROUNDING FOR FINAL PURCHASE PRICE

(1) *Initial Calculation.* We calculate the base price of an item to 4 decimal places, and we do not factor the remainder beyond 4 decimal places.

(2) *Extended Line Price.* We then multiply the number of items purchased on each receipt line by the base price and show the result out to four decimal places on the receipt (and to 2 decimal places on the screen).

(3) *Transaction Subtotals.* We keep separate subtotals for the taxable lines and non-taxable lines, and each subtotal is calculated to 4 decimal places. (Since the extended line prices and the subtotals each have 4 decimal places, there is no rounding needed for the subtotals. The subtotals are not shown on the receipt, but they are kept internally and used to compute tax, food stamp, and transaction totals.)

(4) *Sales Tax.* We multiply the 4-decimal taxable subtotal by the tax rate to get the sales tax amount. We keep 4 decimal places internally, and we display sales tax on the receipt rounded to 2 decimal places. We round the four-decimal sales tax down when the fraction of a cent is from 0.0001 to 0.0049, and we round up to the next cent when the fraction is from 0.0050 to 0.0099.

(5) *Transaction Total.* We add the taxable subtotal (4 decimal places), the non-taxable subtotal (4 decimal places), and the sales tax (4 decimal places), and round the total to 2 decimal places to get the transaction total. As with sales tax rounding, we round down when the fraction of a cent is from 0.0001 to 0.0049, and we round up to the next cent when the fraction is from 0.0050 to 0.0099.

The overall impact of this pricing policy will be to increase prices our merchandise by one penny. However, at a certain quantity, the incremental price of a given "extra" item will "round down" and not increase by a penny. For most transactions, this will not occur.

