

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 November 3, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 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

(Address of principal executive offices)

23320

(Zip Code)

(757) 321-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

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 November 26, 2018, there were 237,969,961 shares of the registrant's common stock outstanding.

DOLLAR TREE, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 3, 2018
TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited):	
Condensed Consolidated Income Statements	4
Condensed Consolidated Statements of Comprehensive Income	5
Condensed Consolidated Balance Sheets	6
Condensed Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3. Defaults Upon Senior Securities	29
Item 4. Mine Safety Disclosures	29
Item 5. Other Information	29
Item 6. Exhibits	31
Signatures	32

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		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net sales	\$ 5,538.8	\$ 5,316.6	\$ 16,618.1	\$ 15,884.9
Cost of sales	3,866.9	3,650.6	11,582.7	10,964.0
Gross profit	1,671.9	1,666.0	5,035.4	4,920.9
Selling, general and administrative expenses, excluding Receivable impairment	1,284.1	1,240.8	3,827.5	3,633.9
Receivable impairment	—	—	—	53.5
Selling, general and administrative expenses	1,284.1	1,240.8	3,827.5	3,687.4
Operating income	387.8	425.2	1,207.9	1,233.5
Interest expense, net	47.6	69.7	323.7	220.2
Other (income) expense, net	0.2	0.4	(0.9)	0.8
Income before income taxes	340.0	355.1	885.1	1,012.5
Income tax expense	58.2	115.2	168.9	338.3
Net income	\$ 281.8	\$ 239.9	\$ 716.2	\$ 674.2
Basic net income per share	\$ 1.18	\$ 1.01	\$ 3.01	\$ 2.85
Diluted net income per share	\$ 1.18	\$ 1.01	\$ 3.00	\$ 2.84

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
(in millions)				
Net income	\$ 281.8	\$ 239.9	\$ 716.2	\$ 674.2
Foreign currency translation adjustments	(0.7)	(2.7)	(5.9)	2.3
Total comprehensive income	\$ 281.1	\$ 237.2	\$ 710.3	\$ 676.5

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	November 3, 2018	February 3, 2018	October 28, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 708.3	\$ 1,097.8	\$ 400.1
Merchandise inventories, net	3,715.6	3,169.3	3,397.8
Other current assets	325.6	309.2	174.7
Total current assets	4,749.5	4,576.3	3,972.6
Property, plant and equipment, net of accumulated depreciation of \$3,571.8, \$3,192.1 and \$3,060.1, respectively	3,406.2	3,200.7	3,178.9
Assets available for sale	5.9	8.0	8.6
Goodwill	5,023.6	5,025.2	5,024.3
Favorable lease rights, net of accumulated amortization of \$290.6, \$230.9 and \$224.7, respectively	314.6	375.3	398.0
Tradename intangible asset	3,100.0	3,100.0	3,100.0
Other intangible assets, net	4.6	4.8	4.9
Other assets	44.9	42.5	42.9
Total assets	\$ 16,649.3	\$ 16,332.8	\$ 15,730.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$ —	\$ 915.9	\$ 165.9
Accounts payable	1,365.1	1,174.8	1,181.3
Income taxes payable	0.7	31.5	—
Other current liabilities	769.9	736.9	692.7
Total current liabilities	2,135.7	2,859.1	2,039.9
Long-term debt, net, excluding current portion	5,043.8	4,762.1	5,557.0
Unfavorable lease rights, net of accumulated amortization of \$77.0, \$61.1 and \$57.0, respectively	84.0	100.0	105.7
Deferred tax liabilities, net	999.2	985.2	1,472.4
Income taxes payable, long-term	33.0	43.8	45.1
Other liabilities	410.5	400.3	393.6
Total liabilities	8,706.2	9,150.5	9,613.7
Commitments and contingencies			
Shareholders' equity	7,943.1	7,182.3	6,116.5
Total liabilities and shareholders' equity	\$ 16,649.3	\$ 16,332.8	\$ 15,730.2
Common shares outstanding	238.0	237.3	237.1

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	39 Weeks Ended	
	November 3, 2018	October 28, 2017
Cash flows from operating activities:		
Net income	\$ 716.2	\$ 674.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	454.4	454.6
Provision for deferred taxes	13.8	15.8
Amortization of debt discount and debt-issuance costs	53.7	12.0
Receivable impairment	—	53.5
Other non-cash adjustments to net income	63.3	61.6
Loss on debt extinguishment	114.7	—
Changes in operating assets and liabilities	(365.2)	(679.1)
Net cash provided by operating activities	1,050.9	592.6
Cash flows from investing activities:		
Capital expenditures	(622.7)	(449.4)
Proceeds from sale of restricted and unrestricted investments	—	4.0
Proceeds from (payments for) fixed asset disposition	3.3	(0.1)
Net cash used in investing activities	(619.4)	(445.5)
Cash flows from financing activities:		
Proceeds from long-term debt, net of discount	4,775.8	—
Principal payments for long-term debt	(5,432.7)	(610.8)
Debt-issuance and debt extinguishment costs	(155.3)	—
Proceeds from revolving credit facility	50.0	—
Repayments of revolving credit facility	(50.0)	—
Proceeds from stock issued pursuant to stock-based compensation plans	14.2	24.4
Cash paid for taxes on exercises/vesting of stock-based compensation	(22.6)	(27.2)
Net cash used in financing activities	(820.6)	(613.6)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	0.2
Net decrease in cash and cash equivalents	(389.5)	(466.3)
Cash and cash equivalents at beginning of period	1,097.8	866.4
Cash and cash equivalents at end of period	\$ 708.3	\$ 400.1
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	\$ 289.3	\$ 261.3
Income taxes	\$ 197.9	\$ 454.6
Non-cash transactions:		
Accrued capital expenditures	\$ 51.2	\$ 53.5

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

NOTE 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” contained in the Company’s Annual Report on Form 10-K for the year ended February 3, 2018. The results of operations for the 13 and 39 weeks ended November 3, 2018 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 2, 2019.

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 November 3, 2018 and October 28, 2017 and the results of its operations and cash flows for the periods presented. The February 3, 2018 balance sheet information was derived from the audited consolidated financial statements as of that date.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*.” This update replaced 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. The Company adopted the standard in the first quarter of fiscal 2018 and the adoption of the standard did not have an impact on the Company’s condensed consolidated financial statements or its internal control over financial reporting.

In August 2016, the FASB issued ASU No. 2016-15, “*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*,” which provides guidance on eight specific cash flow issues in an effort to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified within the statement of cash flows. This standard is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company adopted the standard in the first quarter of fiscal 2018, resulting in the classification of \$124.5 million of cash paid for debt extinguishment as a financing activity in the accompanying unaudited condensed consolidated statement of cash flows for the 39 weeks ended November 3, 2018.

In February 2016, the FASB issued ASU No. 2016-02, “*Leases (Topic 842)*,” which will replace existing lease accounting guidance. The new standard will require lessees to recognize right-of-use assets and corresponding lease liabilities on the balance sheet for all in-scope leases with a term of greater than 12 months and disclose certain quantitative and qualitative information about leasing arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018. The Company will adopt the standard in the first quarter of fiscal 2019, using the optional transition method provided by accounting pronouncement, ASU No. 2018-11, “*Leases (Topic 842): Targeted Improvements*.” ASU 2018-11 allows entities to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, the Company’s reporting for comparative periods presented in the year of adoption will continue to be in accordance with ASC 840, “*Leases (Topic 840)*.” The Company has engaged a third party to assist in its preparation for implementation and its evaluation of the impact of the new pronouncement on its consolidated financial statements. Additionally, the Company is implementing lease accounting software to assist in the quantification of the expected impact on the consolidated balance sheets and to facilitate the calculations of the related accounting entries and disclosures. The Company continues to assess the effect the implementation will have on its existing accounting policies and the consolidated financial statements and expects the adoption of this pronouncement to result in a discounted increase of \$5.5 billion to \$6.5 billion in the assets and liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated income statements and consolidated statements of cash flows. The estimate could change as the Company continues to progress with implementation and will also fluctuate based on the lease portfolio and discount rates as of the adoption date. The Company is also evaluating additional changes to its processes and internal controls to ensure it is compliant with the reporting and disclosure requirements of the standard.

NOTE 2 - LONG-TERM DEBT

Long-term debt at November 3, 2018, February 3, 2018 and October 28, 2017 consisted of the following:

(in millions)	As of November 3, 2018		As of February 3, 2018		As of October 28, 2017	
	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs
Forgivable Promissory Note	\$ —	\$ —	\$ —	\$ —	\$ 7.0	\$ —
5.25% Acquisition Notes, due 2020	—	—	750.0	6.1	750.0	6.8
5.75% Acquisition Notes, due 2023	—	—	2,500.0	30.8	2,500.0	32.1
Term Loan A-1	—	—	1,532.7	3.4	1,574.2	3.7
Term Loan B-2	—	—	650.0	8.6	650.0	9.0
\$1.25 billion Tranche A Revolving Credit Facility	—	—	—	12.6	—	13.9
5.00% Senior Notes, due 2021	300.0	(5.2)	300.0	(6.8)	300.0	(7.2)
\$1.25 billion Revolving Credit Facility, interest payable at LIBOR, reset periodically, plus 1.125%, which was 3.44% at November 3, 2018	—	10.8	—	—	—	—
Term Loan Facility, due 2020, interest payable at LIBOR, reset periodically, plus 0.95%, which was 3.27% at November 3, 2018	782.0	1.8	—	—	—	—
Senior Floating Rate Notes, due 2020, interest payable at LIBOR, reset quarterly, plus 0.70%, which was 3.29% at November 3, 2018	750.0	3.8	—	—	—	—
3.70% Senior Notes, due 2023	1,000.0	8.0	—	—	—	—
4.00% Senior Notes, due 2025	1,000.0	7.5	—	—	—	—
4.20% Senior Notes, due 2028	1,250.0	11.5	—	—	—	—
Total	<u>\$ 5,082.0</u>	<u>\$ 38.2</u>	<u>\$ 5,732.7</u>	<u>\$ 54.7</u>	<u>\$ 5,781.2</u>	<u>\$ 58.3</u>

Senior Credit Facilities

On April 19, 2018, the Company entered into a credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, providing for \$2.03 billion in senior credit facilities (the “Senior Credit Facilities”), consisting of a \$1.25 billion revolving credit facility (the “Revolving Credit Facility”), of which up to \$350.0 million is available for letters of credit, and a \$782.0 million term loan facility (the “Term Loan Facility”).

The Company borrowed the entire \$782.0 million Term Loan Facility on April 19, 2018. The Revolving Credit Facility matures on April 19, 2023, subject to extensions permitted under the Credit Agreement. The Term Loan Facility matures on April 19, 2020.

The loans under the Revolving Credit Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.25% and the loans under the Term Loan Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.00%, subject to adjustment based on (i) the Company’s credit ratings and (ii) the Company’s leverage ratio. Based on these factors, interest on the loans under the Revolving Credit Facility may range from LIBOR plus 1.00% to 1.50% and interest on the loans under the Term Loan Facility may range from LIBOR plus 0.875% to 1.25%. At November 3, 2018, the Revolving Credit Facility bore interest at LIBOR plus 1.125% and the Term Loan Facility bore interest at LIBOR plus 0.95%. The Company pays certain commitment fees in connection with the Revolving Credit Facility. The Senior Credit Facilities allow voluntary repayment of outstanding loans at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. There is no required amortization under the Senior Credit Facilities.

The Senior Credit Facilities contain a number of affirmative and negative covenants that, among other things, and subject to certain significant baskets and exceptions, restrict the Company’s ability to incur subsidiary indebtedness, incur liens, sell all or

substantially all of the Company's (including the Company's subsidiaries') assets and consummate certain fundamental changes. The Senior Credit Facilities also contain a maximum rent-adjusted leverage ratio covenant and a minimum fixed charge coverage ratio covenant. The Credit Agreement provides for certain events of default which, if any of them occurs, would permit or require the loans under the Senior Credit Facilities to be declared due and payable and the commitments thereunder to be terminated.

Senior Notes

On April 19, 2018, the Company completed the registered offering of \$750.0 million aggregate principal amount of Senior Floating Rate Notes due 2020 (the "Floating Rate Notes"), \$1.0 billion aggregate principal amount of 3.70% Senior Notes due 2023 (the "2023 Notes"), \$1.0 billion aggregate principal amount of 4.00% Senior Notes due 2025 (the "2025 Notes") and \$1.25 billion aggregate principal amount of 4.20% Senior Notes due 2028 (the "2028 Notes" and together with the 2023 Notes and the 2025 Notes, the "Fixed Rate Notes"; and the Fixed Rate Notes together with the Floating Rate Notes, the "Notes").

The Notes were issued pursuant to an indenture, dated as of April 2, 2018, between the Company and U.S. Bank National Association, as trustee, as supplemented by the First Supplemental Indenture dated as of April 19, 2018 (the "First Supplemental Indenture").

The Notes are unsecured, unsubordinated obligations of the Company and rank equal in right of payment to all of the Company's existing and future debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the Notes.

The 2023 Notes mature on May 15, 2023 and bear interest at the rate of 3.70% annually. The 2025 Notes mature on May 15, 2025 and bear interest at the rate of 4.00% annually. The 2028 Notes mature on May 15, 2028 and bear interest at the rate of 4.20% annually. The Company is required to pay interest on the Fixed Rate Notes semiannually, in arrears, on May 15 and November 15 of each year, beginning on November 15, 2018, to holders of record on the preceding May 1 and November 1, respectively. The Floating Rate Notes mature on April 17, 2020 and bear interest at a floating rate, reset quarterly, equal to LIBOR plus 70 basis points. The Company is required to pay interest on the Floating Rate Notes quarterly, in arrears, on January 17, April 17, July 17 and October 17 of each year, beginning on July 17, 2018, to holders of record on the preceding January 3, April 3, July 3 and October 3, respectively.

The Company may redeem the Floating Rate Notes in whole or in part at any time beginning on April 22, 2019 at a price equal to 100% of the principal amount of Floating Rate Notes being redeemed plus accrued but unpaid interest to, but excluding, the redemption date. The Company may redeem the Fixed Rate Notes of each series in whole or in part, at its option, at any time and from time to time prior to (i) in the case of the 2023 Notes, April 15, 2023, (ii) in the case of the 2025 Notes, March 15, 2025 and (iii) in the case of the 2028 Notes, February 15, 2028 (each such date with respect to the applicable series, the "Applicable Par Call Date"), in each case, at a "make-whole" price described in the First Supplemental Indenture plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, on or after the Applicable Par Call Date, the Company may redeem the Fixed Rate Notes of the applicable series, at any time in whole or from time to time in part, at a redemption price equal to 100% of the principal amount thereof.

In the event of a Change of Control Triggering Event, as defined in the indenture, with respect to any series, the holders of the Notes of such series may require the Company to purchase for cash all or a portion of their Notes of such series at a purchase price equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase. The indenture limits the ability of the Company and its subsidiaries, subject to significant baskets and exceptions, to incur certain secured debt. The First Supplemental Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable, as applicable.

Repayments of Long-term debt in the first quarter of 2018

The Company redeemed its \$750.0 million aggregate principal amount of 5.25% Acquisition Notes due 2020 (the "2020 Notes") and accelerated the amortization of debt-issuance costs associated with the 2020 Notes of \$6.1 million to the first quarter ended May 5, 2018.

In connection with entry into the Credit Agreement and the offering of the Notes discussed above, the Company used the proceeds of borrowings under the Senior Credit Facilities, together with the net proceeds from the offering of the Notes and cash on hand to repay all of the outstanding loans under its existing senior secured credit facilities, including its Term Loan A-1 and Term Loan B-2, and redeem all of its outstanding 5.75% Acquisition Notes due 2023.

The credit agreement governing the existing senior secured credit facilities, dated as of March 9, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the "Existing Credit Agreement") was terminated and all of the guarantees of the obligations under the Existing Credit Agreement were terminated and all liens granted under the Existing Credit Agreement, including those equally and ratably securing the \$300.0 million 5.00% Senior Notes due 2021 issued by the Company's subsidiary,

Family Dollar Stores, Inc., were released. Upon the termination of the Existing Credit Agreement, the Company paid certain lenders thereunder a prepayment premium of \$6.5 million, which was equal to 1.00% of the outstanding principal amount of the Term Loan B-2 loans under the Existing Credit Agreement and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 39 weeks ended November 3, 2018.

The Company redeemed all of its outstanding \$2.5 billion aggregate principal amount of 5.75% Acquisition Notes due 2023 and the indenture governing the notes was satisfied and discharged. The Company paid a redemption premium of \$107.8 million, which was equal to 4.313% of the outstanding principal amount of the Acquisition Notes due 2023 and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 39 weeks ended November 3, 2018.

Related to the redemption of the 5.75% Acquisition Notes due 2023 and the repayment of the Company’s Existing Credit Agreement, the Company accelerated the expensing of approximately \$41.2 million of amortizable non-cash deferred financing costs and expensed approximately \$0.4 million in transaction-related costs to the first quarter ended May 5, 2018. Additionally, the Company capitalized approximately \$36.9 million of deferred financing costs and recorded an original issue discount in connection with entry into the Credit Agreement and the offering of the Notes, which are being amortized over the terms of the Senior Credit Facilities and Notes.

Debt Covenants

As of November 3, 2018, the Company was in compliance with its debt covenants.

NOTE 3 - INCOME TAXES

The Company’s effective tax rate was 17.1% for the 13 weeks ended November 3, 2018 compared with 32.4% for the 13 weeks ended October 28, 2017 and 19.1% for the 39 weeks ended November 3, 2018 compared with 33.4% for the 39 weeks ended October 28, 2017. The 2017 Tax Cuts and Jobs Act (“TCJA”) reduced the federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. As a result, the 2018 federal statutory tax rate is 21%. In addition, in the third quarter of 2018, the Company recorded a tax benefit of \$15.7 million based on the substantial completion of its analysis on the net deferred tax liability valuation and the acceleration of depreciation. This benefit resulted in a 4.6% decrease in the quarterly tax rate for the 13 weeks ended November 3, 2018.

In the fourth quarter of 2017, the Company recorded a tax benefit based on currently available information and interpretations related to the TCJA, which are continuing to evolve, and as a result, the benefit is considered provisional. The Company will continue its analysis related to the TCJA as supplemental legislation, regulatory guidance, or evolving technical interpretations become available and will continue to refine such provisional amounts within the measurement period as provided by Staff Accounting Bulletin 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act. The Company expects to complete its analysis regarding the impact of executive compensation, the effect of state taxes and provisions of the TCJA associated with Global Intangible Low-Taxed Income (“GILTI”) no later than December 2018.

NOTE 4 - 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 quarter or year 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 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. The employee filed an amended complaint in which he abandoned his attempt to certify a nation-wide class of non-exempt distribution center employees for alleged improper calculation of overtime compensation. The Company removed this lawsuit to federal court. The court certified the case as a state-wide class action.

In April 2015, a former store manager filed a class action in California federal court alleging, among other things, that the Company failed to make wage statements readily available to employees who did not receive paper checks. On November 7, 2017, the jury found in favor of the Company. The plaintiff has filed an appeal from the verdict.

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. The parties have reached a tentative settlement which is not material.

In July 2017, two former employees filed suit in federal court in California, seeking to represent a class of current and former non-exempt employees alleging that the Company's dress code required them to purchase such distinctive clothing that it constituted a uniform and the Company's failure to reimburse them for the clothing violated California law. The former employees seek restitution, damages, penalties and injunctive relief. The Company entered into a settlement agreement which was rejected by the court. The parties have revised the terms of the settlement and have resubmitted it for court approval. The Company has accrued the amount in the revised agreement.

In August 2017, a former employee brought suit in California state court on a Private Attorney General Act ("PAGA") representative basis alleging the Company failed to provide him and all other California store associates with suitable seating when they were performing cashier functions. The parties settled the case, subject to court approval and the Company has accrued the amount of the settlement.

In August 2018, a former employee brought suit in California state court as a class action and as a PAGA representative suit alleging the Company failed to provide all non-exempt California store employees with compliant rest and meal breaks, accrued vacation, accurate wage statements and final pay upon termination of employment.

Several lawsuits have been filed against Dollar Tree, Family Dollar and their vendors alleging that personal powder products caused cancer. The Company does not believe the products it sold caused the illnesses. The Company believes these lawsuits are insured and is being indemnified by its third party vendors.

Dollar Tree Resolved Matters

In August 2017, 43 current and former employees filed suit against the Company in state court in California alleging improper classification as exempt employees which they allege resulted in, among other things, their failure to receive overtime compensation, rest and meal periods, accurate wage statements, and final pay upon termination of employment. The Company removed the case to federal court. As required by that court's order, each plaintiff refiled his or her case individually so that the cases would be tried individually and not as a class. In June 2018, the Company mediated the 43 cases together. All of the cases have been dismissed with prejudice and the settlements were paid in the third quarter of 2018.

In November 2017, a current employee filed a PAGA representative action in California state court alleging the Company failed to make wage statements readily available to California store employees who do not receive paper checks. The lawsuit has been dismissed with prejudice.

In February 2018, a current store manager filed a statewide class action in Missouri state court alleging the Company's store managers are improperly classified as exempt employees thereby entitling them to overtime pay, liquidated damages and damages for unjust enrichment. The case was dismissed with prejudice.

Family Dollar Active Matters

In January 2017, a customer filed a class action in federal court in Illinois alleging the Company violated various state consumer fraud laws as well as express and implied warranties by selling a product that purported to contain aloe when it did not. The requested class is limited to the state of Illinois. The Company believes that it is fully indemnified by the entities that supplied it with the product.

In April 2017, a former store employee filed a lawsuit in California state court alleging off the clock work primarily for bag checks, failure to provide rest and meal breaks, and related claims. The court granted the Company's motion to compel arbitration

and stayed the case pending the outcome of the arbitration proceedings. Subsequently, the court allowed the plaintiff to amend her complaint to include PAGA claims which are not subject to arbitration. The parties settled the case, subject to court approval and the Company has accrued the amount of the settlement.

In December 2017, a former assistant store manager filed suit in California state court asserting PAGA claims on behalf of herself and other store managers and assistant store managers seeking wages for alleged off the clock work, noncompliant rest and meal breaks and related claims. The parties settled the case, subject to court approval and the Company has accrued the amount of the settlement.

In January 2018, a former store manager and a former assistant store manager filed suit in California state court asserting class claims on behalf of themselves and their respective classes seeking to recover for working off the clock, noncompliant rest and meal periods and related claims. The plaintiffs have amended their complaint to add a PAGA claim but have also agreed to stay the PAGA and class claims pending the arbitration of their individual claims.

In June 2018, a former store manager filed suit in California state court asserting class and PAGA claims on behalf of himself and a class of current and former employees for alleged off the clock work, alleged failure to receive compliant rest and meal breaks and related claims.

In August 2018, a former store manager filed a nationwide collective action in federal court in Texas asserting that she and other similarly situated store managers were improperly classified as exempt employees and are therefore owed overtime pay and other related compensation. The collective claims have been dismissed and the plaintiff has agreed to pursue her claims on an individual basis in arbitration.

In October 2018, a former store manager filed a class and collective action in federal court in Arkansas alleging she and other similarly situated current and former store managers were improperly classified as exempt employees in violation of the Fair Labor Standards Act and the Arkansas Minimum Wage Act and are therefore owed minimum wages for all time worked, overtime compensation and penalties.

Family Dollar Resolved Matters

In June 2017, a former store employee filed suit in California state court asserting PAGA claims on behalf of herself and other allegedly aggrieved employees alleging the Company willfully caused their work time to go under reported so they failed to receive pay for time worked and related claims. The lawsuit has been dismissed without prejudice.

NOTE 5 - 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 carrying amounts of Cash and cash equivalents and Accounts payable as reported in the Company's unaudited condensed consolidated balance sheets approximate fair value due to their short-term maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

(in millions)	November 3, 2018	February 3, 2018	October 28, 2017
Level 1			
Deferred compensation plan assets	21.8	20.7	19.8

Deferred compensation plan assets are held pursuant to deferred compensation plans for certain officers and executives. The deferred compensation plan assets are recorded in "Other assets" on the accompanying unaudited condensed consolidated balance sheets and a corresponding liability is recorded in "Other liabilities" on the accompanying unaudited condensed consolidated balance sheets.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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 or 39 weeks ended November 3, 2018.

The aggregate fair values and carrying values of the Company's long-term borrowings were as follows:

(in millions)	November 3, 2018		February 3, 2018		October 28, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 1						
Senior Notes and Acquisition Notes	\$ 4,158.7	\$ 4,274.4	\$ 3,684.6	\$ 3,519.9	\$ 3,713.4	\$ 3,518.3
Level 2						
Term loans	774.2	780.2	2,187.6	2,170.7	2,230.7	2,211.5

The fair values of the Company's 5.00% Senior Notes due 2021 and the Notes (collectively, the "Senior Notes"), and the fair values of the 5.25% Acquisition Notes due 2020 and 5.75% Acquisition Notes due 2023 (together, "the Acquisition Notes") that were redeemed during the first quarter of 2018, were determined using Level 1 inputs as quoted prices in active markets for identical assets or liabilities are available. The fair value of the Company's Term Loan Facility and the fair values of the Term Loan A-1 and Term Loan B-2, which the Company prepaid in full during the first quarter of 2018, were determined using Level 2 inputs as quoted prices are readily available from pricing services, but the prices are not published. The carrying values of the Company's Revolving Credit Facility at November 3, 2018 and the Company's Tranche A Revolving Credit Facility at February 3, 2018 and October 28, 2017, approximated their fair values because the interest rates vary with market interest rates.

NOTE 6 - 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		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Basic net income per share:				
Net income	\$ 281.8	\$ 239.9	\$ 716.2	\$ 674.2
Weighted average number of shares outstanding	237.9	236.9	237.8	236.7
Basic net income per share	\$ 1.18	\$ 1.01	\$ 3.01	\$ 2.85
Diluted net income per share:				
Net income	\$ 281.8	\$ 239.9	\$ 716.2	\$ 674.2
Weighted average number of shares outstanding	237.9	236.9	237.8	236.7
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	0.8	0.9	0.8	0.8
Weighted average number of shares and dilutive potential shares outstanding	238.7	237.8	238.6	237.5
Diluted net income per share	\$ 1.18	\$ 1.01	\$ 3.00	\$ 2.84

For the 13 and 39 weeks ended November 3, 2018 and October 28, 2017, substantially all of the stock options outstanding were included in the calculation of the weighted average number of shares and dilutive potential shares outstanding.

NOTE 7 - STOCK-BASED COMPENSATION

For a discussion of the Company's stock-based compensation plans, refer to "Note 9 - Stock-Based Compensation Plans" of the Company's Annual Report on Form 10-K for the year ended February 3, 2018.

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 \$60.2 million and \$51.8 million during the 39 weeks ended November 3, 2018 and October 28, 2017, respectively.

Restricted Stock

The Company issues service-based RSUs to employees and officers and issues performance-based RSUs to certain officers of the Company. The Company recognizes expense based on the estimated fair value of the RSUs granted over the requisite service period, which is generally three years, on a straight-line basis or a shorter period based on the retirement eligibility of the grantee. The fair value of RSUs is determined using the Company's closing stock price on the date of grant.

The following table summarizes the status of RSUs as of November 3, 2018 and changes during the 39 weeks then ended:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at February 3, 2018	1,525,252	\$ 79.37
Granted	788,162	94.82
Vested	(660,485)	79.84
Forfeited	(88,124)	84.66
Nonvested at November 3, 2018	1,564,805	\$ 86.65

NOTE 8 - SEGMENTS

The Company operates a chain of more than 15,100 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 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, 12 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, 11 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. If the measurement of a segment changes, prior period amounts and balances would be reclassified to be comparable to the current period's presentation.

Net sales by segment are as follows:

(in millions)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net sales:				
Dollar Tree	\$ 2,853.8	\$ 2,685.0	\$ 8,407.0	\$ 7,843.6
Family Dollar	2,685.0	2,631.6	8,211.1	8,041.3
Total net sales	\$ 5,538.8	\$ 5,316.6	\$ 16,618.1	\$ 15,884.9

Gross profit by segment is as follows:

(in millions)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Gross profit:				
Dollar Tree	\$ 993.7	\$ 942.6	\$ 2,909.8	\$ 2,735.0
Family Dollar	678.2	723.4	2,125.6	2,185.9
Total gross profit	<u>\$ 1,671.9</u>	<u>\$ 1,666.0</u>	<u>\$ 5,035.4</u>	<u>\$ 4,920.9</u>

Depreciation and amortization expense by segment is as follows:

(in millions)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Depreciation and amortization expense:				
Dollar Tree	\$ 68.2	\$ 62.5	\$ 197.9	\$ 186.8
Family Dollar	82.3	86.9	256.7	268.0
Total depreciation and amortization expense	<u>\$ 150.5</u>	<u>\$ 149.4</u>	<u>\$ 454.6</u>	<u>\$ 454.8</u>

Operating income by segment is as follows:

(in millions)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Operating income:				
Dollar Tree	\$ 331.9	\$ 317.3	\$ 959.8	\$ 921.9
Family Dollar	55.9	107.9	248.1	311.6
Total operating income	<u>\$ 387.8</u>	<u>\$ 425.2</u>	<u>\$ 1,207.9</u>	<u>\$ 1,233.5</u>

Capital expenditures by segment are as follows:

(in millions)	13 Weeks Ended		39 Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Capital expenditures:				
Dollar Tree	\$ 145.1	\$ 114.3	\$ 412.2	\$ 267.7
Family Dollar	83.3	63.4	210.5	181.7
Total capital expenditures	<u>\$ 228.4</u>	<u>\$ 177.7</u>	<u>\$ 622.7</u>	<u>\$ 449.4</u>

Total assets by segment are as follows:

(in millions)	As of		
	November 3, 2018	February 3, 2018	October 28, 2017
Total assets:			
Dollar Tree	\$ 4,613.0	\$ 4,113.4	\$ 3,665.8
Family Dollar	12,036.3	12,219.4	12,064.4
Total assets	<u>\$ 16,649.3</u>	<u>\$ 16,332.8</u>	<u>\$ 15,730.2</u>

Total goodwill by segment is as follows:

(in millions)	As of		
	November 3, 2018	February 3, 2018	October 28, 2017
Total goodwill:			
Dollar Tree	\$ 373.5	\$ 347.1	\$ 346.2
Family Dollar	4,650.1	4,678.1	4,678.1
Total goodwill	<u>\$ 5,023.6</u>	<u>\$ 5,025.2</u>	<u>\$ 5,024.3</u>

Goodwill is reassigned between segments when stores are rebannered between segments. In the 39 weeks ended November 3, 2018, the Company reassigned \$28.0 million of goodwill from Family Dollar to Dollar Tree as a result of rebannered. There were no stores rebannered between segments in the 39 weeks ended October 28, 2017.

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 and are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, without limitation, statements preceded by, followed by or including words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “view,” “target” or “estimate,” “may,” “will,” “should,” “predict,” “possible,” “potential,” “continue,” “strategy,” and similar expressions. For example, our forward-looking statements include, without limitation, statements regarding:

- the potential effect of inflation and other general business or economic conditions on our costs and profitability, including the potential effect of future changes in prevailing wage rates and overtime regulations and our plans to address these changes, shipping rates, domestic and import freight costs (including increases in domestic freight costs due to the shortage in truck drivers), fuel costs and wage and benefit costs, consumer spending levels, and population, employment and job growth and/or losses in our markets;
- the ability to retain key personnel at Family Dollar and Dollar Tree, including in connection with the consolidation of the Family Dollar headquarters from North Carolina to Virginia;
- 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, renovate, rebanner, expand, relocate or close stores and any related costs or charges, our anticipated square footage increase, and our ability to renew leases at existing store locations;
- the potential effect of future law changes, including taxes and tariffs, including the actual and potential effect of Section 301 tariffs on Chinese goods imposed by the United States Trade Representative, the potential effect of anti-dumping duties imposed by the United States Department of Commerce, the Fair Labor Standards Act as it relates to the qualification of our managers for exempt status, minimum wage and health care law;
- the average size of our stores to be added in 2018 and beyond;
- the effect on our merchandise mix of consumables and the increase in the number of our stores with freezers and coolers and Snack Zone on Dollar Tree’s gross profit margin and sales;
- the effect of the Family Dollar renovation initiative and other initiatives on Family Dollar’s sales;
- the net sales per square foot, net sales and operating income of our stores;
- 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, the costs associated with the store support center consolidation and the effect on earnings per share;
- our gross profit margin, earnings, inventory levels and ability to leverage selling, general and administrative and other fixed costs;
- the effect of recent changes in tax laws;
- 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 and our ability to service our debt obligations, including our expected annual interest expense;

- our expectations regarding competition and growth in our retail sector; and
- management's estimates associated with our critical accounting policies, including inventory valuation, accrued expenses, valuations for impairment analyses and income taxes.

You should not rely on forward-looking statements as predictions of future events. The outcome of the events described in these forward-looking statements is subject to various risks, uncertainties and other factors, including without limitation the risk factors summarized below and the more detailed discussions in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in our Annual Report on Form 10-K for the year ended February 3, 2018 and in this Quarterly Report on Form 10-Q.

- Our profitability is vulnerable to cost increases.
- We could encounter additional disruptions in our distribution network and have encountered and expect to encounter additional costs in distributing merchandise, such as freight cost increases due to the truck driver shortage and fuel cost increases.
- Integrating Family Dollar's operations with ours may be more difficult, costly or time consuming than expected, including disruptions or the loss of key personnel in connection with the consolidation of the Family Dollar headquarters from North Carolina to Virginia.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- Risks associated with our domestic and foreign suppliers, including, among others, increased taxes, duties, tariffs or other restrictions on trade (including Section 301 tariffs imposed by the United States Trade Representative on imported Chinese goods), could adversely affect our financial performance.
- 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.
- Our profitability is affected by the mix of products we sell.
- Litigation may adversely affect our business, financial condition and results of operations. For a discussion of current legal proceedings, see "Note 4 - Legal Proceedings," included in "Part I. Financial Information, Item 1. Financial Statements" of this Form 10-Q.
- Pressure from competitors may reduce our sales and profits.
- A downturn or changes in economic conditions could impact our sales or profitability.
- Changes in federal, state or local law, including regulations and interpretations or guidance thereunder, or our failure to adequately estimate the impact of such changes or comply with such laws, could increase our expenses, expose us to legal risks or otherwise adversely affect us.
- The price of our common stock is subject to market and other conditions and may be volatile.
- 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.
- 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.

- 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.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. We do not undertake to publicly update or revise any forward-looking statements after the date of this quarterly report, whether as a result of new information, future events, or otherwise.

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 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. Furthermore, we have a policy against confirming projections, forecasts or opinions 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 15,100 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 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. Stores that have been re-bannered are considered to be new stores and are not included in the calculation of the comparable store net sales change until after the first fifteen months of operation under the new banner.

At November 3, 2018, 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 39 weeks ended November 3, 2018 and October 28, 2017 is as follows:

	39 Weeks Ended					
	November 3, 2018			October 28, 2017		
	Dollar Tree	Family Dollar	Total	Dollar Tree	Family Dollar	Total
Store Count:						
Beginning	6,650	8,185	14,835	6,360	7,974	14,334
New stores	237	166	403	264	202	466
Rebannered stores	47	(49)	(2)	—	—	—
Closings	(11)	(38)	(49)	(20)	(36)	(56)
Ending	6,923	8,264	15,187	6,604	8,140	14,744
Relocations	44	9	53	78	27	105
Selling Square Feet (in millions):						
Beginning	57.3	59.3	116.6	54.7	57.7	112.4
New stores	2.0	1.2	3.2	2.2	1.4	3.6
Rebannered stores	0.3	(0.3)	—	—	—	—
Closings	(0.1)	(0.3)	(0.4)	(0.2)	(0.2)	(0.4)
Relocations	0.1	—	0.1	0.2	—	0.2
Ending	59.6	59.9	119.5	56.9	58.9	115.8

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 39 weeks ended November 3, 2018 was approximately 8,280 selling square feet for the Dollar Tree segment and 7,340 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.

For the 13 weeks ended November 3, 2018, comparable store net sales increased 1.0% 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 net sales in Canada using the prior year third quarter's currency exchange rates. We believe that the constant currency basis provides a more accurate measure of comparable store net sales performance. Including the impact of currency, comparable store net sales increased the same 1.0% due to an increase in average ticket slightly offset by a decrease in customer count. On a constant currency basis, comparable store net sales increased 2.3% in the Dollar Tree segment and decreased 0.4% in the Family Dollar segment for the 13 weeks ended November 3, 2018. Comparable store net sales in the Dollar Tree segment increased 2.2% when adjusted for the impact of Canadian currency fluctuations. 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.

We believe comparable store net sales continue to be positively affected by a number of our Dollar Tree initiatives. We continued the roll-out of frozen and refrigerated merchandise to more of our Dollar Tree stores in the third quarter of 2018 and as of November 3, 2018, the Dollar Tree segment had frozen and refrigerated merchandise in approximately 5,580 stores compared to 5,135 stores at October 28, 2017. Over the past year, Dollar Tree developed and tested an initiative for select Dollar Tree stores, which we call our Snack Zone. This layout highlights our immediate consumption snack offerings in the front of the store near the checkout areas. As of November 3, 2018, we have this layout in approximately 820 Dollar Tree stores and we plan to end the year with approximately 880 Snack Zone stores. We believe that these initiatives have and will continue to enable us to increase sales and earnings by increasing the number of shopping trips made by our customers.

We are executing several initiatives in our Family Dollar banner to increase sales. During the 13 weeks ended November 3, 2018, we completed more than 150 Family Dollar renovations, which brings the total in fiscal 2018 to over 450. These renovations have focused on creating an exciting and more productive Family Dollar shopping experience. Renovations bring some of the oldest stores to our brand standard, including more productive end-caps, highlighting more relevant and prominent seasonal offerings, assortment expansions in beverage and snacks, hair care, and food in coolers and freezers. Category adjacencies and updating our front-end checkout are also part of the renovation program. We are making a number of improvements to the conditions of our stores to provide our customers with a consistent and improved shopping experience. In addition, we have focused on re-branding our private brand labels in our stores. These private brands are being developed to provide national brand-comparable quality and great values for our customers, as part of our Compare and Save marketing program. We are adding additional coolers and freezers to facilitate expansion of our product offerings.

On September 18, 2018 we announced that as part of our continuing integration of Family Dollar's organization and support functions, we plan to consolidate our store support centers in Matthews, North Carolina and Chesapeake, Virginia to our newly-completed office tower in the Summit Pointe development in Chesapeake, Virginia. Approximately 30 percent of the Matthews associates invited to move to Chesapeake have agreed to do so. We will need to hire to replace the associates who are not moving. We expect the consolidation to be completed by the fall of 2019 and we expect to incur total pre-tax expense of approximately \$40.0 million to \$49.0 million in connection with these plans. The third quarter of 2018 includes approximately \$2.3 million of expense related to the consolidation and we expect to incur an additional \$4.0 million to \$6.0 million in the fourth quarter of 2018.

Additionally, the following items have already impacted or could impact our business or results of operations during 2018 or in the future:

- We have experienced disruptions and higher than anticipated freight costs primarily due to the truck driver shortage in the United States. This will result in higher costs in future periods as merchandise is sold and could result in lower sales if product is not received in our stores on a timely basis.
- The United States Trade Representative (USTR) implemented Section 301 tariffs against \$250 billion in Chinese goods. The tariff rate on \$200 billion of those goods is expected to rise from 10 percent to 25 percent in 2019. We do not expect that the tariffs will be material to our business or results of operations in 2018. When the tariffs were implemented, approximately nine percent of our products, measured by sales volume, would have been affected. To mitigate the potential adverse effect, we negotiated price concessions from vendors on certain products, canceled orders, changed product sizes and specifications, changed our product mix and changed vendors. At Dollar Tree and Family Dollar, we have mitigated approximately 80 percent and 50 percent, respectively, of this potential adverse

effect of the tariffs in 2019. It is too early to give any assurance as to the final scope, duration, or impact of the proposed tariffs and the tariffs could have a material adverse effect if we do not continue to mitigate their impact; however, we have made significant progress on our mitigation efforts to date.

Results of Operations

13 Weeks Ended November 3, 2018 Compared to the 13 Weeks Ended October 28, 2017

Net Sales. Net sales increased \$222.2 million, or 4.2%, compared with last year's third quarter, resulting from sales of \$172.1 million in new Dollar Tree and Family Dollar stores and an increase in comparable store net sales in the Dollar Tree segment. Comparable store net sales increased 1.0% on a constant currency basis as a result of a 1.3% increase in average ticket slightly offset by a 0.3% decrease in customer count. On a constant currency basis, comparable store net sales increased 2.3% in the Dollar Tree segment and decreased 0.4% in the Family Dollar segment for the 13 weeks ended November 3, 2018. 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 \$5.9 million or 0.4%, to \$1,671.9 million in the third quarter of 2018 compared to \$1,666.0 million in the third quarter of 2017. Gross profit margin decreased to 30.2% in the current quarter from 31.3% in the same quarter last year. Our gross profit margin decrease was the result of the following:

- Shrink costs increased approximately 25 basis points due to unfavorable inventory results in the current quarter.
- Markdown expense increased approximately 25 basis points primarily due to increased promotional markdowns in the Family Dollar segment.
- Distribution costs increased approximately 25 basis points resulting primarily from higher distribution center payroll costs.
- Merchandise cost, including freight, increased approximately 20 basis points resulting from higher domestic freight costs, partially offset by improved mark-on.
- Occupancy costs increased approximately 15 basis points resulting from higher real estate tax costs in 2018.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$1,284.1 million in the third quarter of 2018 from \$1,240.8 million in the same quarter last year, an increase of \$43.3 million or 3.5%. As a percentage of sales, selling, general and administrative expenses decreased to 23.2% in the third quarter of 2018 from 23.3% in the same quarter last year. The decrease in selling, general and administrative expenses was a result of the net of the following:

- Operating and corporate expenses decreased approximately 25 basis points resulting from lower advertising costs, legal fees and a gain on sale of fixed assets in the current year quarter.
- Depreciation and amortization costs decreased approximately 10 basis points as a result of assets becoming fully depreciated on the Family Dollar segment.
- Payroll expenses increased approximately 25 basis points as a result of the net of the following:
 - Store hourly payroll costs increased approximately 40 basis points due to the planned reinvestment of income tax savings.
 - Insurance benefits increased approximately 10 basis points resulting from higher health care claims in the current quarter.
 - Incentive compensation costs decreased approximately 15 basis points as a result of lower earnings compared to targets in the current year.

Operating Income. Operating income for the current quarter decreased to \$387.8 million compared with \$425.2 million in the same period last year and operating income margin decreased to 7.0% in the current quarter from 8.0% in last year's third quarter.

Interest expense, net. Interest expense, net was \$47.6 million in the third quarter of 2018 compared to \$69.7 million in the prior year quarter. The decrease is due to lower debt outstanding in the current quarter as a result of a \$750.0 million prepayment in the first quarter of 2018, as well as our debt refinancing in the first quarter of 2018 which resulted in lower interest rates. See

“Note 2 - Long-Term Debt,” to the unaudited condensed consolidated financial statements included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

Income Taxes. Our effective tax rate for the 13 weeks ended November 3, 2018 was 17.1% compared to 32.4% for the 13 weeks ended October 28, 2017. The decrease is due to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017, which lowered the federal corporate tax rate from 35% to 21% and made numerous other law changes, effective as of January 1, 2018. Additionally, in the third quarter of 2018, the Company recorded a tax benefit of \$15.7 million based on the substantial completion of its analysis on the net deferred tax liability valuation. This benefit resulted in a 4.6% decrease in the quarterly tax rate for the 13 weeks ended November 3, 2018.

39 Weeks Ended November 3, 2018 Compared to the 39 Weeks Ended October 28, 2017

Net Sales. Net sales in the 39 weeks ended November 3, 2018 increased \$733.2 million, or 4.6%, compared with the same period last year, resulting from sales of \$507.2 million in new Dollar Tree and Family Dollar stores and an increase in comparable store net sales in the Dollar Tree segment, partially offset by a decrease in comparable store net sales in the Family Dollar segment. Comparable store net sales increased 1.4% on a constant currency basis as a result of a 1.6% increase in average ticket, slightly offset by a 0.2% decrease in customer count. Comparable store net sales increased the same 1.4% when adjusted for the impact of Canadian currency fluctuations. On a constant currency basis, comparable store net sales increased 3.3% in the Dollar Tree segment and decreased 0.4% in the Family Dollar segment for the 39 weeks ended November 3, 2018. 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 \$114.5 million or 2.3%, to \$5,035.4 million in the 39 weeks ended November 3, 2018 compared to \$4,920.9 million in the 39 weeks ended October 28, 2017. Gross profit margin decreased to 30.3% in the first nine months of 2018 from 31.0% in the first nine months of 2017. Our gross profit margin decrease was the result of the following:

- Shrink costs increased approximately 25 basis points due to unfavorable inventory results in the current year.
- Distribution costs increased approximately 20 basis points resulting primarily from higher distribution center payroll costs.
- Merchandise cost, including freight, increased approximately 10 basis points resulting from higher domestic freight costs, partially offset by improved mark-on.
- Occupancy costs increased approximately 10 basis points resulting from higher real estate tax expense in the current year.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$3,827.5 million in the 39 weeks ended November 3, 2018 from \$3,687.4 million in the same period last year, an increase of \$140.1 million or 3.8%. As a percentage of sales, selling, general and administrative expenses decreased to 23.0% in the 39 weeks ended November 3, 2018 from 23.2% in the same period last year. The prior year period included a \$53.5 million receivable impairment. Excluding the receivable impairment, selling, general and administrative expenses as a percentage of sales was 22.9% in the first nine months of 2017. Excluding the 2017 receivable impairment, the increase in selling, general and administrative expenses, as a percentage of net sales, was a result of the net of the following:

- Payroll costs increased approximately 40 basis points primarily due to higher store hourly payroll costs as a result of the planned reinvestment of income tax savings, partially offset by decreased incentive compensation costs resulting from lower earnings compared to targets in 2018.
- Store operating costs decreased approximately 10 basis points resulting from lower repairs and maintenance costs as a percentage of sales.
- Depreciation and amortization costs decreased approximately 10 basis points as a result of assets becoming fully depreciated on the Family Dollar segment and leverage from the comparable store net sales increase for the Dollar Tree segment.

Operating Income. Operating income for the 39 weeks ended November 3, 2018 decreased to \$1,207.9 million compared with \$1,233.5 million in the same period last year and operating income margin decreased to 7.3% in the first nine months of 2018 from 7.8% in the first nine months of 2017. Operating income for the 39 weeks ended October 28, 2017 includes a \$53.5 million receivable impairment. Excluding the receivable impairment, operating income and operating income margin in the 39 weeks ended October 28, 2017 were \$1,287.0 million and 8.1%, respectively.

Interest expense, net. Interest expense, net was \$323.7 million in the first nine months of 2018 compared to \$220.2 million in the first nine months of the prior year. The increase is due to the prepayment premiums paid during the first quarter of 2018 of \$107.8 million and \$6.5 million related to our redemption of the 5.75% Acquisition Notes due 2023 and Term Loan B-2, respectively. Also, in connection with our debt refinancing, we accelerated the expensing of approximately \$41.2 million of amortizable non-cash deferred financing costs to the first quarter of 2018. These increases were partially offset by lower interest expense in the second and third quarters of 2018 resulting from the debt refinancing. See “Note 2 - Long-Term Debt,” to the unaudited condensed consolidated financial statements included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

Income Taxes. Our effective tax rate for the 39 weeks ended November 3, 2018 was 19.1% compared to 33.4% for the 39 weeks ended October 28, 2017. The decrease is due to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017, which lowered the federal corporate tax rate from 35% to 21% and made numerous other law changes, effective as of January 1, 2018. In the third quarter of 2018, the Company recorded a tax benefit of \$15.7 million based on the substantial completion of its analysis on the net deferred tax liability valuation. The 2018 and 2017 rates also reflect reductions of \$8.6 million and \$4.5 million, respectively, in the reserve for uncertain tax positions resulting from statute expirations.

Segment Information

We operate a chain of more than 15,100 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, 12 distribution centers in the United States, two distribution centers in Canada and a Store Support Center in Chesapeake, Virginia. As a result, we report comparable store net sales on a constant currency basis.

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, 11 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. If the measurement of a segment changes, prior period amounts and balances would be reclassified to be comparable to the current period’s presentation.

Dollar Tree

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

(in millions)	13 Weeks Ended				39 Weeks Ended			
	November 3, 2018		October 28, 2017		November 3, 2018		October 28, 2017	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
Net sales	\$ 2,853.8		\$ 2,685.0		\$ 8,407.0		\$ 7,843.6	
Gross profit	993.7	34.8%	942.6	35.1%	2,909.8	34.6%	2,735.0	34.9%
Operating income	331.9	11.6%	317.3	11.8%	959.8	11.4%	921.9	11.8%

Net sales for the Dollar Tree segment increased 6.3% and 7.2% for the 13 and 39 weeks ended November 3, 2018, respectively, compared to the same periods last year. These increases were due to sales from new stores of \$109.7 million and \$303.4 million for the 13 and 39 weeks ended November 3, 2018, respectively, and comparable store net sales increases of 2.3% and 3.3%, respectively, on a constant currency basis. For the 13 weeks ended November 3, 2018, average ticket increased 1.1% and customer count increased 1.2%. For the 39 weeks ended November 3, 2018, average ticket increased 1.9% and customer count increased 1.4%.

Gross profit margin for the Dollar Tree segment decreased to 34.8% for the 13 weeks ended November 3, 2018 compared to 35.1% for the same period last year as a result of the following:

- Shrink increased approximately 15 basis points resulting from unfavorable inventory results in the current quarter.

- Distribution costs increased approximately 15 basis points resulting from higher distribution depreciation and payroll costs.
- Merchandise cost, including freight, was consistent with the prior year quarter as higher initial mark-on was offset by increased domestic freight costs.

Gross profit margin for the Dollar Tree segment decreased to 34.6% for the 39 weeks ended November 3, 2018 compared to 34.9% for the same period last year as a result of the net of the following:

- Shrink costs increased approximately 20 basis points resulting from unfavorable inventory results in the first nine months of the year.
- Distribution costs increased approximately 10 basis points primarily resulting from higher distribution center payroll costs.
- Merchandise cost, including freight, increased approximately 5 basis points primarily due to higher domestic freight costs, partially offset by higher initial mark-on.
- Occupancy costs decreased approximately 10 basis points resulting from the leverage from the comparable store net sales increase in the first nine months of the year.

Operating income margin for the Dollar Tree segment decreased to 11.6% for the 13 weeks ended November 3, 2018 as compared to 11.8% for the same period last year. The decrease in operating income margin in the 13 weeks ended November 3, 2018 was the result of lower gross profit margin, partially offset by lower selling, general and administrative expenses as a percentage of sales. Selling, general and administrative expenses decreased to 23.2% as a percentage of sales in the 13 weeks ended November 3, 2018, compared to 23.3% for the same period last year due to leverage from the increase in comparable store net sales in the quarter and lower incentive compensation costs, partially offset by an increase of approximately 20 basis points in store hourly payroll expenses resulting from the planned tax reinvestment in the current year.

Operating income margin for the Dollar Tree segment decreased to 11.4% for the 39 weeks ended November 3, 2018 as compared to 11.8% for the same period last year. The decrease in operating income margin in the 39 weeks ended November 3, 2018 was the result of lower gross profit margin, and higher selling, general and administrative expenses as a percentage of sales. Selling, general and administrative expenses increased to 23.2% as a percentage of sales in the 39 weeks ended November 3, 2018, compared to 23.1% for the same period last year due to a 30 basis point increase in store hourly payroll costs resulting from the planned tax reinvestment in the current year, partially offset by leverage from the increase in comparable store net sales in the first nine months of 2018 and lower incentive compensation costs.

Family Dollar

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

(in millions)	13 Weeks Ended				39 Weeks Ended			
	November 3, 2018		October 28, 2017		November 3, 2018		October 28, 2017	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
Net sales	\$ 2,685.0		\$ 2,631.6		\$ 8,211.1		\$ 8,041.3	
Gross profit	678.2	25.3%	723.4	27.5%	2,125.6	25.9%	2,185.9	27.2%
Operating income	55.9	2.1%	107.9	4.1%	248.1	3.0%	311.6	3.9%

Net sales for Family Dollar increased \$53.4 million or 2.0% and \$169.8 million or 2.1% for the 13 and 39 weeks ended November 3, 2018, respectively, compared to the same periods last year. The increase for the 13 weeks ended November 3, 2018 was due to new store sales of \$62.5 million partially offset by a 0.4% decrease in comparable store net sales for the quarter with a 1.9% increase in average ticket being offset by a 2.3% decrease in customer count. The increase for the 39 weeks ended November 3, 2018 was due to sales from new stores of \$203.8 million, partially offset by a comparable store net sales decrease of 0.4%. The decrease in comparable store net sales was the result of a decrease in customer count of 2.2%, partially offset by a 1.8% increase in average ticket.

Gross profit for Family Dollar decreased \$45.2 million or 6.2% for the 13 weeks ended November 3, 2018 compared to the same period last year. The gross profit margin for Family Dollar decreased to 25.3% for the 13 weeks ended November 3, 2018 compared to 27.5% for the same period in the prior year. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 60 basis points, primarily due to higher domestic freight costs.
- Markdown expense increased approximately 50 basis points in the current quarter primarily from increased promotional markdowns.
- Distribution costs increased approximately 40 basis points resulting primarily from higher merchandising and distribution payroll-related costs.
- Shrink costs increased approximately 40 basis points resulting from unfavorable physical inventory results in the current year.
- Occupancy costs increased approximately 35 basis points resulting from the deleveraging effect of the decrease in comparable store net sales and higher real estate taxes in the current year.

Gross profit for Family Dollar decreased \$60.3 million or 2.8% for the 39 weeks ended November 3, 2018 compared to the same period last year. The gross profit margin for Family Dollar decreased to 25.9% for the 39 weeks ended November 3, 2018 compared to 27.2% for the same period in the prior year. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 40 basis points, primarily due to higher domestic freight costs, partially offset by increased initial mark-on.
- Occupancy costs increased approximately 30 basis points resulting from the deleveraging effect of the decrease in comparable store net sales and higher real estate taxes in the current year.
- Shrink costs increased approximately 30 basis points resulting from unfavorable physical inventory results in the current year.
- Distribution costs increased approximately 25 basis points resulting primarily from higher merchandising and distribution payroll-related costs.

Operating income margin for Family Dollar decreased to 2.1% for the 13 weeks ended November 3, 2018 as compared to 4.1% for the same period last year resulting from the gross margin decrease above, partially offset by a decrease in selling, general and administrative expenses as a percentage of sales. Selling, general and administrative expenses were 23.2% as a percentage of sales in the 13 weeks ended November 3, 2018 compared to 23.4% for the same period last year. The current quarter decrease in selling, general and administrative expenses as a percentage of sales was due to the net of the following:

- Operating and corporate expenses decreased approximately 40 basis points resulting from lower advertising expenses, legal fees and a gain on the sale of fixed assets.
- Depreciation and amortization expense decreased approximately 20 basis points as a result of certain assets that were revalued upon the 2015 acquisition becoming fully depreciated and/or amortized.
- Payroll expenses increased approximately 35 basis points primarily due to increased store hourly payroll expenses as a result of the planned reinvestment of income tax savings and higher health care claims, partially offset by lower incentive compensation expenses.

Operating income margin for Family Dollar decreased to 3.0% for the 39 weeks ended November 3, 2018 as compared to 3.9% for the same period last year resulting from the gross margin decrease above and an increase in selling, general and administrative expenses. Operating income for the 39 weeks ended October 28, 2017 included a \$53.5 million receivable impairment. Operating income margin excluding the receivable impairment was 4.5% for the 39 weeks ended October 28, 2017. Selling, general and administrative expenses were 22.9% as a percentage of sales in the 39 weeks ended November 3, 2018 compared to 23.3% for the same period last year. Excluding the receivable impairment, selling general and administrative expenses were 22.7% for the 39 weeks ended October 28, 2017. The current year increase in selling, general and administrative expenses as a percentage of sales was due to the net of the following:

- Payroll expenses increased approximately 50 basis points primarily due to increased store hourly payroll expenses as a result of the planned reinvestment of income tax savings, partially offset by decreased incentive compensation costs.
- Depreciation and amortization expense decreased approximately 20 basis points as a result of certain assets that were revalued upon the 2015 acquisition becoming fully depreciated and/or amortized.

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 39 weeks ended November 3, 2018 and October 28, 2017:

(in millions)	39 Weeks Ended	
	November 3, 2018	October 28, 2017
Net cash provided by (used in):		
Operating activities	\$ 1,050.9	\$ 592.6
Investing activities	(619.4)	(445.5)
Financing activities	(820.6)	(613.6)

Net cash provided by operating activities increased \$458.3 million primarily due to increased earnings excluding the non-cash loss on debt extinguishment in 2018 and increased payable and accrued liability balances.

Net cash used in investing activities increased \$173.9 million primarily due to increased capital expenditures. The increase in capital expenditures primarily relates to a new Dollar Tree distribution center that opened in the second quarter of 2018 and the expansion of the Dollar Tree Store Support Center.

Net cash used in financing activities increased \$207.0 million compared with the prior year, primarily due to our debt refinancing in 2018, which resulted in the payment of \$155.3 million of debt-issuance and extinguishment costs.

At November 3, 2018, our long-term borrowings were \$5.1 billion and we had \$1.1 billion available under our revolving credit facility. We also have \$355.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately \$186.7 million was committed to letters of credit issued for routine purchases of imported merchandise as of November 3, 2018.

In the first quarter of 2018, we redeemed our \$750.0 million aggregate principal amount of 5.25% Acquisition Notes due 2020. We accelerated the amortization of debt-issuance costs associated with the notes of \$6.1 million to the first quarter of 2018.

Additionally, in the first quarter of 2018, we completed the registered offering of \$750.0 million aggregate principal amount of Senior Floating Rate Notes due 2020, \$1.0 billion aggregate principal amount of 3.70% Senior Notes due 2023, \$1.0 billion aggregate principal amount of 4.00% Senior Notes due 2025 and \$1.25 billion aggregate principal amount of 4.20% Senior Notes due 2028. We also entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, providing for \$2.03 billion in senior credit facilities, consisting of a \$1.25 billion revolving credit facility and a \$782.0 million term loan facility. We used the proceeds of these borrowings and cash on hand to repay all of the outstanding loans under our existing senior secured credit facilities, including our Term Loan A-1 and Term Loan B-2, and redeemed all of our outstanding 5.75% Acquisition Notes due 2023. In connection with the foregoing transactions, we accelerated the expensing of approximately \$41.2 million of amortizable non-cash deferred financing costs, expensed approximately \$0.4 million in transaction-related costs and capitalized approximately \$36.9 million of deferred financing costs and original issue discount, which are being amortized over the terms of the new borrowings. We also paid prepayment premiums of \$6.5 million and \$107.8 million related to our redemption of the Term Loan B-2 and 5.75% Acquisition Notes due 2023, respectively. We expect the annual cash interest savings resulting from this refinancing of our long-term debt will be approximately \$48.0 million. See “Note 2 - Long-Term Debt,” to the unaudited condensed consolidated financial statements included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q, for additional detail on the refinancing of our long-term debt.

There were no shares repurchased on the open market during the 39 weeks ended November 3, 2018 and October 28, 2017. As of November 3, 2018, we had \$1.0 billion remaining under Board repurchase authorization.

Recent Accounting Pronouncements

See “Note 1 - Basis of Presentation,” to the unaudited condensed consolidated financial statements included in “Part I. Financial Information, Item 1. Financial Statements” of this Form 10-Q, for a detailed description of recent accounting pronouncements.

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

At November 3, 2018, we had \$1.5 billion in borrowings subject to interest rate fluctuations, representing approximately 30% of our total debt. Borrowings under the Term Loan Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.00%, subject to adjustment based on (i) our credit ratings and (ii) our leverage ratio. Based on these factors, interest on the loans under the Term Loan Facility may range from LIBOR plus 0.875% to 1.25%. As of November 3, 2018, the Term Loan Facility bore interest at LIBOR plus 0.95%. Borrowings under the Floating Rate Notes bear interest at a floating rate, reset quarterly, equal to LIBOR plus 70 basis points. A 1.0% increase in LIBOR would result in an annual increase in interest expense related to our variable rate debt of \$15.3 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 November 3, 2018, 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 November 3, 2018 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 and litigation concerning injury from products. For a discussion of these proceedings, please refer to “Note 4 - 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 4. 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 for the year ended February 3, 2018, other than as set forth in the discussion of risk factors in the “A Warning About Forward-Looking Statements” section and in the “Overview” section within “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-Q.

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

During the 13 weeks ended November 3, 2018 the Company did not repurchase any shares of common stock on the open market. As of November 3, 2018, 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.

As previously reported, the Compensation Committee of the Board of Directors of the Company:

- Adopted a revised form of the Company’s previous change in control Retention Agreement that is offered to Company officers with the position of Chief, President or Executive Chairman, including the named executive officers. The revised Retention Agreement provides for a severance payment to the executive officer under certain circumstances in the event of a termination of employment following a change in control of the Company. The revisions to the original form of change in control Retention Agreement update the tax provisions applicable to severance payments under the agreement and make certain other non-material clarifying and technical changes.

- Approved the Company's entry into an Executive Agreement that is offered to Company officers with the position of Vice President and above, including the named executive officers. The Executive Agreement contains certain restrictive and protective covenants, including non-competition, non-solicitation, non-disparagement and confidentiality, and provides for a salary continuation benefit in the event the executive's employment is terminated without "cause" (as defined in the agreement). The salary continuation benefit is not conditioned upon a prior change in control of the Company but is offset where an executive may also be entitled to a payout under the Retention Agreement described above.

The foregoing summary of the change in control Retention Agreement and the Executive Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the form of change in control Retention Agreement and form of Executive Agreement that are filed herewith as Exhibit 10.1 and Exhibit 10.2, respectively, and are incorporated herein by reference.

Item 6. EXHIBITS.

Exhibit	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Filing Date	
3.1	Amended Articles of Incorporation of Dollar Tree, Inc., effective June 20, 2013	8-K	3.1	6/21/2013	
3.2	Amended Bylaws of Dollar Tree, Inc., effective June 14, 2018	8-K	3.1	6/18/2018	
10.1	* Form of Change in Control Retention Agreement for Executive Officers (portions of the exhibit have been omitted pursuant to a request for confidential treatment)				X
10.2	* Form of Executive Agreement (portions of the exhibit have been omitted pursuant to a request for confidential treatment)				X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101	The following financial statements from the Company's 10-Q for the fiscal quarter ended November 3, 2018, formatted in XBRL: (i) Condensed Consolidated Income Statements, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements				X

*Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOLLAR TREE, INC.

Date: November 29, 2018

By: /s/ Kevin S. Wampler

Kevin S. Wampler

Chief Financial Officer

(principal financial officer)

CONFIDENTIAL TREATMENT REQUESTED

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

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

[DATE]

[NAME]
[TITLE]
[ADDRESS]

Retention Agreement

Dear [NAME]:

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 in accordance with the Company's normal payroll practices in effect on the 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 (including 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) (less any amounts previously paid to you as of the Change in Control Date under the Executive Agreement) 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 in accordance with the Company’s normal payroll practices in effect on the Date of Termination;

(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 the earlier of 90-days following the Change in Control Date and the original expiration date of such Outstanding Award.

(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 (i) clause (ii) of the last sentence of Section 2(b) and (ii) Section 2(e)(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.

(i) **No Duplication of Benefits.** If you incur an Involuntary Termination during the Term and become entitled to the payments and benefits set forth in this Section 2, you shall not be entitled to any additional severance compensation or salary continuation benefits under any other individual agreement with the Company or any Company severance plan or policy in connection with such Involuntary Termination, including the Executive Agreement, dated [DATE] as it may be amended (the "**Executive Agreement**"), by and between the Company and you. For the avoidance of doubt, nothing in this Agreement shall limit your rights with respect to any of your vested benefits under any plan, policy, agreement or arrangement of the Company (including the Dollar Tree Retirement Savings Plan).

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 reduction of the Payments, if applicable, shall be made in the following order: (i) cash Payments that may not be valued under Treas. Reg. § 1.280G-1, Q&A-24(c) ("**24(c)**"), (ii) equity-based Payments that may not be valued under 24(c), (iii) cash Payments that may be valued under 24(c), (iv) equity-based Payments that may be valued under 24(c) and (v) other types of benefits. With respect to each category of the foregoing, such reduction shall occur first with respect to Payments that are not "nonqualified deferred compensation" within the meaning of Section 409A of the Code and next with respect to Payments that are "nonqualified deferred compensation," in each case, beginning with Payments that are to be paid the farthest in time from the Accounting Firm's determination. 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. The Company shall cooperate with you in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by you (including your agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant, before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of Treas. Reg. § 1.280G-1), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of Treas. Reg. § 1.280G-1 and/or exempt from the definition of the term “parachute payment” within the meaning of Q&A-2(a) of Treas. Reg. § 1.280G-1 in accordance with Q&A-5(a) of Treas. Reg. § 1.280G-1.

(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 attorneys’ 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 (a) arising out of your termination of employment during the Term, (b) contesting, disputing or enforcing any right, benefits or obligations under this Agreement or (c) 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; or

(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 clause (v) and this clause (vi), 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 (x) on or after the Change in Control Date and (y) 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 Amount**” 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 [*] (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 a position materially below your position with the Company (or the surviving entity resulting from the merger or consolidation, through one or more related transactions, of the Company with another entity) in effect prior to the Change in Control;

(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 location of your principal office at a location other than in the Company’s headquarters in Chesapeake, Virginia;

(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 2011 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 (for chief-level officers) or 2.5 (for Chief Executive Officer and Executive Chairman)].

“**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 [*] 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 that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code and that are payable to you pursuant 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 six-month anniversary date (or any earlier time permitted by Section 409A of the Code), 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 six-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 Section 409A of the Code, payments under this Agreement are intended to comply, and this Agreement shall be interpreted as necessary to comply, with Section 409A of the Code and the regulations promulgated thereunder. Any provision of this Agreement that cannot be so interpreted or applied consistent with Section 409A of the Code is deemed amended to comply with Section 409A of the Code or, if such amendment is not possible, is void. All payments to be made upon a termination of your employment under this Agreement that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code may only be made upon a “separation from service” under Section 409A of the Code. In no event may you, directly or indirectly, designate the calendar year of any payment under this Agreement. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the exclusion under Section 409A of the Code for short-term deferral amounts, the separation pay exception, or any other exception or exclusion under Section 409A of the Code.

In the event you become entitled to indemnification for any Losses or other expenses, costs, fees or in-kind benefits under Section 2, 3 or 6 of this Agreement and such Losses, expenses, costs,

fees or in-kind benefits are not exempt from Section 409A of the Code pursuant to Treasury Regulation § 1.409A-1(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.

[Signature Page Follows]

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 _____

Agreed to as of this [DATE]

[NAME]

CONFIDENTIAL TREATMENT REQUESTED

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

Executive Agreement

This Executive Agreement is made and entered into by [NAME] (“Executive”) and Dollar Tree, Inc. and each of its subsidiaries (collectively, the “Company”). The Executive and the Company hereby agree as follows:

1. Effective Date. This Executive Agreement (the “Agreement”) shall become effective on [DATE], (the “Effective Date”).
2. Covenants. The following covenants are several and survive the termination of the other provisions of this Agreement and survive the termination of Executive’s employment for any reason (the final day of Executive’s employment with the Company is the “Separation Date”), whether or not Executive receives severance under this Agreement.
 - a. Confidential Information. Executive understands and acknowledges that during the course of Executive’s employment by the Company, Executive will have access to and learn about Confidential Information belonging to the Company.

For purposes of this Agreement, “Confidential Information” is all information not generally known to the public and developed or maintained by the Company or its agents in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Company’s: business processes, practices, methods, policies, plans, operations, strategies, agreements, contracts, transactions, potential transactions, know-how, trade secrets, intellectual property, works-in-process, databases, systems, vendor and supplier information, financial information, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, personnel information, market studies, sales information, revenue, costs, customer information, manufacturing information, transportation and logistics information, and factory lists of the Company or of any other person or entity that has entrusted information to the Company in confidence.

Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified or treated as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

Executive understands and acknowledges that the Company has invested, and continues to invest, substantial time, money, and specialized knowledge into developing its resources, creating and developing its vendor base, increasing its customer base, expanding the number of geographic markets in which it operates, training its executives, developing best operational practices, and

negotiating highly competitive prices in the discount retail sector so as to provide the best value possible to its customers. Executive understands and acknowledges that as a result of these ongoing efforts, the Company has created, and continues to use and create, Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace, and it is essential to the Company's success moving forward.

Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to Executive, provided that such disclosure is through no direct or indirect fault of Executive or anyone acting on Executive's behalf.

- i. Disclosure and Use Restrictions. Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other executives and employees of the Company not having a need to know such information); (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company, except as required in the performance of Executive's authorized employment duties to the Company or with the prior consent of Executive's supervisor; and (iv) to immediately return and not retain, in any form, any such Confidential Information upon the Separation Date. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid subpoena or order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or subpoena/order. Executive shall promptly provide written notice of any such order to the Company's Chief Legal Officer, if permitted by law to do so.

Executive understands and acknowledges that Executive's obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon Executive's first having access to such Confidential Information and shall continue during and after Executive's employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of Executive's breach of this Agreement or breach by those acting in concert with Executive or on Executive's behalf.

- ii. Whistleblower Protection and Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016. Notwithstanding any other provision of this Agreement or any other agreement or Company policy, Executive will not be held liable under this Agreement or any other agreement or Company policy or any federal or state trade secret law for any disclosure of a trade secret or other Confidential Information that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (iii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

b. Covenant Not to Compete.

i. Acknowledgment. Executive understands that the senior nature of Executive's position gives Executive access to and knowledge of Confidential Information and places Executive in a position of trust and confidence with the Company and, further, that the improper use or disclosure by Executive of Confidential Information is likely to result in unfair or unlawful competitive activity that would substantially harm the Company. Executive understands and acknowledges that Executive's experience and expertise relating to the business of a retailer are unique and specialized, and that the Company's ability to reserve these talents for the exclusive knowledge and use of the Company during Executive's employment and for a reasonable period thereafter is of great competitive importance and commercial value to the Company.

ii. Non-Competition. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to Executive herein, during Executive's employment and for a [*] period beginning on the Separation Date, Executive agrees and covenants that Executive will not engage in any Prohibited Activity (as defined below) [*] for a Competitor (as defined below) [*]. This restrictive covenant applies whether Executive's employment is terminated by Executive or by the Company for any reason or no reason.

1. For purposes of this non-compete, "Prohibited Activity" is [*].
2. A "Competitor" is defined as [*].
3. "Restricted Area" is defined as [*].

iii. Nothing herein shall prohibit Executive from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that Executive is not a controlling person of, or a member of a group that controls, such corporation.

c. Non-Piracy of Company Executives. Executive agrees and covenants that, for a period of [*] from the Separation Date, Executive shall not directly or indirectly solicit, hire, recruit, or attempt to hire or recruit, any Company Executive, or induce the termination of employment of any Company Executive. "Company Executive" means any person who at the time of, or within three months immediately prior to, the solicitation, hiring, recruitment, or inducement, was employed by the Company at a Director-level or more senior position. The types of communication prohibited by this provision explicitly include all forms of oral, written, or electronic communication, including, but not limited to, communications by email, regular mail, express mail, telephone, fax, instant message, and social media, where the purpose of or reasonably anticipated impact or consequence of the communication would be to solicit, hire or recruit such person. For the avoidance of doubt, this restriction applies regardless of whether the Executive or the Company Executive initiated the first communication.

d. Non-Disparagement. Executive agrees and covenants that, during Executive's employment and for a period of [*] after the Separation Date, Executive will not make, publish, or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company, or any of its executives, directors, and officers. This Section does not, in any way, restrict or impede Executive from exercising protected rights to the extent that such rights cannot be waived by agreement, including but not limited to Executive's right to make a complaint or charge with or respond to an inquiry from any

government agency, or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency.

- e. Acknowledgment. Executive acknowledges and agrees that the services Executive will render to the Company are of a special and unique character; that Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business, and logistical, operational, merchandising and marketing strategies by virtue of Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interests of the Company.

Executive affirms that Executive will not be subject to undue hardship or an unreasonable restraint on Executive's ability to earn a livelihood by reason of Executive's full compliance with the terms and conditions of this Agreement or the Company's enforcement thereof; and that this Agreement is not a contract of employment and shall not be construed as a commitment by either of the Parties to continue an employment relationship for any certain period of time.

Executive's obligations under each of Sections 2(a)(i), 2(b)(ii), 2(c), and 2(d) above are separable and independently enforceable of each other and of any legal obligations that may exist between the Company and Executive. The real or perceived existence of any claim or cause of action of Executive against the Company, whether predicated on this Agreement or some other basis, will not alleviate Executive of Executive's obligations under this Agreement and will not constitute a defense to the enforcement by the Company of the restrictions and covenants contained herein.

- f. Remedies. In the event of a breach or threatened breach by Executive of any of the restrictive covenants of this Agreement, Executive hereby consents and agrees that the Company shall be entitled to seek (notwithstanding the Parties' Mutual Agreement to Arbitrate Claims), in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available forms of relief including without limitation a claim for disgorgement of any severance paid to Executive pursuant to Section 4 below.
- 3. Termination of Employment. Executive's employment may be terminated by either the Company or the Executive at any time and for any reason, with or without prior notice, and without liability except as set forth herein.
 - 4. Severance Opportunity. Upon termination of Executive's employment by the Company without Cause or by Executive's Death or Disability, in addition to any accrued but unpaid base salary and any vested rights under any Company employee benefit plan, the Executive shall be entitled to receive the following severance benefits, receipt of which is subject to (a) Executive's full and continued compliance with the Covenants set forth in Section 2 of this Agreement; (b) Executive's execution, and non-revocation, of a separation agreement containing a release of claims in favor of the Company, its affiliates, and their respective officers and directors, and other relevant provisions in a form provided by and acceptable to the Company (the "Release"); and (c) Executive's agreement to forego any other severance payment to which Executive may be entitled under any other agreement with the Company:
 - a. Continued Base Salary for [*] following the Separation Date, payable in equal installments in accordance with the Company's normal payroll practices, which payments shall commence on

- the next scheduled payroll date after the effective date of the Release (“Salary Continuation Period”). In the event Executive accepts an offer of employment or an offer to provide services in a consulting or other capacity during the Salary Continuation Period, Executive agrees to so inform the Company within three (3) business days, at which time Salary Continuation payments under this Section 4(a) shall cease.
- b. If Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”), the Company shall reimburse Executive for the monthly COBRA premium paid by Executive for Executive and Executive’s qualified beneficiaries during the Salary Continuation Period. Such reimbursement shall be paid to Executive on a monthly basis, within ten (10) business days following the month in which Executive timely remits the premium payment. In the event Executive receives or becomes eligible to receive substantially similar coverage from another employer or other source during the Salary Continuation Period, Executive agrees to so inform the Company within three (3) business days, at which time COBRA reimbursements shall cease. Executive shall be solely responsible for the tax consequences of any such payments.
 - c. The treatment of any outstanding equity awards shall be determined in accordance with the terms of the Dollar Tree, Inc. Omnibus Incentive Plan or any other applicable plan or award agreement under which the equity awards were granted and nothing in this Agreement shall be construed as superseding the terms of any such plan or award.
 - d. For purposes of this Agreement, “Disability” shall mean (i) Executive’s inability, due to physical or mental incapacity, to perform the essential functions of Executive’s job, with or without reasonable accommodation, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days, or (ii) Executive’s entitlement to receive long-term disability benefits under the Company’s long-term disability plan. Any question as to the existence of Executive’s Disability as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician selected by the Company, which determination shall be final and conclusive for all purposes of this Agreement.
 - e. For purposes of this Agreement, “Cause” shall mean Executive’s: (i) failure to perform Executive’s duties (other than any such failure resulting from Disability); (ii) engagement in dishonesty, illegal conduct, or gross misconduct, which is, in each case, injurious to the Company; (iii) embezzlement, misappropriation, or fraud, whether or not related to Executive’s employment with the Company; (iv) conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude; (v) willful unauthorized disclosure of Confidential Information; (vi) breach of any material obligation under this Agreement; or (vii) failure to comply with material Company written policies or rules, as they may be in effect from time to time.
 - f. The Company intends the payments payable to Executive upon a termination of employment to be excepted from Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) to the extent permissible and that each payment hereunder shall be treated as a separate payment for purposes of Section 409A of the Code. To the extent that any payment hereunder is subject to Section 409A of the Code, it shall be administered in compliance with the requirements thereof. To the extent required to avoid a violation of Section 409A of the Code, to the extent that the period between Executive’s termination of employment and the date on which the Release may become effective includes two calendar years, no payment under Section 4.a shall be made until the second calendar year.
 - g. Executive shall not be entitled to severance benefits if the Executive voluntarily resigns for any reason, including reasons that the Executive may assert constitute constructive discharge.

5. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of the State of Delaware, without regard to conflicts-of-law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought in accordance with the requirements of the Parties' Mutual Agreement to Arbitrate Claims, or any other arbitration agreement between the Parties, except that the Company may seek temporary or permanent injunctive relief or other forms of immediate relief related to a breach by Executive of any of the covenants in this Agreement in the state or federal courts located in Wilmington, Delaware or Norfolk, Virginia.
6. Entire Agreement. Unless specifically provided herein, this Agreement and the Mutual Agreement to Arbitrate Claims (or any other arbitration agreement between the Parties) contain all the understandings and representations between Executive and the Company pertaining to the subject matter hereof and supersede all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.
7. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by Executive and by the Chief Executive Officer of the Company. No waiver by either of the Parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition.
8. Severability. Should any provision of this Agreement be held by a court or arbitral authority of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding on the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The Parties further agree that any such court or arbitral authority is expressly authorized to modify any unenforceable provision of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement this [DATE].

EXECUTIVE

DOLLAR TREE, INC. and its subsidiaries

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Chief Executive Officer Certification

I, Gary Philbin, 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: November 29, 2018

/s/ Gary Philbin

Gary Philbin

President and 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: November 29, 2018

/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 November 3, 2018, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Gary Philbin, 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.

November 29, 2018

Date

/s/ Gary Philbin

Gary Philbin

President and 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 November 3, 2018, 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.

November 29, 2018

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.