

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 April 30, 2016

OR

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



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 June 6, 2016, there were 235,666,096 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE, INC.
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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

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

(in millions, except per share data)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Net sales	\$ 5,085.8	\$ 2,176.7
Cost of sales	3,531.2	1,427.8
Gross profit	1,554.6	748.9
Selling, general and administrative expenses	1,135.9	516.1
Operating income	418.7	232.8
Interest expense, net	87.3	122.2
Other income, net	(0.2)	(2.6)
Income before income taxes	331.6	113.2
Income tax expense	98.9	43.7
Net income	\$ 232.7	\$ 69.5
Basic net income per share	\$ 0.99	\$ 0.34
Diluted net income per share	\$ 0.98	\$ 0.34

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Net income	\$ 232.7	\$ 69.5
Foreign currency translation adjustments	8.9	5.5
Total comprehensive income	\$ 241.6	\$ 75.0

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	April 30, 2016	January 30, 2016	May 2, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 929.7	\$ 736.1	\$ 870.4
Restricted cash	—	—	7,244.1
Short-term investments	4.0	4.0	—
Merchandise inventories, net	2,929.5	2,885.5	1,093.5
Current deferred tax assets, net	—	—	19.8
Other current assets	308.9	310.3	107.8
Total current assets	<u>4,172.1</u>	<u>3,935.9</u>	<u>9,335.6</u>
Property, plant and equipment, net of accumulated depreciation of \$2,306.4, \$2,172.0 and \$1,808.5, respectively	3,153.2	3,125.5	1,226.0
Assets available for sale	11.7	12.1	—
Goodwill	5,024.9	5,021.7	166.1
Deferred tax assets, net	—	—	38.6
Favorable lease rights, net	543.9	569.4	0.2
Tradename intangible asset	3,100.0	3,100.0	—
Other intangible assets, net	5.6	5.8	1.1
Other assets	49.5	130.8	101.6
Total assets	<u>\$ 16,060.9</u>	<u>\$ 15,901.2</u>	<u>\$ 10,869.2</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ 120.5	\$ 108.0	\$ —
Accounts payable	1,260.3	1,251.9	515.6
Other current liabilities	622.1	722.6	474.3
Income taxes payable	46.2	12.9	25.3
Total current liabilities	<u>2,049.1</u>	<u>2,095.4</u>	<u>1,015.2</u>
Long-term debt, net, excluding current portion	7,209.8	7,238.4	7,819.7
Unfavorable lease rights, net	142.9	149.3	—
Deferred tax liabilities, net	1,566.2	1,586.6	—
Income taxes payable, long-term	71.1	71.4	6.1
Other liabilities	352.2	353.2	157.4
Total liabilities	<u>11,391.3</u>	<u>11,494.3</u>	<u>8,998.4</u>
Commitments and contingencies			
Shareholders' equity	4,669.6	4,406.9	1,870.8
Total liabilities and shareholders' equity	<u>\$ 16,060.9</u>	<u>\$ 15,901.2</u>	<u>\$ 10,869.2</u>
Common shares outstanding	<u>235.6</u>	<u>235.0</u>	<u>206.2</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Cash flows from operating activities:		
Net income	\$ 232.7	\$ 69.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	162.3	52.8
Provision for deferred taxes	(20.4)	1.2
Amortization of debt discount and debt-issuance costs	4.7	2.6
Other non-cash adjustments to net income	27.7	22.2
Changes in operating assets and liabilities	(96.0)	2.1
Net cash provided by operating activities	311.0	150.4
Cash flows from investing activities:		
Capital expenditures	(175.9)	(66.9)
Increase in restricted cash	—	(7,244.1)
Purchase of restricted investments	(36.1)	—
Proceeds from sale of restricted investments	118.1	—
Proceeds from fixed asset disposition	1.1	—
Net cash used in investing activities	(92.8)	(7,311.0)
Cash flows from financing activities:		
Principal payments for long-term debt	(20.8)	—
Proceeds from long-term debt	—	7,180.2
Debt-issuance costs	—	(5.2)
Proceeds from stock issued pursuant to stock-based compensation plans	14.4	2.6
Cash paid for taxes on exercises/vesting of stock-based compensation	(18.4)	(20.6)
Tax benefit of exercises/vesting of stock-based compensation	—	9.6
Net cash provided by (used in) financing activities	(24.8)	7,166.6
Effect of exchange rate changes on cash and cash equivalents	0.2	0.3
Net increase in cash and cash equivalents	193.6	6.3
Cash and cash equivalents at beginning of period	736.1	864.1
Cash and cash equivalents at end of period	\$ 929.7	\$ 870.4
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	\$ 131.8	\$ 14.6
Income taxes	\$ 85.5	\$ 50.5
Non-cash transactions:		
Accrued capital expenditures	\$ 73.0	\$ 19.6

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
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 consolidated 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, 2016 contained in the Company's Annual Report on Form 10-K filed March 28, 2016. The results of operations for the 13 weeks ended April 30, 2016 are not necessarily indicative of the results to be expected for the entire fiscal year ending January 28, 2017.

In the Company's opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (including those of a normal recurring nature) considered necessary for a fair presentation of its financial position as of April 30, 2016 and May 2, 2015 and the results of its operations and cash flows for the periods presented. The January 30, 2016 balance sheet information was derived from the audited consolidated financial statements as of that date.

On July 6, 2015, the Company acquired Family Dollar Stores, Inc. ("Family Dollar") for cash consideration of \$6.8 billion and the issuance of 28.5 million shares of the Company's common stock valued at \$2.3 billion based on the closing price of the Company's common stock on July 2, 2015 (the "Acquisition"). The results of operations of Family Dollar are included in the Company's results of operations beginning on July 6, 2015 (the "Acquisition Date").

In the first quarter of 2016, the Company adopted Accounting Standards Update ("ASU") No. 2016-09, "*Compensation-Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting.*" This update provides for simplification of the accounting for share-based payment transactions, including the income tax consequences and classification on the statement of cash flows. Under the update, the excess tax benefits and deficiencies that result from the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes should be recognized as income tax expense or benefit in the reporting period in which they occur. Previously, the excess tax benefits were recognized in additional paid-in capital and tax deficiencies were recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. This amendment has been adopted by the Company on a prospective basis. The update also provides that excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows. Prior to the update, excess tax benefits were separated from other income tax cash flows and classified as a financing activity. This amendment has been adopted by the Company on a prospective transition method basis. Additionally, cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. Previously, no guidance was provided for cash flow classification of cash paid for tax-withholding purposes for shares withheld for tax purposes. This amendment has been adopted by the Company on a retrospective basis. As a result of the retrospective adoption of this amendment, \$20.6 million was reclassified in the accompanying Condensed Consolidated Statements of Cash Flows from "Changes in operating assets and liabilities" to "Cash paid for taxes on exercises/vesting of stock-based compensation" for the 13 weeks ended May 2, 2015. All amendments of the update have been adopted for all periods beginning on or after January 31, 2016.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers.*" This update will replace existing revenue recognition guidance in GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In July 2015, the FASB deferred the effective date of the new standard to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before the original effective date for public business entities (interim and annual reporting periods beginning after December 15, 2016). ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact of the new pronouncement on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases.*" This update will replace existing lease guidance in GAAP and will require lessees to recognize lease assets and lease liabilities on the balance sheet for all leases and disclose key information about leasing arrangements, such as information about variable lease payments and options to renew and terminate leases. When implemented, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The update is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the new pronouncement on its consolidated financial statements.

2. ACQUISITION

No adjustments to the fair values of the identifiable assets acquired and liabilities assumed as of the Acquisition Date of July 6, 2015 were recorded in the 13 weeks ended April 30, 2016. The fair values are preliminary pending the completion of procedures related to income taxes.

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the Acquisition as if it had occurred on February 2, 2014:

(in millions, except per share data)	Pro Forma - Unaudited	
	13 Weeks Ended	
	May 2, 2015	
Net sales	\$	4,926.5
Net income	\$	152.2
Basic net income per share	\$	0.65
Diluted net income per share	\$	0.65

The unaudited consolidated pro forma financial information was prepared in accordance with existing standards and is not necessarily indicative of the results of operations that would have occurred if the Acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

Material non-recurring adjustments excluded from the pro forma financial information above consist of the step-up of Family Dollar inventory to its fair value and restructuring expenses. The Company incurred acquisition expenses totaling \$10.4 million and Family Dollar incurred \$8.0 million in the 13 weeks ended May 2, 2015.

The unaudited pro forma results do not reflect events that either have occurred or may occur after the Acquisition, including, but not limited to, the anticipated realization of ongoing savings from operating synergies in subsequent periods. They also do not give effect to certain charges that the Company incurred in connection with the Acquisition, including, but not limited to, additional professional fees, employee integration, retention and severance costs, potential asset impairments, accelerated depreciation and amortization or product rationalization charges.

For more detailed discussions of the Acquisition, please see "Note 2 - Acquisition" of "Item 8. Financial Statements and Supplementary Data" and the "Acquisition" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K filed March 28, 2016.

3. LONG-TERM DEBT

Acquisition Notes

In 2015, the Company completed the offering of \$750.0 million aggregate principal amount of 5.25% senior notes due 2020 (the "2020 Notes") and \$2.5 billion aggregate principal amount of 5.75% senior notes due 2023 (the "2023 Notes," and together with the 2020 Notes, the "Acquisition Notes"). The Acquisition Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States, only to non-U.S. investors pursuant to Regulation S under the Securities Act. The Acquisition Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities laws. On May 5, 2016 the Company filed a registration statement on Form S-4 under the Securities Act of 1933, relating to an offer to exchange the Acquisition Notes for registered notes with substantially identical terms, as required by the registration rights agreement with the initial purchasers of the Acquisition Notes. The registration statement is not effective as of June 9, 2016. The Acquisition Notes are jointly and severally guaranteed on an unsecured, unsubordinated basis, subject to certain exceptions, by each of the Company's subsidiaries which guarantee the obligations under the Company's new senior secured credit facilities or certain other indebtedness, including Family Dollar and certain of its subsidiaries.

Debt Covenants

As of April 30, 2016, the Company was in compliance with its debt covenants.

4. INCOME TAXES

The Company's effective tax rate was 29.8% for the 13 weeks ended April 30, 2016 compared with 38.6% for the 13 weeks ended May 2, 2015. The decrease in expense for the 13 weeks ended April 30, 2016 is primarily attributable to a one-time benefit for an election allowing the Family Dollar acquisition to be treated as an asset purchase for certain state tax purposes, the adoption of the new ASU under which the incremental tax benefit recognized upon RSU vesting is recorded in income tax expense and an increase in work opportunity tax credits in relation to income for the first quarter.

5. LEGAL PROCEEDINGS

The Company is a defendant in legal proceedings including those described below and will vigorously defend itself in these matters. The Company does not believe that any of these matters will, individually or in the aggregate, have a material effect on its business or financial condition. The Company cannot give assurance, however, that one or more of these matters will not have a material effect on its results of operations for the periods in which they are resolved.

The Company assesses its legal proceedings and reserves are established if a loss is probable and the amount of such loss can be reasonably estimated. Many if not substantially all of the contingencies described below are subject to significant uncertainties and, therefore, determining the likelihood of a loss and the measurement of any loss can be complex and subject to judgment. With respect to legal proceedings where the Company has determined that a loss is reasonably possible but not probable, the Company is unable to estimate the amount or range of the reasonably possible loss due to the inherent difficulty of predicting the outcome of and uncertainties regarding legal proceedings. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Company to change those estimates and assumptions. Management's assessment of legal proceedings could change because of future determinations or the discovery of facts which are not presently known. Accordingly, the ultimate costs of resolving these proceedings may be substantially higher or lower than currently estimated.

Dollar Tree Active Matters

In 2011, an assistant store manager and an hourly associate filed a collective action against the Company alleging they were forced to work off the clock in violation of the Fair Labor Standards Act ("FLSA") and state law. A federal judge in Virginia ruled that all claims made on behalf of assistant store managers under both the FLSA and state law should be dismissed. The court, however, certified an opt-in collective action under the FLSA on behalf of hourly sales associates. Approximately 4,300 plaintiffs remain in the case. The court is currently reviewing and considering a revised settlement agreement. The proposed settlement amount has been accrued.

In 2013, a former assistant store manager on behalf of himself and others alleged to be similarly aggrieved filed a representative Private Attorney General Act ("PAGA") claim under California law currently pending in federal court in California. The suit alleges that the Company failed to provide uninterrupted meal periods and rest breaks; failed to pay minimum, regular and overtime wages; failed to maintain accurate time records and wage statements; and failed to pay wages due upon termination of employment. In May 2014, the same assistant store manager filed a putative class action in a California state court for essentially the same conduct alleged in the federal court PAGA case. The parties have reached an agreement to settle the two cases and the proposed settlement amount has been accrued. The two courts must approve the terms of the settlement for it to be binding and final.

In May 2014, the US Consumer Product Safety Commission ("CPSC") began a staff investigation of circumstances related to Letters of Advice that the Company received from the CPSC from 2009 to 2013. The CPSC is now investigating Letters of Advice the Company received in 2014 and 2015. It is possible for a penalty and an injunction to be issued against the Company. The outcome of this matter cannot be determined at this time.

In April 2015, a distribution center employee filed a class action in California state court with allegations concerning wages, meal and rest breaks, recovery periods, wage statements and timely termination pay. Additionally, the employee advised he will be amending his complaint to abandon his attempt to certify a nation-wide class of non-exempt distribution employees for improper calculation of overtime compensation. The Company removed this lawsuit to Federal Court.

In April 2015, a former store manager filed a class action in California state court alleging store managers were improperly classified as exempt employees and, among other things, did not receive overtime compensation and meal and rest periods and alleging PAGA claims on behalf of all store employees, including claims for failure to provide accurate wage statements.

In November 2015, the Company was served in a PAGA representative action under California law in California state court on behalf of former assistant store managers alleging defective wage statements. This case has been stayed pending the outcome of previously filed lawsuits alleging defective wage statements.

In February 2016, the Company was served in a putative collective action under the Fair Labor Standards Act in Florida federal court. The pleadings allege overtime violations on behalf of all hourly non-exempt employees.

In April 2016, the Company was served with a putative class action in Florida state court brought by a former store employee asserting the Company violated the Fair Credit Reporting Act in the way it handled background checks. Specifically, the former employee alleged the Company used disclosure forms that did not meet the statute's requirements, and failed to provide notices accompanied by background reports prior to taking adverse actions against prospective and existing employees based on information in the background report. The plaintiff is seeking statutory damages of \$100 to \$1,000 per violation.

Family Dollar Active Matters

In 2008, a complaint was filed alleging discriminatory pay practices with respect to the Company's female store managers. This case was pled as a putative class action or collective action under applicable statutes on behalf of all Family Dollar female store managers. The plaintiffs seek recovery of back pay, compensatory and punitive money damages, recovery of attorneys' fees and equitable relief. The case was transferred to North Carolina Federal Court in November 2008. The parties are proceeding with limited discovery and the outcome of this matter cannot be determined at this time. The Company believes the case is fully insured.

In 2014, a putative class action was filed in a California Federal Court by a former employee alleging that the Company had a policy of requiring employee bag checks while the employees were not clocked in for work. As a result of those actions, the employee alleges the Company violated California law by failing to provide meal periods and rest breaks, failing to pay regular and overtime wages for work performed off the clock, failing to provide accurate wage statements, failing to timely pay all final wages and by engaging in unfair competition. He has also alleged PAGA claims. The former employee dismissed the individual claims after the court ruled that the claims were subject to arbitration. The court ruled that the PAGA claims may proceed.

In 2014, a former employee brought a putative class action and asserted claims under PAGA alleging the Company failed to provide suitable seating to its California store employees. The case has been stayed pending a ruling by the California Supreme Court on whether a drug store retailer has an obligation to provide suitable seating to drug store cashiers. The California Supreme Court has ruled and the former employee indicated he will seek to have the stay lifted.

In 2014, a former employee filed a nationwide class action in federal court in Virginia alleging the Company violated the Fair Credit Reporting Act by failing to comply with its requirements to give an individual proper notice and a reasonable time to challenge the results of a background check before taking action to deny the person employment (or terminate existing employment). The plaintiffs are seeking statutory damages of \$100 to \$1,000 per violation.

Resolved Matters

In 2008, a Multi-District Litigation forum ("MDL") was created in North Carolina federal court to handle cases alleging FLSA violations against the Company. In the first two cases, the court entered orders finding the plaintiffs were not similarly situated and, therefore, neither nationwide notice nor collective treatment under the FLSA was appropriate. Since that time, the court has granted 60 summary judgments ruling Store Managers are properly classified as exempt from overtime. The remaining plaintiffs have now signed an agreement with the Company to settle all remaining cases. The proposed settlement amount has been fully accrued.

In 2013, plaintiffs filed a claim in Massachusetts seeking unpaid overtime for a class of current and former Massachusetts Store Managers whom plaintiffs claim are not properly classified as exempt from overtime under Massachusetts law. The plaintiffs have signed an agreement with the Company to settle the class action. The settlement has been approved by the court and the proposed settlement amount has been fully accrued.

In 2014, the Company was served with a putative class action in Missouri Federal Court alleging the Company sent customers Short Message Service ("SMS") text message advertisements, without providing appropriate express written consent in violation of the Telephone Consumer Protection Act. The plaintiff has signed an agreement with the Company to settle the class action. The court has given preliminary approval to the settlement and the settlement amount has been fully accrued.

6. FAIR VALUE MEASUREMENTS

As required, financial assets and liabilities are classified in the fair value hierarchy 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 following table sets forth the Company's financial assets and liabilities that are accounted for at fair value on a recurring basis:

(in millions)	April 30, 2016	January 30, 2016	May 2, 2015
Level 1			
Restricted cash	\$ —	\$ —	\$ 7,244.1
Restricted investments	—	82.0	90.9
Short-term investments	4.0	4.0	—
Long-term debt - secured senior notes and Acquisition Notes	3,759.6	3,754.6	3,250.0
Level 2			
Diesel fuel swap liabilities	—	0.8	3.2
Long-term debt - term loans	3,890.3	3,886.1	3,950.0
Level 3			
Long-term debt - senior notes	—	—	722.3

The Company's cash and cash equivalents are valued at cost, which approximates fair value, due to the short-term maturities of these instruments.

The fair values of the diesel fuel swaps were estimated using discounted cash flow calculations based upon forward interest-rate yield and diesel cost curves. The curves were obtained from independent pricing services reflecting broker market quotes. As of April 30, 2016, the Company did not have any diesel fuel swaps outstanding.

The fair values of the Company's secured senior notes and Acquisition Notes at April 30, 2016 and January 30, 2016 were determined using Level 1 inputs as quoted prices in active markets for identical assets or liabilities are available. The carrying values of the Company's Acquisition Notes and Term Loan B at May 2, 2015 approximated their fair values because they had been recently issued. The fair value of the Company's term loans at April 30, 2016 and January 30, 2016 was determined using Level 2 inputs as quoted prices are readily available from pricing services, but the prices are not published. The fair value of the Company's senior notes at May 2, 2015 was determined through the use of a discounted cash flow analysis using Level 3 inputs as there were no quoted prices in active markets for this debt. The discount rate used in the analysis was based on borrowing rates available to the Company for debt of the same remaining maturities, issued in the same private placement debt market. The carrying value of the Company's Revolving Credit Agreement at April 30, 2016 and January 30, 2016 and the Company's Unsecured Credit Agreement at May 2, 2015, approximated their fair values because the 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). The Company did not record any significant impairment charges during the 13 weeks ended April 30, 2016.

7. NET INCOME PER SHARE

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

(in millions, except per share data)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Basic net income per share:		
Net income	\$ 232.7	\$ 69.5
Weighted average number of shares outstanding	235.3	206.2
Basic net income per share	\$ 0.99	\$ 0.34
Diluted net income per share:		
Net income	\$ 232.7	\$ 69.5
Weighted average number of shares outstanding	235.3	206.2
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	1.1	0.9
Weighted average number of shares and dilutive potential shares outstanding	236.4	207.1
Diluted net income per share	\$ 0.98	\$ 0.34

For the 13 weeks ended April 30, 2016 and May 2, 2015, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding.

8. STOCK-BASED COMPENSATION

The Company's stock-based compensation expense primarily includes the fair value of restricted stock units (RSUs) and employees' purchase rights under the Company's Employee Stock Purchase Plan. Stock-based compensation expense was \$24.8 million and \$18.9 million during the 13 weeks ended April 30, 2016 and May 2, 2015, respectively.

The Company granted approximately 0.5 million service-based RSUs from the Omnibus Incentive Plan (Omnibus Plan) to employees and officers in the 13 weeks ended April 30, 2016. The estimated \$40.2 million fair value of these RSUs is being expensed ratably over the three-year vesting periods, or shorter periods 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 \$5.0 million of expense related to these RSUs during the 13 weeks ended April 30, 2016.

In the 13 weeks ended April 30, 2016, the Company granted 0.2 million RSUs with a fair value of \$17.2 million from the Omnibus Plan to certain officers of the Company, contingent on the Company meeting certain performance targets in fiscal 2016. If the Company meets these performance targets in fiscal 2016, the RSUs will vest ratably over three years. The estimated fair value of these RSUs is being expensed ratably over the three-year vesting periods, or shorter periods based on the retirement eligibility of certain grantees. The Company recognized \$9.0 million of expense related to these RSUs in the 13 weeks ended April 30, 2016.

In the 13 weeks ended April 30, 2016, the Company granted RSUs with a fair value of \$3.7 million from the Omnibus Plan to certain officers of the Company, contingent on the Company meeting certain performance targets for the period beginning on January 31, 2016 and ending on February 2, 2019. Provided the vesting conditions are satisfied, the awards will vest at the end of the performance period. The estimated fair value of these RSUs is being expensed ratably over the three-year vesting period, or shorter periods based on the retirement eligibility of certain grantees. The Company recognized \$1.3 million of expense related to these RSUs in the 13 weeks ended April 30, 2016.

The Company recognized \$8.1 million of expense related to RSUs granted prior to fiscal 2016 in the 13 weeks ended April 30, 2016. For the 13 weeks ended May 2, 2015, the Company recognized \$6.1 million of expense related to these RSU's.

In the 13 weeks ended April 30, 2016, approximately 0.6 million RSUs vested and approximately 0.4 million shares, net of taxes, were issued. During the 13 weeks ended May 2, 2015, approximately 0.7 million RSUs vested and approximately 0.4 million shares, net of taxes, were issued.

Due to the Acquisition, the Company converted approximately 1.5 million Family Dollar vested and unvested options into equivalent options to purchase Dollar Tree Common Stock at the date of Acquisition and recognized \$0.7 million of expense related to these options during the 13 weeks ended April 30, 2016. Stock options are valued using the Black-Scholes option-pricing model and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period.

9. SEGMENTS

The Company operates a chain of more than 13,900 retail discount stores in 48 states and five Canadian provinces. The Company's operations are conducted in two reporting business segments: Dollar Tree and Family Dollar. The Company defines its segments as those operations whose results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The results of operations of Family Dollar are included in the Company's results of operations beginning on July 6, 2015.

The Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. The Dollar Tree segment includes the Company's operations under the "Dollar Tree" and "Dollar Tree Canada" brands, ten distribution centers in the United States, two distribution centers in Canada and a Store Support Center in Chesapeake, Virginia.

The Family Dollar segment operates a chain of general merchandise retail discount stores providing consumers with a selection of competitively priced merchandise in convenient neighborhood stores. The Family Dollar segment consists of the Company's operations under the "Family Dollar" brand, eleven distribution centers and a Store Support Center in Matthews, North Carolina.

The Company measures the results of its segments using, among other measures, each segment's net sales, gross profit and operating income. The Company may revise the measurement of each segment's operating income, including the allocation of distribution center and Store Support Center costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Net sales by segment are as follows:

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Net sales:		
Dollar Tree	\$ 2,384.5	\$ 2,176.7
Family Dollar	2,701.3	—
Total net sales	<u>\$ 5,085.8</u>	<u>\$ 2,176.7</u>

Gross profit by segment is as follows:

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Gross profit:		
Dollar Tree	\$ 820.8	\$ 748.9
Family Dollar	733.8	—
Total gross profit	<u>\$ 1,554.6</u>	<u>\$ 748.9</u>

Depreciation and amortization expense by segment is as follows:

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Depreciation and amortization expense:		
Dollar Tree	\$ 57.5	\$ 52.8
Family Dollar	104.9	—
Total depreciation and amortization expense	<u>\$ 162.4</u>	<u>\$ 52.8</u>

Operating income by segment is as follows:

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Operating income:		
Dollar Tree	\$ 280.7	\$ 232.8
Family Dollar	138.0	—
Total operating income	<u>\$ 418.7</u>	<u>\$ 232.8</u>

Total assets by segment are as follows:

(in millions)	As of		
	April 30, 2016	January 30, 2016	May 2, 2015
Total assets:			
Dollar Tree	\$ 3,612.3	\$ 3,472.0	\$ 10,869.2
Family Dollar	12,448.6	12,429.2	—
Total assets	<u>\$ 16,060.9</u>	<u>\$ 15,901.2</u>	<u>\$ 10,869.2</u>

Total goodwill by segment is as follows:

(in millions)	As of		
	April 30, 2016	January 30, 2016	May 2, 2015
Total goodwill:			
Dollar Tree	\$ 286.9	\$ 283.6	\$ 166.1
Family Dollar	4,738.0	4,738.1	—
Total goodwill	<u>\$ 5,024.9</u>	<u>\$ 5,021.7</u>	<u>\$ 166.1</u>

Goodwill is reassigned between segments when stores are rebannered between segments. In the 13 weeks ended April 30, 2016, the Company reassigned \$0.1 million of Goodwill from Family Dollar to Dollar Tree as a result of rebannered.

10. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

At April 30, 2016, the Company had outstanding \$750.0 million principal amount of 5.25% Acquisition Notes due March 1, 2020 and \$2,500.0 million principal amount of 5.75% Acquisition Notes due March 1, 2023, which are unsecured obligations of the Company and are also jointly and severally guaranteed on an unsecured, unsubordinated basis, subject to certain exceptions, by certain of the Company's direct or indirect wholly-owned U.S. subsidiaries, including Family Dollar and certain of its subsidiaries. All of the subsidiaries, guarantor and non-guarantor are 100% owned by the parent. Supplemental condensed consolidated financial information of the Company, including such information for the Guarantors, is presented below. The

information is presented in accordance with the requirements of Rule 3-10 under Regulation S-X of the Securities and Exchange Commission (the "SEC"). The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the guarantor or the non-guarantor subsidiaries operated as independent entities. Investments in subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the Guarantors are not provided as the condensed consolidating financial information contained herein provides a more meaningful disclosure to allow investors to determine the nature of the assets held by, and the operations of, the combined groups. The Company filed a registration statement on Form S-4 with the SEC on May 5, 2016 relating to an offer to exchange the Acquisition Notes for registered notes with substantially identical terms.

Condensed Consolidating Statements of Comprehensive Income

(in millions)	13 Weeks ended April 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated Company
Net sales	\$ —	\$ 5,033.4	\$ 184.8	\$ (132.4)	\$ 5,085.8
Cost of sales	—	3,489.8	160.6	(119.2)	3,531.2
Gross profit	—	1,543.6	24.2	(13.2)	1,554.6
Selling, general and administrative expenses	2.0	1,138.0	14.6	(18.7)	1,135.9
Operating (loss) income	(2.0)	405.6	9.6	5.5	418.7
Interest expense, net	72.9	16.3	(1.9)	—	87.3
Other (income) expense, net	(5.7)	(0.3)	(0.1)	5.9	(0.2)
Income (loss) before income taxes	(69.2)	389.6	11.6	(0.4)	331.6
Provision for income taxes	(33.7)	129.2	3.5	(0.1)	98.9
Equity in earnings of subsidiaries	(268.5)	(6.9)	—	275.4	—
Net income	233.0	267.3	8.1	(275.7)	232.7
Other comprehensive income	8.9	2.7	8.9	(11.6)	8.9
Comprehensive income	\$ 241.9	\$ 270.0	\$ 17.0	\$ (287.3)	\$ 241.6

Condensed Consolidating Statements of Comprehensive Income (Continued)

13 Weeks ended May 2, 2015

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated Company
Net sales	\$ —	\$ 2,134.5	\$ 42.4	\$ (0.2)	\$ 2,176.7
Cost of sales	—	1,392.2	35.8	(0.2)	1,427.8
Gross profit	—	742.3	6.6	—	748.9
Selling, general and administrative expenses	12.0	490.2	13.9	—	516.1
Operating (loss) income	(12.0)	252.1	(7.3)	—	232.8
Interest expense, net	111.0	11.2	0.1	(0.1)	122.2
Other (income) expense, net	—	(3.1)	0.4	0.1	(2.6)
Income (loss) before income taxes	(123.0)	244.0	(7.8)	—	113.2
Provision for income taxes	(49.7)	95.5	(2.1)	—	43.7
Equity in earnings of subsidiaries	(142.8)	—	—	142.8	—
Net income (loss)	69.5	148.5	(5.7)	(142.8)	69.5
Other comprehensive income	5.5	—	5.5	(5.5)	5.5
Comprehensive income	\$ 75.0	\$ 148.5	\$ (0.2)	\$ (148.3)	\$ 75.0

Condensed Consolidated Balance Sheets

April 30, 2016

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 783.6	\$ 151.0	\$ (4.9)	\$ 929.7
Short-term investments	—	—	4.0	—	4.0
Merchandise inventories, net	—	2,872.0	49.9	7.6	2,929.5
Current deferred tax assets, net	—	—	8.1	(8.1)	—
Due from intercompany, net	38.8	505.3	102.8	(646.9)	—
Other current assets	0.4	313.2	—	(4.7)	308.9
Total current assets	39.2	4,474.1	315.8	(657.0)	4,172.1
Property, plant and equipment, net	—	3,114.9	38.3	—	3,153.2
Assets available for sale	—	11.7	—	—	11.7
Goodwill	—	4,993.1	31.8	—	5,024.9
Deferred tax assets, net	0.6	—	—	(0.6)	—
Favorable lease rights, net	—	543.9	—	—	543.9
Tradename	—	3,100.0	—	—	3,100.0
Other intangible assets, net	—	5.4	0.2	—	5.6
Investment in subsidiaries	8,667.9	104.0	—	(8,771.9)	—
Intercompany note receivable	1,526.4	—	188.8	(1,715.2)	—
Due from intercompany, net	1,923.4	—	—	(1,923.4)	—
Other assets	—	49.3	4.5	(4.3)	49.5
Total assets	\$ 12,157.5	\$ 16,396.4	\$ 579.4	\$ (13,072.4)	\$ 16,060.9
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 120.5	\$ —	\$ —	\$ —	\$ 120.5
Accounts payable	4.8	1,180.4	72.2	2.9	1,260.3
Due to intercompany, net	402.7	207.7	36.5	(646.9)	—
Other current liabilities	34.6	387.9	204.7	(5.1)	622.1
Income taxes payable	32.7	4.4	9.1	—	46.2
Total current liabilities	595.3	1,780.4	322.5	(649.1)	2,049.1
Long-term debt, net, excluding current portion	6,892.6	317.2	—	—	7,209.8
Unfavorable lease rights, net	—	142.9	—	—	142.9
Deferred tax liabilities, net	—	1,574.8	—	(8.6)	1,566.2
Income taxes payable, long-term	—	71.1	—	—	71.1
Due to intercompany, net	—	1,923.4	—	(1,923.4)	—
Intercompany note payable	—	1,715.2	—	(1,715.2)	—
Other liabilities	—	347.5	8.9	(4.2)	352.2
Total liabilities	7,487.9	7,872.5	331.4	(4,300.5)	11,391.3
Shareholders' equity	4,669.6	8,523.9	248.0	(8,771.9)	4,669.6
Total liabilities and equity	\$ 12,157.5	\$ 16,396.4	\$ 579.4	\$ (13,072.4)	\$ 16,060.9

Condensed Consolidating Balance Sheets (Continued)

January 30, 2016

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 636.9	\$ 116.5	\$ (17.3)	\$ 736.1
Short-term investments	—	—	4.0	—	4.0
Merchandise inventories, net	—	2,850.0	51.4	(15.9)	2,885.5
Due from intercompany, net	262.2	548.3	186.4	(996.9)	—
Other current assets	1.0	308.7	0.6	—	310.3
Total current assets	263.2	4,343.9	358.9	(1,030.1)	3,935.9
Property, plant and equipment, net	—	3,089.5	36.0	—	3,125.5
Assets available for sale	—	12.1	—	—	12.1
Goodwill	—	4,993.2	28.5	—	5,021.7
Deferred tax assets, net	0.5	—	9.6	(10.1)	—
Favorable lease rights, net	—	569.4	—	—	569.4
Tradename	—	3,100.0	—	—	3,100.0
Other intangible assets, net	—	5.5	0.3	—	5.8
Investment in subsidiaries	8,403.9	74.4	—	(8,478.3)	—
Intercompany note receivable	1,526.4	—	188.8	(1,715.2)	—
Due from intercompany, net	1,930.3	—	—	(1,930.3)	—
Other assets	—	130.6	4.6	(4.4)	130.8
Total assets	\$ 12,124.3	\$ 16,318.6	\$ 626.7	\$ (13,168.4)	\$ 15,901.2
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 108.0	\$ —	\$ —	\$ —	\$ 108.0
Accounts payable	17.5	1,136.3	131.2	(33.1)	1,251.9
Due to intercompany, net	582.5	369.2	45.2	(996.9)	—
Other current liabilities	84.9	433.5	204.2	—	722.6
Income taxes payable	3.8	1.9	7.2	—	12.9
Total current liabilities	796.7	1,940.9	387.8	(1,030.0)	2,095.4
Long-term debt, net, excluding current portion	6,920.7	317.7	—	—	7,238.4
Unfavorable lease rights, net	—	149.3	—	—	149.3
Deferred tax liabilities, net	—	1,596.7	—	(10.1)	1,586.6
Due to intercompany, net	—	1,930.3	—	(1,930.3)	—
Intercompany note payable	—	1,715.2	—	(1,715.2)	—
Other liabilities	—	421.0	8.0	(4.4)	424.6
Total liabilities	7,717.4	8,071.1	395.8	(4,690.0)	11,494.3
Shareholders' equity	4,406.9	8,247.5	230.9	(8,478.4)	4,406.9
Total liabilities and equity	\$ 12,124.3	\$ 16,318.6	\$ 626.7	\$ (13,168.4)	\$ 15,901.2

Condensed Consolidating Balance Sheets (Continued)

May 2, 2015

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 56.9	\$ 809.8	\$ 3.7	\$ —	\$ 870.4
Restricted cash	7,244.1	—	—	—	7,244.1
Merchandise inventories, net	—	1,056.1	37.4	—	1,093.5
Current deferred tax assets, net	4.1	15.6	0.1	—	19.8
Due from intercompany, net	134.8	7.2	—	(142.0)	—
Intercompany note receivable	5.0	—	—	(5.0)	—
Other current assets	0.4	103.3	5.2	(1.1)	107.8
Total current assets	7,445.3	1,992.0	46.4	(148.1)	9,335.6
Property, plant and equipment, net	—	1,182.6	43.4	—	1,226.0
Goodwill	—	133.3	32.8	—	166.1
Deferred tax assets, net	0.7	19.9	18.0	—	38.6
Favorable lease rights, net	—	0.2	—	—	0.2
Other intangible assets, net	—	0.2	0.9	—	1.1
Investment in subsidiaries	1,362.8	—	—	(1,362.8)	—
Intercompany note receivable	416.8	—	—	(416.8)	—
Other assets	—	101.4	0.2	—	101.6
Total assets	\$ 9,225.6	\$ 3,429.6	\$ 141.7	\$ (1,927.7)	\$ 10,869.2
LIABILITIES AND EQUITY					
Current liabilities:					
Intercompany note payable, current	\$ —	\$ —	\$ 5.0	\$ (5.0)	\$ —
Accounts payable	2.2	504.9	9.6	(1.1)	515.6
Due to intercompany, net	7.2	134.8	—	(142.0)	—
Other current liabilities	256.3	214.3	3.7	—	474.3
Income taxes payable	22.4	2.9	—	—	25.3
Total current liabilities	288.1	856.9	18.3	(148.1)	1,015.2
Long-term debt, net, excluding current portion	7,066.7	753.0	—	—	7,819.7
Intercompany note payable	—	416.8	—	(416.8)	—
Other liabilities	—	154.4	9.1	—	163.5
Total liabilities	7,354.8	2,181.1	27.4	(564.9)	8,998.4
Shareholders' equity	1,870.8	1,248.5	114.3	(1,362.8)	1,870.8
Total liabilities and equity	\$ 9,225.6	\$ 3,429.6	\$ 141.7	\$ (1,927.7)	\$ 10,869.2

Condensed Consolidating Statements of Cash Flows

13 Weeks ended April 30, 2016

(in millions)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Company
Net cash provided by operating activities	\$ 24.8	\$ 238.9	\$ 34.9	\$ 12.4	\$ 311.0
Cash flows from investing activities:					
Capital expenditures	—	(175.3)	(0.6)	—	(175.9)
Purchase of restricted investments	—	(36.1)	—	—	(36.1)
Proceeds from sale of restricted investments	—	118.1	—	—	118.1
Other	—	1.1	—	—	1.1
Net cash used in investing activities	—	(92.2)	(0.6)	—	(92.8)
Cash flows from financing activities:					
Principal payments for long-term debt	(20.8)	—	—	—	(20.8)
Other	(4.0)	—	—	—	(4.0)
Net cash used in financing activities	(24.8)	—	—	—	(24.8)
Effect of exchange rate changes on cash and cash equivalents	—	—	0.2	—	0.2
Net increase in cash and cash equivalents	—	146.7	34.5	12.4	193.6
Cash and cash equivalents at beginning of period	—	636.9	116.5	(17.3)	736.1
Cash and cash equivalents at end of period	\$ —	\$ 783.6	\$ 151.0	\$ (4.9)	\$ 929.7

Condensed Consolidating Statements of Cash Flows (continued)

(in millions)	13 Weeks ended May 2, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Company
Net cash provided by (used in) operating activities	\$ (54.1)	\$ 210.6	\$ (6.1)	\$ —	\$ 150.4
Cash flows from investing activities:					
Capital expenditures	—	(65.1)	(1.8)	—	(66.9)
Increase in restricted cash	(7,244.1)	—	—	—	(7,244.1)
Net cash used in investing activities	(7,244.1)	(65.1)	(1.8)	—	(7,311.0)
Cash flows from financing activities:					
Proceeds from long-term debt, net of discount	7,180.2	—	—	—	7,180.2
Net intercompany note activity	(5.0)	—	5.0	—	—
Debt-issuance costs	(5.2)	—	—	—	(5.2)
Cash paid for taxes on exercises/vesting of stock-based compensation	(20.6)	—	—	—	(20.6)
Other	12.2	—	—	—	12.2
Net cash provided by financing activities	7,161.6	—	5.0	—	7,166.6
Effect of exchange rate changes on cash and cash equivalents	—	—	0.3	—	0.3
Net (decrease) increase in cash and cash equivalents	(136.6)	145.5	(2.6)	—	6.3
Cash and cash equivalents at beginning of period	193.5	664.3	6.3	—	864.1
Cash and cash equivalents at end of period	\$ 56.9	\$ 809.8	\$ 3.7	\$ —	\$ 870.4

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 and results. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." For example, our forward-looking statements include statements regarding:

- Family Dollar integration plans and expenses;
- the benefits, results and effects of the Family Dollar acquisition and integration and the combined company's plans, objectives, expectations (financial or otherwise), including synergies, the cost to achieve synergies, and the effect on earnings per share;
- the ability to retain key personnel at Family Dollar and Dollar Tree;
- our anticipated sales, including comparable store net sales, net sales growth and earnings growth;
- the outcome and costs of pending or potential litigation or governmental investigations;
- our growth plans, including our plans to add, rebanner, expand or relocate stores, our anticipated square footage increase, and our ability to renew leases at existing store locations;
- the average size of our stores and their performance compared with other store sizes;
- the effect on merchandise mix of consumables and the increase in the number of our stores with freezers and coolers on Dollar Tree's gross profit margin and sales;
- the net sales per square foot, net sales and operating income of our stores;
- the potential effect of inflation and other economic changes on our costs and profitability, including the potential effect of future changes in minimum wage rates, shipping rates, domestic and import freight costs, fuel costs and wage and benefit costs;
- our gross profit margin, earnings, inventory levels and ability to leverage selling, general and administrative and other fixed costs;
- our seasonal sales patterns including those relating to the length of the holiday selling seasons;
- the capabilities of our inventory supply chain technology and other systems;
- the reliability of, and cost associated with, our sources of supply, particularly imported goods such as those sourced from China;
- the capacity, performance and cost of our distribution centers;
- our cash needs, including our ability to fund our future capital expenditures and working capital requirements;
- our expectations regarding competition and growth in our retail sector;
- management's estimates associated with our critical accounting policies, including inventory valuation, accrued expenses, the Family Dollar purchase price allocation and income taxes;
- the potential effect of future law changes, including qualification for exempt status under the Fair Labor Standards Act; and
- costs expected to be incurred in 2016 for rebanner Deals stores.

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 28, 2016.

- Our profitability is vulnerable to cost increases.
- Integrating Family Dollar's operations with ours may be more difficult, costly or time consuming than expected and the anticipated benefits, synergies and cost savings of the Acquisition may not be realized.
- A downturn in economic conditions could impact our sales.
- A significant disruption in our computer and technology systems could adversely affect our results of operation or business.
- If we are unable to secure our customers' credit card and confidential information, or other private data relating to our associates, suppliers or our business, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and adversely affect our results of operation or business.
- Our growth is dependent on our ability to increase sales in existing stores and to expand our square footage profitably.
- Risks associated with our domestic and foreign suppliers from whom our products are sourced could affect our financial performance.
- We could encounter disruptions in our distribution network or additional costs in distributing merchandise.
- Our profitability is affected by the mix of products we sell.
- Pressure from competitors may reduce our sales and profits.
- 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.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- Certain provisions in our Articles of Incorporation and Bylaws could delay or discourage a change of control transaction that may be in a shareholder's best interest.
- Our substantial indebtedness could adversely affect our financial condition, limit our ability to obtain additional financing, restrict our operations and make us more vulnerable to economic downturns and competitive pressures.
- We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- The terms of the agreements governing our indebtedness may restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies, and could adversely affect our capital resources, financial condition and liquidity.
- Our variable-rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Our forward-looking statements could be wrong in light of these 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 securities 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 projections, forecasts or opinions, such reports are not our responsibility.

Overview

We are a leading operator of more than 13,900 retail discount stores and we conduct our operations in two reporting segments. Our Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. Our Family Dollar segment operates general merchandise retail discount stores providing consumers with a selection of competitively-priced merchandise in convenient neighborhood stores.

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. In the 13 weeks ended April 30, 2016, only our Dollar Tree stores are included in the comparable store net sales calculation. Stores that have been rebannered are considered to be new stores and are not included in the calculation of the comparable store net sales until after the first fifteen months of operation under the new banner.

At April 30, 2016, we operated stores in 48 states and the District of Columbia, as well as stores in five Canadian provinces. A breakdown of store counts and square footage by segment for the 13 weeks ended April 30, 2016 is as follows:

	13 Weeks Ended					
	April 30, 2016			May 2, 2015		
	Dollar Tree	Family Dollar	Total	Dollar Tree	Family Dollar	Total
Store Count:						
Beginning	5,954	7,897	13,851	5,367	—	5,367
New stores	112	59	171	93	—	93
Rebannered stores	(6)	—	(6)	—	—	—
Closings	(11)	(8)	(19)	(6)	—	(6)
Ending	<u>6,049</u>	<u>7,948</u>	<u>13,997</u>	<u>5,454</u>	<u>—</u>	<u>5,454</u>
Relocations	25	41	66	10	—	10
Selling Square Feet (in millions):						
Beginning	51.3	57.1	108.4	46.5	—	46.5
New stores	0.9	0.4	1.3	0.7	—	0.7
Rebannered stores	(0.1)	—	(0.1)	—	—	—
Closings	(0.1)	(0.1)	(0.2)	(0.1)	—	(0.1)
Relocations	0.1	0.1	0.2	0.1	—	0.1
Ending	<u>52.1</u>	<u>57.5</u>	<u>109.6</u>	<u>47.2</u>	<u>—</u>	<u>47.2</u>

Stores are included as rebanners when they close or open, respectively. Comparable store net sales for Dollar Tree may be negatively affected when a Family Dollar store is rebannered near an existing Dollar Tree store.

The average size of stores opened during the 13 weeks ended April 30, 2016 was approximately 8,100 selling square feet for the Dollar Tree segment and 7,100 selling square feet for the Family Dollar segment. We believe that these size stores are in the ranges of our optimal sizes operationally and give 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 April 30, 2016, comparable store net sales increased 2.2% due to increased customer traffic and higher average ticket. We believe comparable store net sales continue to be positively affected by a number of our Dollar Tree initiatives, as debit and credit card penetration continued to increase in the 13 weeks ended April 30, 2016, and we continued the rollout of frozen and refrigerated merchandise to more of our Dollar Tree stores. At April 30, 2016, the Dollar Tree segment had frozen and refrigerated merchandise in approximately 4,405 stores, which includes rebannered stores, compared to approximately 3,715 stores at May 2, 2015. 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, the Dollar Tree segment accepts food stamps (under the Supplemental Nutrition Assistance Program (“SNAP”)) in approximately 5,705 qualified stores compared to approximately 5,085 stores at May 2, 2015.

Results of Operations

13 Weeks Ended April 30, 2016 Compared to the 13 Weeks Ended May 2, 2015

Net Sales. Net sales increased \$2,909.1 million, or 133.6%, compared with last year's first quarter, resulting from \$2,701.3 million of net sales from Family Dollar in the 13 weeks ended April 30, 2016, sales in the Dollar Tree segment's new stores and increased comparable store sales. Comparable store sales increased 2.3% on a constant currency basis. Constant currency basis refers to the calculation excluding the impact of currency exchange rate fluctuations. We calculated the constant currency basis increase by translating the current year quarter's comparable store sales in Canada using the prior year first quarter's currency exchange rates. We believe that the constant currency basis provides a more accurate measure of comparable store sales performance. Including the impact of currency, comparable store net sales increased 2.2% due to an increase in customer count as well as average ticket. 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, rebanner stores or expand stores near existing stores.

Gross Profit. Gross profit increased by \$805.7 million or 107.6%, to \$1,554.6 million in the first quarter of 2016 compared to \$748.9 million in the first quarter of 2015. The dollar increase in gross margin was primarily driven by \$733.8 million of gross profit for Family Dollar as well as higher sales for Dollar Tree. Gross profit margin decreased to 30.6% in the current quarter from 34.4% in the same quarter last year. Our gross profit margin is negatively impacted by the overall lower-margin product mix for the Family Dollar segment. Included in Family Dollar's cost of sales is \$6.3 million related to the stepped-up inventory which was sold during the first quarter of 2016. Over the remainder of 2016 we expect approximately \$2.0 million to negatively impact gross profit related to Family Dollar's stepped-up inventory value.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$1,135.9 million in the first quarter of 2016 from \$516.1 million in the same quarter last year, an increase of \$619.8 million or 120.1%. The increase was primarily due to \$595.8 million of expense for Family Dollar, which includes the amortization of lease rights recorded in connection with the Acquisition. In the first quarter of 2015 we incurred \$10.4 million or 50 basis points of acquisition expenses. As a percentage of sales, selling, general and administrative expenses decreased to 22.3% in the first quarter of 2016 from 23.7% in the same quarter last year. Excluding acquisition costs, the selling, general and administrative rate for the first quarter as a percentage of sales decreased 90 basis points to 22.3% from 23.2% as a result of lower payroll and operating and corporate expenses, as a percentage of sales, partially offset by higher store repairs and maintenance expenses.

Operating Income. Operating income for the current quarter increased to \$418.7 million compared with \$232.8 million in the same period last year. Operating income margin decreased to 8.2% in the current quarter from 10.7% in last year's quarter. This increase in operating income is the result of \$138.0 million of operating income in the Family Dollar segment and a \$47.9 million increase in operating income in the Dollar Tree segment. The decrease in operating income margin is a result of the Family Dollar segment having a lower gross profit margin than the historical Dollar Tree gross profit margin.

Other income, net. Other income, net decreased \$2.4 million due to favorable fair market value adjustments and settlements on diesel fuel swaps in the 1st quarter of 2015.

Interest expense, net. Interest expense, net was \$87.3 million in the first quarter of 2016 compared to \$122.2 million in the prior year quarter due to \$51.8 million of ticking fees in the 1st quarter of 2015 partially offset by higher debt outstanding, higher interest rates and higher amortization of deferred financing costs related to the debt entered into to finance the Acquisition.

Income Taxes. Our effective tax rate for the 13 weeks ended April 30, 2016 was 29.8% compared 38.6% for the 13 weeks ended May 2, 2015. The decrease is primarily attributable to a one-time benefit for an election allowing the Family Dollar acquisition to be treated as an asset purchase for certain state tax purposes, the adoption of the new ASU under which the incremental tax benefit recognized upon RSU vesting is recorded in income tax expense and an increase in work opportunity tax credits in relation to income for the first quarter.

Segment Information

We operate a chain of more than 13,900 retail discount stores in 48 states and five Canadian provinces. Our operations are conducted in two reporting business segments: Dollar Tree and Family Dollar. We define our segments as those operations whose results our chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources.

The Dollar Tree segment is the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. The Dollar Tree segment includes our operations under the "Dollar Tree" and "Dollar Tree Canada" brands, ten distribution centers in the United States and two in Canada and a Store Support Center in Chesapeake, Virginia.

The Family Dollar segment operates a chain of general merchandise retail discount stores providing consumers with a selection of competitively priced merchandise in convenient neighborhood stores. The Family Dollar segment consists of our operations under the "Family Dollar" brand, eleven distribution centers and a Store Support Center in Matthews, North Carolina.

We measure the results of our segments using, among other measures, each segment's net sales, gross profit and operating income. We may revise the measurement of each segment's operating income, including the allocation of distribution center and Store Support Center costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Because the Acquisition occurred in the 13 weeks ended August 1, 2015, comparable information for the Family Dollar segment is not available; therefore, Family Dollar segment information is not provided in this discussion.

The following table summarizes the operating results of the Dollar Tree segment:

(in millions)	13 Weeks Ended			
	April 30, 2016		May 2, 2015	
	\$	% of Sales	\$	% of Sales
Net sales	\$ 2,384.5		\$ 2,176.7	
Gross profit	820.8	34.4%	748.9	34.4%
Operating income	280.7	11.8%	232.8	10.7%

Net sales for Dollar Tree increased 9.5% for the 13 weeks ended April 30, 2016 compared to the same period last year due to sales from new stores and a comparable store sales increase of 2.3% on a constant currency basis.

Gross profit margin for Dollar Tree was consistent at 34.4% for the 13 weeks ended April 30, 2016 and May 2, 2015. Variances in gross profit include:

- lower merchandise cost due to favorable freight costs;
- higher shrink as a result of unfavorable physical inventory results;
- higher distribution and occupancy costs as a percentage of net sales; and
- a \$2.0 million unfavorable adjustment to beginning inventory in the 13 weeks ended May 2, 2015 reflecting a change in the inventory accounting method for our Canadian operations to conform Canada's policy with our US policy.

Operating income margin for Dollar Tree increased to 11.8% for the 13 weeks ended April 30, 2016 as compared to 10.7% for the same period last year. Excluding acquisition costs of \$10.4 million or 50 basis points in the 13 weeks ended May 2, 2015, operating income margin was 11.8% and 11.2% for the 13 weeks ended April 30, 2016 and May 2, 2015, respectively. Excluding acquisition costs, the increase in operating income margin was the result of favorable selling, general and administrative expenses due to the following:

- payroll costs decreased 40 basis points due to lower incentive compensation, health insurance costs and profit sharing expense; and
- store operating costs decreased 10 basis points due to lower electric and gas expense.

Liquidity and Capital Resources

Our business requires capital to build and open new stores, expand our distribution network and operate and expand our existing stores. Our working capital requirements for existing stores 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 for existing stores and have funded our store opening and distribution network expansion programs from internally generated funds and borrowings under our credit facilities.

The following table compares cash-flow related information for the 13 weeks ended April 30, 2016 and May 2, 2015:

(in millions)	13 Weeks Ended	
	April 30, 2016	May 2, 2015
Net cash provided by (used in):		
Operating activities	\$ 311.0	\$ 150.4
Investing activities	(92.8)	(7,311.0)
Financing activities	(24.8)	7,166.6

Net cash provided by operating activities increased \$160.6 million due primarily to increases in net income, net of depreciation and amortization and income taxes payable and a decrease in prepaid assets partially offset by decreases in other current liabilities and accounts payable.

Net cash used in investing activities decreased \$7.2 billion primarily due to restricted cash from debt proceeds held in escrow in 2015.

Net cash provided by financing activities decreased \$7.2 billion compared with the prior year, primarily due to debt proceeds in 2015 received to finance the Acquisition.

At April 30, 2016, our total borrowings were \$7,444.7 million and we had \$1,066.7 million available under our revolving credit facility. We also have \$330.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately \$189.6 million was committed to letters of credit issued for routine purchases of imported merchandise as of April 30, 2016.

There were no shares repurchased on the open market during the 13 weeks ended April 30, 2016 and May 2, 2015. As of April 30, 2016, we had \$1.0 billion remaining under Board repurchase 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 and diesel fuel cost changes. We may enter into interest rate or diesel fuel swaps to manage exposure to interest rate and diesel fuel price changes. We do not enter into derivative instruments for any purpose other than cash flow hedging and we do not hold derivative instruments for trading purposes.

Interest Rate Risk

In conjunction with the Acquisition, we entered into new financing arrangements. Borrowings under the Term Loan A bear interest based on LIBOR plus 2.25% and borrowings under Term Loan B-1 bear interest at the higher of LIBOR plus 2.75% or 3.50%. As such, these debt instruments expose us to market risk for changes in interest rates. As of April 30, 2016, approximately 44% of our total debt includes variable interest rates. However, the terms of the Term Loan B-1 limit our exposure to short-term interest rate fluctuations due to the existence of the interest rate floor of 3.50%. As current monthly LIBOR rates plus the 2.75% spread are below the interest rate floor of 3.50%, Term Loan B-1 effectively has a fixed interest rate unless monthly LIBOR rates were to increase above 0.75%. A 1.0% increase in the LIBOR rate would result in an annual increase in interest expense related to our variable rate debt of \$25.2 million.

Item 4. CONTROLS AND PROCEDURES.

Our management has carried out, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of April 30, 2016, the Company's disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended April 30, 2016 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;
- personal injury/wrongful death claims;
- product safety matters, which may include product recalls in cooperation with the Consumer Products Safety Commission or other jurisdictions;
- real estate matters related to store leases; and
- environmental and safety issues.

In addition, we are currently defendants in national and state employment-related class and collective actions, litigation concerning injury from products and a governmental investigation by the Consumer Products Safety Commission. For a discussion of these proceedings, please refer to "Note 5. Legal Proceedings," included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q.

We will vigorously defend ourselves in these matters. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these lawsuits will not have a material effect on our results of operations for the period in which they are resolved. Based on the information available, including the amount of time remaining before trial, the results of discovery and the judgment of internal and external counsel, we are unable to express an opinion as to the outcome of those matters which are not settled and cannot estimate a potential range of loss except as specified in Note 5. When a range is expressed, we are currently unable to determine the probability of loss within that range.

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 Securities and Exchange Commission on March 28, 2016.

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

During the 13 weeks ended April 30, 2016 the Company did not repurchase any shares of common stock on the open market. As of April 30, 2016, we had \$1.0 billion remaining under Board repurchase authorization.

Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

None.

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS.

- 3.1 Articles of Incorporation of Dollar Tree, Inc. (as amended, effective June 20, 2013) (Exhibit 3.1 to the Company's June 20, 2013 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 July 6, 2015 Current Report on Form 8-K, incorporated herein by this reference)
- 10.1 Dollar Tree, Inc. 2015 Employee Stock Purchase Plan, effective September 1, 2015 (Exhibit 4.0 to the Company's October 28, 2015 Registration Statement on Form S-8, incorporated herein by this reference)
- 10.2 Restricted Stock Unit Agreement dated March 18, 2016 between the Company and Gary Philbin, President of the combined enterprise, Dollar Tree, Inc., and the President and Chief Operating Officer of Family Dollar Stores, Inc. (Exhibit 10.1 to the Company's March 18, 2016 current report on Form 8-K, incorporated herein by this reference)
*
- 10.3 Retention Agreement dated March 15, 2016 between the Company and Gary Maxwell, Chief Supply Chain Officer (filed herewith)*
- 10.4 Change in Retention Agreement dated April 19, 2016 between the Company and Howard R. Levine (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
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Management Contract or compensatory plan or arrangement

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: June 9, 2016

By: /s/ Kevin S. Wampler

Kevin S. Wampler

Chief Financial Officer

(principal financial and accounting officer)

**Dollar Tree, Inc.
500 Volvo Parkway
Chesapeake, Virginia 23320**

March 15, 2016

Gary Maxwell

Retention Agreement

Dear Mr. Maxwell:

Dollar Tree, Inc., a Virginia corporation (the “Company”), considers it in the best interests of the Company and its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the “Board”) recognizes that the uncertainty and questions which might arise among management in the context of a Change in Control could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined, therefore, that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of key members of management to their assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible Change in Control.

The Board has identified you as a key member of management. In order to induce you to remain in the employ of the Company, the Company has determined to enter into this letter agreement (this “Agreement”) which addresses the terms and conditions of your employment in the event of a Change in Control. Capitalized words which are not otherwise defined herein shall have the meanings assigned to such words in Section 8 of this Agreement.

1. Term of the Agreement. The term of your employment under this Agreement shall commence on the Change in Control Date (after application of Section 2(e)) and shall continue until the second anniversary of the Change in Control Date (the “Term”). Subject to Section 2(e), you shall have no rights and obligations under this Agreement, and no compensation or benefits will be payable to you hereunder, if your employment with the Company ends for any reason prior to the Change in Control Date.

2. Involuntary Termination During the Term.

(a) Severance Payment. In the event of your Involuntary Termination during the Term, the Company will pay you the following amounts:

- (i) Within 5 days of the date of such Involuntary Termination, the Company will pay you in a cash lump sum: (1) the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect at the time such base salary was earned by you; plus (2) the amount, if any, of any earned but unpaid cash bonus for the annual performance year ended immediately prior to the Date of Termination; plus (3) the amount of your accrued and unused vacation time as of the Date of Termination (calculated in accordance with the Company’s vacation policy for executives, as in effect on the Date of Termination or, if more favorable to you, as in effect at any time within the two-year period ending on the Date of Termination).

- (ii) The Company will also pay you within 5 days of the Date of Termination a *pro rata* annual bonus for the year in which your Involuntary Termination occurs, equal to the product of A multiplied by B, where “ A ” is the number of days in the performance year up to and including the Date of Termination during which you were employed by the Company divided by the number of days in such calendar year; and where “ B ” is your Reference Bonus.
- (iii) In addition, subject to the last sentence of this Section 2(a)(iii), the Company will pay you an amount (the “ Severance Payment ”) equal to the product of C multiplied by D, where “ C ” is the Multiplier and where “ D ” is the sum of your Reference Salary plus your Reference Bonus. The Severance Payment shall be paid to you in substantially equal payroll installments (payable no less frequently than monthly) over the twelve-month period commencing immediately following your Date of Termination.

(b) Benefit Payment. In the event of your Involuntary Termination during the Term, you and your eligible dependents shall continue to be eligible to participate during the Benefit Continuation Period in the medical, dental, health and life insurance plans applicable to you immediately prior to your Involuntary Termination on the same terms and conditions in effect for you and your dependents immediately prior to such Involuntary Termination. For purposes of the previous sentence, “ Benefit Continuation Period ” means the period beginning on the Date of Termination and ending on the earliest to occur of (i) the last day of the Multiplier Period, (ii) the date that you and your dependents are eligible for coverage under the plans of a subsequent employer and (iii) the last day of the month, if any, in which you deliver notice to the Company that you are exercising your right in accordance with the definition of Restricted Period in Section 8 to cease receiving Severance Payments under this Agreement.

(c) Outstanding Long-Term Awards.

- (i) In the event of your Involuntary Termination during the Term, then all Service-Based Conditions (as defined below) contained in all equity awards such as outstanding options, shares of restricted stock and restricted stock units granted to you prior to the Change in Control Date under the Long Term Plans which are outstanding as of your Date of Termination (“Outstanding Awards”) shall be deemed to have been satisfied on the Date of Termination. For purposes of this Agreement, "Service-Based Conditions" shall mean any conditions for exercise, settlement or payment contained in an award under the Long Term Plans that require that you continue to be employed by the Company through a stated date.
- (ii) Notwithstanding anything in this Agreement or any award under the Long Term Plans to the contrary, you agree with the Company that all such awards shall be subject to the provisions of Section 3.

(d) Date and Notice of Termination. Any termination of your employment by the Company or by you during the Term shall be communicated by a notice of termination to the other party hereto (the “ Notice of Termination ”). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company and its subsidiaries (the “ Date of Termination ”) shall be determined as follows: (i) if your employment is terminated for Disability, 30 days after a Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, five days after the date the Notice of Termination is received by you and (iii) if your employment is terminated by the Company for Cause, the later of the date specified in the Notice of Termination or ten days following the date such notice is received by you. If the basis for your Involuntary Termination is your resignation for Good Reason, the Date of Termination shall be ten days after the date your Notice of Termination is received by the Company. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice, which shall be no earlier than ten days after the date such notice is received by the Company.

(e) Early Commencement of the Term. If your employment with the Company ends in an Involuntary Termination within the six-month period ending on the Change in Control Date (as such term is defined in Section 8 prior to application of this Section 2(e)), and it is reasonably demonstrated that your Involuntary Termination (i) was caused by, or at the request of, the third party who has taken steps reasonably calculated to effect the Change in Control or (ii) otherwise arose in connection with or in anticipation of the Change in Control, then, for all purposes of this Agreement:

(A) the Term shall be deemed to have commenced on the date immediately prior to the date of such Involuntary Termination;

(B) any payments required under Section 2(a)(ii) shall be made within 5 days after the Change in Control Date and any payments required under Section 2(a)(iii) shall be made in substantially equal payroll installments (payable no less frequently than monthly) over the twelve-month period commencing immediately following the Change in Control Date;

(C) for purposes of any Outstanding Award only, you shall be deemed to have continued in service until the Change in Control Date and all Service-Based Conditions shall be deemed to have been satisfied on the Change in Control Date; and

(D) with respect to Outstanding Awards, the expiration date for exercise shall be extended until on the earlier of the 90-day anniversary of the Change in Control Date or the ten-year anniversary of the relevant grant date.

(f) Other Terminations or Resignations. No amounts shall be payable to you under this Agreement if your employment ends during the Term for any reason other than an Involuntary Termination. If your employment ends during the Term for any reason other than an Involuntary Termination, you shall be entitled to receive only the compensation and benefits contemplated by the terms and provisions of the Company's plans and arrangements then in effect.

(g) No Mitigation or Offset. You will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer or by pension benefits paid by the Company or another employer after the Date of Termination or otherwise, except as specifically provided in clause (ii) of the last sentence of Section 2(b).

(h) Effective of Breach of Section 4. Except for rights and benefits described in Section 2(a)(i), you shall immediately forfeit your right to any payments of benefits under this Section 2 if you violate the provisions of Section 4. Such forfeiture by you shall be in addition to, and not in substitution for, any remedies otherwise available to the Company at law or in equity as a result of such violation by you.

3. Limitation of Payments.

(a) Claw-back. Notwithstanding anything herein to the contrary, if any Payments to you would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), the Company shall take such action as shall be reasonably necessary to reduce the aggregate amount of Payments due to you (the "Claw-back Amount") such that the present value of all such Payments (as determined under the Code and regulations) is equal to 2.99 times your "base amount" (as defined in Section 280G(b)(3) of the Code). No Claw-back Amount shall be necessary hereunder if the Accounting Firm determines that none of the Payments are subject to the Excise Tax. The Company shall reduce Payments in a manner that is reasonably intended to maximize the aggregate amount of the compensation and benefits retained by you under this Agreement and under any other compensation and benefit arrangements that result in Payments to you, including the Long-Term Plans. The Company and the Accounting Firm shall implement the provisions of this Section 3 in a manner that is consistent with any claw-back provisions in the Long-Term Plans.

(b) Determination of Claw-back Amount. Subject to the provisions of Section 3(c), all determinations required under this Section 3, including the amount of the Payments constituting excess parachute payments, within the meaning of Section 280G(b)(1) of the Code, the Claw-back Amount, and the Payments to which the Claw-back Amount shall be applied in accordance with the last sentence of Section 3(a), shall be made by the Accounting Firm, which shall provide detailed supporting calculations both to you and the Company within 90 days of the Change in Control Date, your Date of Termination or any other date reasonably requested by you or the Company on which a determination under this Section 3 is necessary or advisable. Any determination by the Accounting Firm shall be binding upon you and the Company.

(c) Procedures. You shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment of the Excise Tax. Such notice shall be given as soon as practicable after you know of such claim and shall apprise the Company of the nature of the claim and the date on which the claim is requested to be paid. You agree not to pay the claim until the expiration of the 30-day period following the date on which you notify the Company, or such shorter period ending on the date the taxes with respect to such claim are due (the "Notice Period"). If the Company notifies you in writing prior to the expiration of the Notice Period that it desires to contest the claim, you shall: (i) give the Company any information reasonably requested by the Company relating to the claim; (ii) take such action in connection with the claim as the Company may reasonably request, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably acceptable to you; (iii) cooperate with the Company in good faith in contesting the claim; and (iv) permit the Company to participate in any proceedings relating to the claim. You shall permit the Company to control all proceedings related to the claim and, at its option, permit the Company to pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such claim.

(d) Further Assurances. The Company shall indemnify you and hold you harmless, on an after-tax basis, from any costs, expenses, penalties, fines, interest or other liabilities ("Losses") incurred by you with respect to the exercise by the Company of any of its rights under this Section 3(c), including any Losses related to the Company's decision to contest a claim or any action taken on your behalf by the Company hereunder. The Company shall pay all legal fees and expenses incurred under this Section 3, and shall promptly reimburse you for the reasonable expenses incurred by you in connection with any actions taken by the Company or required to be taken by you under this Section 3. The Company shall also pay all of the fees and expenses of the Accounting Firm.

4. Protective Covenants.

(a) Nondisparagement. You shall not, during the Restricted Period, make any statement, in written, oral or electronic form, in disparagement of the Companies or of any of the officers, shareholders, directors, employees, agents, or associates of any of the Companies (including, but not limited to, negative references to any of the Companies and the products, services, or corporate policies of any of the Companies) to the general public or the employees, employees, customers, suppliers, potential suppliers, business partners or potential business partners of any of the Companies.

(b) Nonsolicitation. You shall not, during the Restricted Period, either directly or indirectly, for yourself or on behalf of any other person or entity, solicit, induce, recruit, or encourage any employees of any of the Companies to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage, take-away, or hire any such employees either for your benefit or for the benefit of any other person or entity.

(c) Noncompetition. You shall not, during the Restricted Period, either directly or indirectly, provide services to any Competitor, including as a spokesperson, endorser, creditor, guarantor, financial backer, investor, stockholder, director, officer, consultant, adviser, employee, member, trustee or agent, or in any similar capacity. Notwithstanding the foregoing, the provisions of this Section 4(c) shall not be deemed to prohibit your purchase or ownership, as a passive investment, of not more than 5% of the issued and outstanding stock or other securities of a corporation listed on a national securities exchange or traded in the over-the-counter market.

(d) Confidential Information. You shall not, during the Restricted Period, disclose any confidential information or trade secrets related to the business or operations of any of the Companies that you acquired in connection with your employment by or association with any of the Companies.

5. Indemnification. If you are made a party, are threatened to be made a party to, or otherwise receive any other legal process in, any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “ Proceeding ”), by reason of the fact that you are or were a director, officer or employee of any of the Companies or are or were serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is your alleged action in an official capacity while serving as director, officer, member, employee or agent of any of the Companies, the Company shall indemnify you and hold you harmless to the fullest extent permitted or authorized by the Company’s Articles of Incorporation, By Laws or under the laws of the Commonwealth of Virginia, but in no event greater than permitted by applicable state law, against all cost, expense, liability and loss (including attorney’s fees, judgments, fines, excise taxes or penalties and amounts paid or to be paid in settlement and any cost and fees incurred in enforcing your rights to indemnification or contribution) reasonably incurred or suffered by you in connection therewith. To the extent that the Company maintains officers’ and directors’ liability insurance, you will be covered under such policy subject to the exclusions and limitations set forth therein.

6. Legal Fees and Expenses. The Company shall pay or reimburse you on an after-tax basis for all reasonable legal fees and expenses (including court costs) incurred by you as a result of any claim by you (or on your behalf) that is successful on the merits or settled in your favor (i) arising out of your termination of employment during the Term, (ii) contesting, disputing or enforcing any right, benefits or obligations under this Agreement or (iii) arising out of or challenging the validity, advisability or enforceability of this Agreement or any provision thereof. You shall be responsible to reimburse the Company for all reasonable legal fees and expenses (including court costs) incurred by the Company as a result of any claim by you that is determined by a court having final jurisdiction over such claim, to have been frivolous.

7. Successors; Binding Agreement.

(a) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided , however , that no such assumption shall relieve the Company of its obligations hereunder without your prior written consent.

(b) Enforceability; Beneficiaries. This Agreement shall be binding upon and inure to the benefit of you and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including as a result of a Change in Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

8. Definitions and Rules of Construction.

(a) For purposes of this Agreement, the following capitalized words shall have the meanings set forth below:

“Accounting Firm” shall mean a nationally recognized accounting firm designated by the Company and approved by you, which approval shall not be unreasonably withheld.

“Agreement” shall have the meaning set forth in the third paragraph of this Agreement.

“Benefit Continuation Period” shall have the meaning set forth in Section 2(b).

“Board” shall have the meaning set forth in the second paragraph of this Agreement.

“Catch-Up Amount” shall have the meaning set forth in Section 10.

“Cause” shall mean a termination of your employment during the Term by the Company as a result of any of the following occurring during the Term:

- (i) your felony conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea);
- (ii) your engaging in any fraudulent or dishonest conduct with respect to the performance of your duties with the Companies;
- (iii) your engaging in any intentional act that is injurious in a material respect to the Companies;
- (iv) your engaging in any other act of moral turpitude;
- (v) your willful disclosure of material trade secrets or other material confidential information related to the business of the Companies;
- (vi) your willful and continued failure substantially to perform your duties with the Companies (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from a resignation by you for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and which performance is not substantially corrected by you within thirty days of receipt of such demand. For purposes of this clause (v), no act or failure to act on your part shall be deemed “willful” unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above constituting Cause and specifying the particulars thereof. For purposes of this definition, “Board” shall mean the Board of Directors of the Company or of any successor to the Company.

“Change in Control” shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; provided, however, that, anything in this Agreement to the contrary notwithstanding, a Change in Control shall be deemed to have occurred if:

- (i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the “beneficial owner” (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities entitled to vote in the election of directors of the Company;

- (ii) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Incumbent Directors"), cease for any reason to constitute a majority thereof;
- (iii) there occurs a Transaction with respect to which the stockholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such Transaction; or
- (iv) all or substantially all of the assets of the Company are sold, liquidated or distributed.

"Change in Control Date" shall mean, subject to Section 2(e), the earliest of (i) the date on which the Change in Control occurs, (ii) the date on which the Company executes an agreement, the consummation of which would result in the occurrence of a Change in Control, (iii) the date the Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control, and (iv) the date the Company fails to satisfy its obligations to have this Agreement assumed by any successor to the Company in accordance with Section 7(a) of this Agreement. If the Change in Control Date occurs as a result of an agreement described in clause (ii) of the previous sentence or as a result of the approval of the Board described in clause (iii) of the previous sentence and the Change in Control to which such agreement or approval relates (the "Contemplated Change in Control") subsequently does not occur, then the Term shall expire on the sixtieth day (the "Reset Date") following the date the Board certifies by resolution duly adopted by three-fourths (3/4ths) of the Incumbent Directors then in office that the Contemplated Change in Control is not reasonably likely to occur; provided, however, that this sentence shall not apply if (A) an Involuntary Termination of your employment with the Company has occurred on and after the Change in Control Date and on or prior to the Reset Date or (B) the Contemplated Change in Control subsequently occurs within three months following the Reset Date. Following the Reset Date, the provisions of this Agreement shall remain in effect and a new Term shall commence upon the occurrence of a subsequent Change in Control Date. If the Change in Control Date occurs without the subsequent occurrence of a Reset Date, then the Term shall be determined in accordance with Section 1 and no subsequent Change in Control Date shall occur hereunder, even if a subsequent Change in Control occurs during the Term or thereafter.

"Claw-back Account" shall have the meaning set forth in Section 3(a).

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations thereunder.

"Companies" shall mean the Company and each subsidiary corporation of the Company (as such term is defined in Section 424(f) of the Code).

"Company" shall have the meaning set forth in the first paragraph of the Agreement.

"Competitor" shall be limited to Dollar General Corporation, a Tennessee corporation, and 99¢ Only Stores, a California corporation (collectively, the "Named Competitors"), and any successor by sale, consolidation, reorganization, merger or otherwise to all or substantial all of the business or assets of a Named Competitor; provided, however, that, if any such successor engages in one or more businesses that are separate and apart from the business of the Named Competitor, the term "Competitor" shall be limited to only that portion of such successor's organization that engages in the Named Competitor's business.

"Date of Termination" shall have the meaning set forth in Section 2(d).

"Disability" shall mean (i) your incapacity due to physical or mental illness which causes you to be absent from the full-time performance of your duties with the Company for six (6) consecutive months and (ii) your failure to return to full-time performance of your duties for the Company within thirty (30) days after written Notice of Termination due to Disability is given to you. Any question as to the existence of your Disability upon which you and the Company cannot agree shall be determined by a qualified independent physician selected by you (or, if you are unable to make such selection, such selection shall be made by any adult member of your immediate family), and approved by the Company. The determination of

such physician made in writing to the Company and to you shall be final and conclusive for all purposes of this Agreement.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

“Excise Tax” shall have the meaning set forth in Section 3(a).

“Good Reason” shall mean your resignation of employment during the Term with the Company as a result of any of the following occurring during the Term:

- (i) Your ceasing to hold the position of Chief Supply Chain Officer of the Company (or the surviving entity resulting from the merger or consolidation, through one or more related transactions, of the Company with another entity);
- (ii) A material, adverse change in your duties and responsibilities with the Company from those in effect prior to the Change in Control Date.
- (iii) A reduction that is more than immaterial in your annual base salary as in effect immediately prior to the Change in Control Date or as the same may be increased from time to time thereafter;
- (iv) A reduction that is more than immaterial in your target annual bonus (expressed as a percentage of base salary) below the target in effect for you prior to the Change in Control Date;
- (v) The relocation of the office of the Company where you are primarily employed to a location which is more than 50 miles from the place where you are primarily employed by the Company immediately prior to the Change in Control Date;
- (vi) The failure of the Company to obtain an agreement reasonably satisfactory to you from any successor to assume and agree to perform this Agreement or, if the business for which your services are principally performed is sold at any time after a Change in Control, the failure of the Company to obtain such an agreement from the purchaser of such business;
- (vii) Any termination (or purported termination) of your employment which is not effected pursuant to the terms of this Agreement; or
- (viii) Any material breach by the Company of this Agreement.

Notwithstanding the above, an event shall not constitute Good Reason unless it is communicated by you to the Company in writing within 90 days following the date you know of the occurrence of such event, and such event is not corrected by the Company in a manner which is reasonably satisfactory to you (including full retroactive correction with respect to any monetary matter) within 10 days of the Company’s receipt of such written notice from you.

“Involuntary Termination” shall mean (i) your termination of employment by the Company and its subsidiaries during the Term other than for Cause or Disability or (ii) your resignation of employment with the Company and its subsidiaries during the Term for Good Reason.

“Long-Term Plans” shall mean the Company’s Omnibus Incentive Plan, and any other plan or arrangement of the Company applicable to you that provides for the grant of long-term equity incentive compensation.

“Losses” shall have the meaning set forth in Section 3(d).

“Multiplier” shall mean 1.5.

“Multiplier Period” shall mean a period of years equal to the Multiplier and commencing on the Date of Termination.

“Notice of Termination” shall have the meaning set forth in Section 2(d).

“Notice Period” shall have the meaning set forth in Section 3(c).

“Payment” shall mean a “payment,” as defined in Section 280G(b)(2) of the Code, to you from the Company or any corporation which is a member of an “affiliate group” (as defined in Section 1504(a) of the Code without regard to Section 1504(b) of the Code) of which the Company is a member, which would reasonably constitute a “parachute payment,” as defined in Section 280G(b)(2) of the Code.

“Proceeding” shall have the meaning set forth in Section 5.

“Reference Bonus” shall mean the average of the actual cash bonuses earned and paid (or payable) to you for the three performance years ended prior to the year in which occurs your Date of Termination (but in no event greater than the target bonus for the year in which the Date of Termination occurs). If there are fewer than three performance years ended prior to the year in which occurs your Date of Termination, the actual number of performance years (and the bonuses for such years) shall be used in calculating such average and, in the event that you are first employed by the Company in the year in which occurs your Date of Termination, your reference bonus shall equal 75% of your target bonus for such year. For purposes of calculating your Reference Bonus, the Company shall disregard any signing or similar-type payment to you and shall exclude from the calculation of the average a performance year if you were not employed by the Company during all of that year.

“Reference Salary” shall mean the highest annual rate of base salary paid to you by the Company at any time during the three-year period ending on the Date of Termination.

“Restricted Period” shall mean the period beginning on the date you become entitled to a Severance Payment and ending on the earlier of twelve-months thereafter or the date you deliver notice to the Company electing to terminate your right to continue to receive Severance Payments.

“Severance Payment” shall have the meaning set forth in Section 2(a)(iii).

“Term” shall have the meaning set forth in Section 1.

“Transaction” shall mean a reorganization, merger, consolidation or other similar corporate transaction involving the Company.

(b) Rules of Construction. All references to dates and times refer to dates and times in Chesapeake, Virginia. Use of the masculine pronoun or the feminine pronoun shall be deemed to encompass the use of the opposite gender, and the use of the singular shall be deemed to encompass the plural, unless the context clearly requires otherwise. Unless otherwise expressly noted herein, paragraph, section and exhibit references are to the paragraphs, sections and exhibits of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation,” unless the context clearly requires otherwise. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

9. Notice. All notices, requests, consents and other communications required or permitted under this Agreement shall be in writing (including electronic transmission) and shall be (as elected by the person giving such notice) hand delivered by messenger or courier service, electronically transmitted, or mailed (airmail if international) by registered or certified mail (postage prepaid), return receipt requested, addressed to the Board of Directors, Dollar Tree, Inc., 500 Volvo Parkway, Chesapeake, VA 23320, with a copy to the General Counsel of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as any party may designate by notice complying with the provisions of this Section 9. Each such notice shall be deemed delivered (a) on the date delivered if by personal delivery; (b) on the date of transmission with confirmed answer back if by electronic transmission; and (c) on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case

may be, if mailed.

10. Section 409A Compliance. Solely to the extent necessary to comply with Section 409A of the Code, any amounts payable to you pursuant to this Agreement during the period beginning on your Date of Termination and ending on the six-month anniversary of such date shall be delayed and not paid to you until the first business day following such sixth-month anniversary date, at which time such delayed amounts will be paid to you in a cash lump sum (the “ Catch-up Amount ”). If payment of an amount is delayed as a result of this Section 10, such amount shall be increased with interest from the date on which such amount would otherwise have been paid to you but for this Section 10 to the day prior to the date the Catch-up Amount is paid. The rate of interest shall be the applicable short-term federal rate applicable under Section 7872(f)(2)(A) of the Code for the month in which occurs your Date of Termination. Such interest shall be paid at the same time that the Catch-up Amount is paid. If you die on or after your Date of Termination and prior to the sixth-month anniversary of such date, any amount delayed pursuant to this Section 10 shall be paid to your estate or beneficiary, as applicable, together with interest, within 30 days following the date of your death. The provisions of this Section 10 shall apply notwithstanding any provision of this Agreement related to the timing of payments following your Date of Termination.

To the extent a payment under this Agreement is not made within the short-term deferral period or another permitted exemption or exception from application of Code Section 409A, payments under this Agreement are intended to comply, and this Agreement shall be interpreted as necessary to comply, with Code Section 409A and the regulations promulgated thereunder. Any provision of this Agreement that cannot be so interpreted or applied consistent with Code Section 409A is deemed amended to comply with Code Section 409A or, if such amendment is not possible, is void.

In the event you become entitled to indemnification for any Losses or other expenses, costs, fees or in-kind benefits under Section 3 of this Agreement and such Losses, expenses, costs, fees or in-kind benefits are not exempt from Code Section 409A pursuant to Treasury Regulation § (b)(9)(v) because such Losses, expenses, costs, fees or in-kind benefits were not incurred or provided by the last day of the second taxable year following your Involuntary Termination, then the Company will satisfy any such right to indemnification by reimbursement or providing in-kind benefits in accordance with Treasury Regulation § 1.409A-3(i)(1)(iv) as follows:

- (i) Reimbursement or in-kind benefits may be paid or provided during the period of your lifetime;
- (ii) Reimbursement of an eligible expense will be made on or before the last day of your taxable year following the taxable year in which the expenses were incurred;
- (iii) The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and
- (iv) The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

For purposes of Section 10 of this Agreement, the term “in-kind benefits” refers to services provided to you or on your behalf by the Company, such as legal or accounting services.”

11. Miscellaneous.

(a) Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by you and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof; provided, however, that, except as expressly set forth herein, this Agreement shall not supersede the terms of Long-Term Plans and applicable award documents thereunder.

(b) Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Severability. In the event that any provision or term of this Agreement is held to be invalid, prohibited or unenforceable for any reason, such provision or term shall be deemed severed from this Agreement, without invalidating the remaining provisions, which shall remain in full force and effect.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(e) No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Term hereof or, if your employment with the Company continues after the Term, following the expiration of the Term.

(f) Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

(g) Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid in cash from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

(h) Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Virginia applicable to contracts entered into and performed in such Commonwealth.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

DOLLAR TREE, INC.

By /s/ Bob Sasser
Bob Sasser
Chief Executive Officer

Agreed to as of this 15th day of March, 2016

/s/ Gary Maxwell
Gary Maxwell

Dollar Tree, Inc.
500 Volvo Parkway
Chesapeake, Virginia 23320

April 19, 2016

Mr. Howard R. Levine

Dear Howard,

Reference is made to that certain retention letter (“Retention Letter”), dated as of July 27, 2014, entered into between you and Dollar Tree, Inc. (“Parent”) in connection with the merger consummated among Parent, Family Dollar Stores, Inc. (the “Company” and Dime Merger Sub, Inc.

The parties agree to amend, effective as of the date hereof, the paragraph of the Retention Letter entitled “Transfer Restrictions” to read as follows:

Transfer Restriction: You agree that during the 30-month period following the Effective Time, you will not, and will cause any trust or other entity controlled by you not to, directly or indirectly, (a) sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or otherwise) (a “Transfer”), either voluntarily or involuntarily, any shares of common stock of Parent (“Shares”) received in the Merger, or (b) enter into any contract, option or other arrangement or understanding with respect to the Transfer of any such Shares, in either case, which would result in the sale into the public markets of more than 500,000 Shares during any five-trading-day period; provided, however, that nothing contained herein shall prevent you from disposing of Shares in connection with a corporate transaction that is approved by the board of directors of Parent or from Transferring Shares for estate planning purposes or to a charitable institution for philanthropic purposes but only, prior to the effectiveness of such Transfer, if the transferee agrees in writing to be bound by the transfer restrictions set forth herein (except that you may annually transfer a number of Shares equal to the product of the Award Exchange Ratio (as defined in the Merger Agreement) and 100,000 to the Howard R. Levine Foundation Fund in accordance with past practice and without any limitation placed on that Fund with respect to the subsequent disposition of such Shares during the restriction period set forth herein). Any Transfer or attempted Transfer of Shares in violation of this Retention Letter shall, to the fullest extent permitted by law, be null and void ab initio, and Parent shall not, and shall instruct its transfer agent and other third parties not to, record or recognized any such purported transaction on its share register.

Except to the extent state herein, the Retention Agreement continues in full force and effect. This letter agreement, together with the Retention Letter and Employment Agreement (as defined therein), constitute the entire agreement between the parties hereto with respect to the subject matter hereof. No provision of this letter agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by you, Parent and the Company, or by you and Parent if the Company ceases to exist as a separate legal entity. This letter agreement will be governed, construed, and interpreted under the laws of the State of Delaware without giving effect to any conflict of laws provisions.

Please acknowledge your agreement to the terms of this letter agreement by your signature below, effective as of the date first stated above.

Sincerely,

Dollar Tree, Inc.

By: /s/ William A. Old, Jr.
William A. Old, Jr.
Chief Legal Officer

Family Dollar Stores, Inc.

By: /s/ William A. Old, Jr.
William A. Old, Jr.
Chief Legal Officer

Acknowledged and Agreed:

/s/ Howard R. Levine
Howard R. Levine

04-19-16
Date

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: June 9, 2016

/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: June 9, 2016

/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 April 30, 2016, 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) or 15(d) 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.

June 9, 2016

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 April 30, 2016, 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) or 15(d) 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.

June 9, 2016

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.