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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 August 3, 2019

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	**26-2018846**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 Volvo Parkway **Chesapeake, Virginia**	**23320**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	DLTR	NASDAQ Global Select Market

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	☒	Accelerated filer	☐
Non-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 August 26, 2019, there were 236,624,725 shares of the registrant’s common stock outstanding.

DOLLAR TREE, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED AUGUST 3, 2019
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	13 Weeks Ended		26 Weeks Ended	
(in millions, except per share data)	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales	$ 5,740.6	$ 5,525.6	$ 11,549.3	$ 11,079.3
Cost of sales	4,092.1	3,861.7	8,173.6	7,715.8
Gross profit	1,648.5	1,663.9	3,375.7	3,363.5
Selling, general and administrative expenses	1,379.6	1,281.4	2,721.3	2,543.4
Operating income	268.9	382.5	654.4	820.1
Interest expense, net	40.1	46.1	81.5	276.1
Other expense (income), net	0.4	(1.3)	0.6	(1.1)
Income before income taxes	228.4	337.7	572.3	545.1
Provision for income taxes	48.1	63.8	124.1	110.7
Net income	$ 180.3	$ 273.9	$ 448.2	$ 434.4
Basic net income per share	$ 0.76	$ 1.15	$ 1.88	$ 1.83
Diluted net income per share	$ 0.76	$ 1.15	$ 1.88	$ 1.82

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net income	$ 180.3	$ 273.9	$ 448.2	$ 434.4
Foreign currency translation adjustments	1.5	(1.3)	(1.3)	(5.2)
Total comprehensive income	$ 181.8	$ 272.6	$ 446.9	$ 429.2

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	August 3, 2019	February 2, 2019	August 4, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 623.4	$ 422.1	$ 647.3
Merchandise inventories	3,470.9	3,536.0	3,288.2
Other current assets	246.5	335.2	337.3
Total current assets	4,340.8	4,293.3	4,272.8
Property, plant and equipment, net of accumulated depreciation of $3,928.0, $3,690.6 and $3,448.2, respectively	3,666.2	3,445.3	3,316.1
Restricted cash	24.9	24.6	—
Operating lease right-of-use assets	6,014.3	—	—
Goodwill	2,296.3	2,296.6	5,023.9
Favorable lease rights, net of accumulated amortization of $287.8 and $270.8 at February 2, 2019 and August 4, 2018, respectively	—	288.7	334.5
Trade name intangible asset	3,100.0	3,100.0	3,100.0
Other assets	51.3	52.7	56.3
Total assets	$ 19,493.8	$ 13,501.2	$ 16,103.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 750.0	$ —	$ —
Current portion of operating lease liabilities	1,215.0	—	—
Accounts payable	1,455.4	1,416.4	1,241.7
Income taxes payable	—	60.0	14.1
Other current liabilities	673.6	619.3	651.6
Total current liabilities	4,094.0	2,095.7	1,907.4
Long-term debt, net, excluding current portion	3,518.6	4,265.3	5,041.8
Operating lease liabilities, long-term	4,767.4	—	—
Unfavorable lease rights, net of accumulated amortization of $76.9 and $71.7 at February 2, 2019 and August 4, 2018, respectively	—	78.8	89.2
Deferred income taxes, net	960.2	973.2	976.0
Income taxes payable, long-term	30.1	35.4	30.1
Other liabilities	257.8	409.9	411.6
Total liabilities	13,628.1	7,858.3	8,456.1
Commitments and contingencies			
Shareholders' equity	5,865.7	5,642.9	7,647.5
Total liabilities and shareholders' equity	$ 19,493.8	$ 13,501.2	$ 16,103.6
Common shares outstanding	236.8	238.1	237.9

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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DOLLAR TREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	13 Weeks Ended August 3, 2019					
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Share-holders' Equity
Balance at May 4, 2019	237.6	$ 2.4	$ 2,515.9	$ (41.1)	$ 3,278.7	$ 5,755.9
Net income	—	—	—	—	180.3	180.3
Total other comprehensive income	—	—	—	1.5	—	1.5
Issuance of stock under Employee Stock Purchase Plan	—	—	2.1	—	—	2.1
Exercise of stock options	—	—	1.2	—	—	1.2
Stock-based compensation, net	—	—	13.1	—	—	13.1
Repurchase of stock	(0.8)	—	(88.4)	—	—	(88.4)
Balance at August 3, 2019	236.8	$ 2.4	$ 2,443.9	$ (39.6)	$ 3,459.0	$ 5,865.7

	26 Weeks Ended August 3, 2019					
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Share-holders' Equity
Balance at February 2, 2019	238.1	$ 2.4	$ 2,602.7	$ (38.3)	$ 3,076.1	$ 5,642.9
Cumulative effect of adopted accounting standards, net	—	—	—	—	(65.3)	(65.3)
Net income	—	—	—	—	448.2	448.2
Total other comprehensive loss	—	—	—	(1.3)	—	(1.3)
Issuance of stock under Employee Stock Purchase Plan	0.1	—	5.2	—	—	5.2
Exercise of stock options	—	—	4.1	—	—	4.1
Stock-based compensation, net	0.4	—	20.3	—	—	20.3
Repurchase of stock	(1.8)	—	(188.4)	—	—	(188.4)
Balance at August 3, 2019	236.8	$ 2.4	$ 2,443.9	$ (39.6)	$ 3,459.0	$ 5,865.7

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DOLLAR TREE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY (cont.)
(Unaudited)

	13 Weeks Ended August 4, 2018					
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Share-holders' Equity
Balance at May 5, 2018	237.8	$ 2.4	$ 2,562.1	$ (36.2)	$ 4,827.4	$ 7,355.7
Net income	—	—	—	—	273.9	273.9
Total other comprehensive loss	—	—	—	(1.3)	—	(1.3)
Issuance of stock under Employee Stock Purchase Plan	—	—	2.6	—	—	2.6
Exercise of stock options	0.1	—	3.0	—	—	3.0
Stock-based compensation, net	—	—	13.6	—	—	13.6
Balance at August 4, 2018	237.9	$ 2.4	$ 2,581.3	$ (37.5)	$ 5,101.3	$ 7,647.5

	26 Weeks Ended August 4, 2018					
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Share-holders' Equity
Balance at February 3, 2018	237.3	$ 2.4	$ 2,545.3	$ (32.3)	$ 4,666.9	$ 7,182.3
Net income	—	—	—	—	434.4	434.4
Total other comprehensive loss	—	—	—	(5.2)	—	(5.2)
Issuance of stock under Employee Stock Purchase Plan	0.1	—	5.9	—	—	5.9
Exercise of stock options	0.1	—	4.3	—	—	4.3
Stock-based compensation, net	0.4	—	25.8	—	—	25.8
Balance at August 4, 2018	237.9	$ 2.4	$ 2,581.3	$ (37.5)	$ 5,101.3	$ 7,647.5

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	26 Weeks Ended	
(in millions)	August 3, 2019	August 4, 2018
Cash flows from operating activities:		
Net income	$ 448.2	$ 434.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	306.3	304.0
Provision for deferred income taxes	9.0	(9.4)
Amortization of debt discount and debt-issuance costs	3.3	51.7
Other non-cash adjustments to net income	61.4	49.1
Loss on debt extinguishment	—	114.7
Changes in operating assets and liabilities	15.8	(175.7)
Net cash provided by operating activities	844.0	768.8
Cash flows from investing activities:		
Capital expenditures	(502.5)	(394.3)
Proceeds from governmental grant	16.5	—
Payments for fixed asset disposition	(2.7)	(0.4)
Net cash used in investing activities	(488.7)	(394.7)
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)
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	9.1	10.2
Cash paid for taxes on exercises/vesting of stock-based compensation	(23.9)	(21.7)
Payments for repurchase of stock	(139.2)	—
Net cash used in financing activities	(154.0)	(823.7)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.3	(0.9)
Net increase (decrease) in cash, cash equivalents and restricted cash	201.6	(450.5)
Cash, cash equivalents and restricted cash at beginning of period	446.7	1,097.8
Cash, cash equivalents and restricted cash at end of period	$ 648.3	$ 647.3
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	$ 84.2	$ 277.7
Income taxes	$ 220.1	$ 169.2
Non-cash transactions:		
Accrued capital expenditures	$ 55.7	$ 46.4

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 2, 2019. The results of operations for the 13 and 26 weeks ended August 3, 2019 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 1, 2020.

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 August 3, 2019 and August 4, 2018 and the results of its operations and cash flows for the periods presented. The February 2, 2019 balance sheet information was derived from the audited consolidated financial statements as of that date.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases (Topic 842)"* and subsequent amendments, which replaced existing lease accounting guidance in GAAP and requires 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 requires disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. The Company adopted the standard as of February 3, 2019, using the optional effective date transition method provided by accounting pronouncement, ASU No. 2018-11, *"Leases (Topic 842): Targeted Improvements"* and recorded a cumulative effect adjustment to beginning retained earnings. The Company's reporting for the comparative prior periods presented in the condensed consolidated financial statements continues to be in accordance with Accounting Standards Codification ("ASC") 840, "*Leases (Topic 840).*" The Company elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, permitted the Company to carry forward the historical lease classification for leases that commenced before the effective date of the new standard. The Company did not elect the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Adoption of the standard resulted in the recognition of Operating lease right-of-use assets and Operating lease liabilities of $6.2 billion and $6.1 billion, respectively, and a reduction to Retained earnings of $65.3 million, net of tax, as of February 3, 2019. The Operating lease right-of-use assets recorded at transition include the impact of net favorable lease rights of approximately $210.0 million, accrued rent, net of prepaid rent of approximately $108.0 million, lease incentives of approximately $67.0 million and the impairment of right-of-use assets recognized in retained earnings as of February 3, 2019 of approximately $96.0 million. The adoption of the standard did not have a material impact on the Company's condensed consolidated income statements or condensed consolidated statements of cash flows. Refer to Note 7 for additional information related to the Company's accounting for leases.

Note 2 - Legal Proceedings

The Company is a defendant in legal proceedings including the class, collective, representative and large cases described below as well as several thousand individual claims in arbitration. The Company 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 August 2018, a former employee brought suit in California state court as a class action and as a Private Attorney General Act ("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.

In December 2018, two former employees brought a PAGA suit in California state court alleging that Dollar Tree Stores, Inc. and Dollar Tree Distribution, Inc. failed to provide non-exempt California store and distribution center employees with rest and meal breaks, suitable seating, overtime pay, minimum wage for all time worked, reporting time pay, accurate wage statements, timely payment of wages during and upon termination of employment, failed to reimburse business expenses, and made unlawful deductions from wage payments.

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 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. In 2017, a jury found in favor of the Company. In 2019, the 9th Circuit Court of Appeals affirmed the jury verdict. In July 2019, the plaintiff filed a petition with the Supreme Court of the United States seeking a review of the decision.

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 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 July 2019, a customer filed a nationwide class action in federal court in Pennsylvania on behalf of all customers with mobility disabilities alleging the Company violated the public accommodation requirements of the Americans with Disabilities Act by systemically blocking the aisles with merchandise. The customer seeks a permanent injunction requiring the Company to remove all access barriers and giving the customer authority to monitor the Company's compliance.

Family Dollar Resolved Matters

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 May 2019, the case was resolved.

In December 2018, a former assistant store manager filed a PAGA suit in California state court alleging the Company failed to provide rest and meal breaks, failed to pay minimum, regular and overtime wages, failed to maintain accurate records and provide accurate wage statements, failed to timely pay wages due upon termination of employment and failed to reimburse employees for business expenses. In April 2019, the case was dismissed without prejudice.

Note 3 - 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.

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)	August 3, 2019	February 2, 2019	August 4, 2018
Level 1			
Deferred compensation plan assets	$ 21.8	$ 21.8	$ 22.5

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" within the accompanying unaudited condensed consolidated balance sheets and a corresponding liability is recorded in "Other liabilities" within 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 26 weeks ended August 3, 2019 and August 4, 2018.

Fair Value of Financial Instruments

The carrying amounts of Cash and cash equivalents, Restricted cash and Accounts payable as reported in the accompanying unaudited condensed consolidated balance sheets approximate fair value due to their short-term maturities.

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

	August 3, 2019		February 2, 2019		August 4, 2018	
(in millions)	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 1						
Senior Notes	$ 4,460.8	$ 4,277.5	$ 4,198.6	$ 4,275.5	$ 4,288.7	$ 4,273.4
Level 2						
Term Loan Facility	—	—	—	—	774.2	779.8

The fair values of the Company's Senior Notes 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, which the Company prepaid in full during the fourth quarter of fiscal 2018, was determined using Level 2 inputs as quoted prices are readily available from pricing services, but the prices are not published. The carrying value of the Company's Revolving Credit Facility approximated its fair value because the interest rates vary with market interest rates.

Note 4 - 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 August 3, 2019	13 Weeks Ended August 4, 2018	26 Weeks Ended August 3, 2019	26 Weeks Ended August 4, 2018
Basic net income per share:				
Net income	$ 180.3	$ 273.9	$ 448.2	$ 434.4
Weighted average number of shares outstanding	237.6	237.9	237.8	237.7
Basic net income per share	$ 0.76	$ 1.15	$ 1.88	$ 1.83
Diluted net income per share:				
Net income	$ 180.3	$ 273.9	$ 448.2	$ 434.4
Weighted average number of shares outstanding	237.6	237.9	237.8	237.7
Dilutive effect of stock options and restricted stock (as determined by applying the treasury stock method)	0.7	0.7	0.9	0.8
Weighted average number of shares and dilutive potential shares outstanding	238.3	238.6	238.7	238.5
Diluted net income per share	$ 0.76	$ 1.15	$ 1.88	$ 1.82

For the 13 and 26 weeks ended August 3, 2019 and August 4, 2018, 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 5 - Stock-Based Compensation

For a discussion of the Company's stock-based compensation plans, refer to "Note 10 - Stock-Based Compensation Plans" of the Company's Annual Report on Form 10-K for the year ended February 2, 2019. Stock-based compensation expense was $44.1 million and $47.6 million during the 26 weeks ended August 3, 2019 and August 4, 2018, 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 August 3, 2019 and changes during the 26 weeks then ended:

	Number of Shares	**Weighted Average Grant Date Fair Value**
Nonvested at February 2, 2019	1,446,100	$ 86.96
Granted	765,787	103.66
Vested	(640,768)	84.70
Forfeited	(159,498)	88.87
Nonvested at August 3, 2019	1,411,621	$ 96.40

Note 6 - 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 and two distribution centers in Canada.

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 and 11 distribution centers.

The Company measures the results of its segments using, among other measures, each segment's net sales, gross profit and operating income. The CODM reviews these metrics for each of the Company's reporting segments. The Company may revise the measurement of each segment's operating income, as determined by the information regularly reviewed by the CODM. If the measurement of a segment changes, prior period amounts and balances are reclassified to be comparable to the current period's presentation. In the current year, the Company identified Corporate and support costs, mainly store support center costs that are considered shared services, and excluded these selling, general and administrative costs from its two reporting business segments. These costs include operating expenses for the Company's store support centers in Chesapeake, Virginia and Matthews, North Carolina. During fiscal 2019 the Company consolidated its Matthews, North Carolina store support center with its store support center in Chesapeake, Virginia in its office tower in the Summit Pointe development in Chesapeake, Virginia. The Company continues to own its facility in Matthews, North Carolina. Amounts for the 13 and 26 weeks ended August 4, 2018 have been reclassified to be comparable to the current year presentation.

Information for the Company's segments, as well as for Corporate and support, including the reconciliation to Income before income taxes, is as follows:

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Condensed Consolidated Income Statement Data:				
Net sales:				
Dollar Tree	$ 2,957.7	$ 2,768.8	$ 5,917.1	$ 5,553.2
Family Dollar	2,782.9	2,756.8	5,632.2	5,526.1
Consolidated Net sales	$ 5,740.6	$ 5,525.6	$ 11,549.3	$ 11,079.3
Gross profit:				
Dollar Tree	$ 999.0	$ 955.3	$ 2,020.2	$ 1,916.1
Family Dollar	649.5	708.6	1,355.5	1,447.4
Consolidated Gross profit	$ 1,648.5	$ 1,663.9	$ 3,375.7	$ 3,363.5
Operating income (loss):				
Dollar Tree	$ 334.0	$ 330.8	$ 725.0	$ 703.5
Family Dollar	15.4	113.6	105.7	257.5
Corporate and support	(80.5)	(61.9)	(176.3)	(140.9)
Consolidated Operating income	268.9	382.5	654.4	820.1
Interest expense, net	40.1	46.1	81.5	276.1
Other expense (income), net	0.4	(1.3)	0.6	(1.1)
Income before income taxes	$ 228.4	$ 337.7	$ 572.3	$ 545.1

(in millions)	As of August 3, 2019	As of February 2, 2019	As of August 4, 2018
Condensed Consolidated Balance Sheet Data:			
Goodwill:			
Dollar Tree	$ 412.3	$ 376.5	$ 356.5
Family Dollar	1,884.0	1,920.1	4,667.4
Consolidated Goodwill	$ 2,296.3	$ 2,296.6	$ 5,023.9
Total assets:			
Dollar Tree	$ 7,147.2	$ 3,992.6	$ 3,869.7
Family Dollar	11,982.2	9,144.7	11,875.2
Corporate and support	364.4	363.9	358.7
Consolidated Total assets	$ 19,493.8	$ 13,501.2	$ 16,103.6

*Goodwill is reassigned between segments when stores are re-bannered between segments. In the 26 weeks ended August 3, 2019 and August 4, 2018, the Company reassigned $36.1 million and $10.7 million, respectively, of goodwill from Family Dollar to Dollar Tree as a result of re-bannering.

Note 7 - Leases

The Company's lease portfolio primarily consists of leases for its retail store locations and it also leases vehicles and trailers, as well as distribution center space and equipment. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheets; the Company recognizes expense for these leases on a straight-line basis over the lease term. For leases with an initial term in excess of 12 months, operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the committed lease term at the lease commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on its credit rating and the information available at the lease commencement date in determining the present value of future lease payments. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The operating lease right-of-use asset is reduced by lease incentives, which has the effect of lowering the operating lease expense. Operating lease right-of-use assets are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, "Property, Plant, and Equipment - Overall," to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

Certain of the Company's lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. In addition, the Company's real estate leases generally require payment of real estate taxes, common area maintenance and insurance, which are generally variable and based on actual costs incurred by the lessor. These variable payments are expensed as incurred as variable lease costs. The Company's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as trailers, the Company accounts for the lease and non-lease components as a single lease component.

The lease cost for operating leases that was recognized in the accompanying unaudited condensed consolidated income statements was as follows:

(in millions)	13 Weeks Ended August 3, 2019	26 Weeks Ended August 3, 2019
Operating lease cost	$ 380.2	$ 761.6
Variable lease cost	92.1	177.5
Total lease cost*	$ 472.3	$ 939.1

*Excludes short-term lease cost and sublease income, which are immaterial

As of August 3, 2019, maturities of lease liabilities were as follows:

	(in millions)
Remainder of 2019	$ 617.3
2020	1,352.6
2021	1,165.5
2022	964.3
2023	745.4
Thereafter	2,121.7
Total undiscounted lease payments	6,966.8
Less interest	984.4
Present value of lease liabilities	$ 5,982.4

The future minimum lease payments above exclude $266.4 million of legally binding minimum lease payments for leases signed but not yet commenced as of August 3, 2019.

Information regarding the weighted-average remaining lease term and the weighted-average discount rate for operating leases as of August 3, 2019 is as follows:

Weighted-average remaining lease term (years)	6.6
Weighted-average discount rate	4.4%

The following represents supplemental information pertaining to the Company’s operating lease arrangements for the 13 and 26 weeks ended August 3, 2019:

(in millions)	13 Weeks Ended August 3, 2019	26 Weeks Ended August 3, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 364.4	$ 731.6
Right-of-use assets obtained in exchange for new operating lease liabilities	213.9	429.3

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended February 2, 2019 and in accordance with ASC 840, future minimum lease payments under non-cancellable operating leases were as follows as of February 2, 2019:

	(in millions)
2019	$ 1,435.9
2020	1,176.7
2021	1,100.0
2022	899.6
2023	729.1
Thereafter	1,966.3
Total minimum lease payments	$ 7,307.6

The above future minimum lease payments include amounts for leases that were signed prior to February 2, 2019 for stores that were not open as of February 2, 2019 and exclude contingent rentals that may be paid under certain store leases based on a percentage of sales in excess of stipulated amounts. As of February 2, 2019, future minimum lease payments have not been reduced by expected future minimum sublease rentals of $1.2 million under operating leases.

Note 8 - Shareholders' Equity

The Company repurchased 881,624 and 1,842,307 shares of common stock on the open market for approximately $88.4 million and $188.4 million during the 13 and 26 weeks ended August 3, 2019, respectively. Approximately $49.2 million in share repurchases had not settled as of August 3, 2019 and this amount has been accrued in the accompanying unaudited condensed consolidated balance sheet as of August 3, 2019. As of August 3, 2019, the Company has $811.6 million remaining under Board repurchase authorization.

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 can be identified by the fact that they address future events, developments and results and do not relate strictly to historical facts. Any statements contained herein that are not statements of historical facts 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 general business or economic conditions (including inflation) 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 the effects of potential increases in import freight costs due to low sulphur fuel requirements for ships which become effective in January 2020), fuel costs and wage and benefit costs, consumer spending levels, and population, employment and job growth and/or losses in our markets;
- the actual and potential effect of Section 301 tariffs on Chinese goods imposed by the United States Trade Representative;
- our growth plans, including our plans to add, renovate, re-banner, 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 ability to retain key personnel and attract new personnel at Family Dollar and Dollar Tree;
- our anticipated sales, comparable store net sales, net sales growth, gross profit margin, earnings and earnings growth, inventory levels and our ability to leverage selling, general and administrative and other fixed costs;
- the outcome and costs of pending or potential litigation or governmental investigations;
- the effect of changes in labor laws, and the effect of 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 2019 and beyond;
- the effect of our consumable merchandise initiatives, including the increase in the number of our stores with freezers and coolers, the increase in the number of freezer and cooler doors in H2 stores and the roll-outs of adult beverage and Snack Zone, on our results of operations;
- 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, and the effect on earnings per share;
- the effect of changes in tax laws and regulatory interpretations of such 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, including future automation;
- 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;

- our assessment of the materiality and impact on our business of recent accounting pronouncements adopted by the Financial Accounting Standards Board;
- our assessment of the impact on the Company of certain actions by activist shareholders and the Company's potential responses to these actions; and
- management's estimates associated with our critical accounting policies, including inventory valuation, self-insurance liabilities and valuations for impairment analyses.

A forward-looking statement is neither a prediction nor a guarantee of future results, events or circumstances. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Our forward-looking statements are all based on currently available operating, financial and business information. The outcome of the events described in these forward-looking statements is subject to a variety of factors, including, but not limited to, the risks and uncertainties 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 2, 2019 and in this Quarterly Report on Form 10-Q.

- Our profitability is vulnerable to cost increases.
- 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), including our ability to mitigate Section 301 tariffs, could adversely affect our financial performance.
- We have encountered costs and delays in distributing merchandise, such as freight cost increases and we expect additional cost increases as a result of low sulphur fuel requirements for ships which become effective in January 2020, and we could encounter additional disruptions in our distribution network.
- 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.
- Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.
- We rely on computer and technology systems in our operations, and any material failure, inadequacy, interruption or security failure of those systems could harm our ability to effectively operate and grow our business and could adversely affect our financial results.
- 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 and increased costs, which could damage our business reputation and adversely affect our results of operations or business.
- Our growth is dependent on our ability to increase sales in existing stores and to expand our square footage profitably.
- We could incur losses due to impairment of long-lived assets, goodwill and intangible assets.
- 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 2 - 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 business or the value of our common stock could be negatively affected as a result of actions by activist shareholders or by organizations seeking to limit the growth of dollar stores or change the mix or price of products we sell.
- 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.

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. Moreover, 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 our forward-looking statements.

We do not undertake to publicly update or revise any forward-looking statements after the date of this Form 10-Q, 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 or remodeled 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 brand.

At August 3, 2019, 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 26 weeks ended August 3, 2019 and August 4, 2018 is as follows:

	26 Weeks Ended					
	August 3, 2019			August 4, 2018		
	Dollar Tree	Family Dollar	Total	Dollar Tree	Family Dollar	Total
Store Count:						
Beginning	7,001	8,236	15,237	6,650	8,185	14,835
New stores	172	69	241	150	126	276
Re-bannered stores	151	(184)	(33)	17	(24)	(7)
Closings	(18)	(312)	(330)	(5)	(26)	(31)
Ending	7,306	7,809	15,115	6,812	8,261	15,073
Relocations	23	7	30	34	5	39
Selling Square Feet (in millions):						
Beginning	60.3	59.8	120.1	57.3	59.3	116.6
New stores	1.5	0.5	2.0	1.2	0.9	2.1
Re-bannered stores	1.1	(1.3)	(0.2)	0.1	(0.2)	(0.1)
Closings	(0.1)	(2.2)	(2.3)	—	(0.2)	(0.2)
Relocations	0.1	—	0.1	0.1	—	0.1
Ending	62.9	56.8	119.7	58.7	59.8	118.5

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

The average size of stores opened during the 26 weeks ended August 3, 2019 was approximately 8,580 selling square feet for the Dollar Tree segment and 7,670 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 August 3, 2019, comparable store net sales increased 2.4% 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 second 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 Canadian currency fluctuations, comparable store net sales increased the same 2.4% due to increases in average ticket and customer count. On a constant currency basis, comparable store net sales increased 2.4% in the Dollar Tree segment and increased 2.4% in the Family Dollar segment for the 13 weeks ended August 3, 2019. Including the impact of currency, comparable store net sales in the Dollar Tree segment increased 2.3%. 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, re-banner 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 second quarter of 2019 and as of August 3, 2019, the Dollar Tree segment had frozen and refrigerated merchandise in 5,970 stores compared to approximately 5,435 stores at August 4, 2018. Over the past year, we rolled out a new layout to a number of our 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 August 3, 2019, we have this layout in approximately 1,630 Dollar Tree stores and we plan to end the year with approximately 2,000 Snack Zone stores. We believe 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.

As announced in March 2019, we are currently executing a store optimization program for our Family Dollar stores to improve performance. This program consists of the following:

- A roll-out of a new model for both new and renovated Family Dollar stores internally known as H2. We tested the H2 model in 2018 on a limited basis with positive results. This H2 model has significantly improved merchandise offerings, including approximately 20 Dollar Tree $1.00 merchandise sections and establishing a minimum number of freezer and cooler doors, throughout the store. H2 has increased traffic and provided an average comparable store net sales lift in excess of 10% over control stores. H2 performs well in a variety of locations, and especially in locations where Family Dollar has been most challenged in the past. We started 2019 with approximately 200 H2 stores and as of August 3, 2019, we have approximately 1,000 H2 stores. Our plan is to renovate at least 1,150 stores to this model in 2019 and we expect an accelerated renovation schedule in future years.

- We plan to close under-performing stores. The normal cadence of Family Dollar closings on an annual basis is approximately 75 stores. In 2019 we will accelerate the pace of closings to as many as 390 stores and have closed 312 stores as of August 3, 2019. We expect to incur approximately $24.5 million in store closure costs and through the second quarter of 2019, we have incurred $19.4 million. In addition to these costs, during the second quarter of 2019 we incurred approximately $15.0 million of other store closure costs, primarily due to loss on disposal of fixed assets.

- We plan to re-banner approximately 200 Family Dollar stores to the Dollar Tree brand in 2019. As of August 3, 2019, we have re-bannered 151 stores to the Dollar Tree brand.

- Additionally, we plan to install adult beverage product in approximately 1,000 stores and expand freezers and coolers in approximately 75 stores in 2019. As of August 3, 2019, we installed adult beverage product in approximately 250 stores and expanded freezers and coolers in approximately 70 stores.

In fiscal 2019, in addition to the approximately $39.5 million in store closure costs, we estimate that we will incur approximately $30.0 million of incremental initiative costs based on project count and velocity of which $21.0 million we incurred through August 3, 2019. We expect to incur the remaining $9.0 million in the third quarter of 2019.

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 office tower in the Summit Pointe development in Chesapeake, Virginia. Approximately 30 percent of the Matthews associates, including more than 50 percent of the officers and directors, invited to move to Chesapeake have agreed to do so. We are currently hiring 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 pre-tax expense of approximately $30.0 million in 2019 in connection with these plans, of which approximately $18.4 million was incurred in the first half of fiscal 2019.

Additionally, the following items have already impacted or could impact our business or results of operations during 2019 or in the future:

- The Office of the United States Trade Representative (USTR) previously imposed tariffs under Section 301 against Chinese goods described on Lists 1, 2, and 3 with an annual trade value of $250 billion. The tariff rate on $200 billion of those goods under List 3 increased to 25 percent on May 10, 2019. When the tariffs were implemented, approximately nine percent of our products, measured by sales volume, were on Lists 1, 2, and 3. To mitigate the potential adverse effect of the tariffs, we negotiated price concessions from vendors on certain products, canceled orders, changed product sizes and specifications, changed our product mix and changed vendors. As a result of our mitigation efforts, we believe that we have reduced most of the potential adverse effects of the tariffs under Lists 1, 2, and 3 on the Dollar Tree and Family Dollar segments through September 2019.

- Earlier this year, the USTR began a process to impose a tariff on all of the $300 billion in Chinese goods which were not previously subject to a tariff under Section 301, referred to as List 4 goods. On August 13, 2019, the USTR published the final description of products on List 4 and divided the list into two parts. Tariffs at the rate of 10 percent on List 4A goods were originally scheduled to go into effect September 1, 2019. Tariffs at the rate of 10 percent on List 4B goods were originally scheduled to go into effect December 15, 2019. We anticipate that more of our products are on List 4 than Lists 1, 2, and 3 combined. However, we also believe that most of our List 4 products are contained on List 4B and not List 4A.

- On August 23, 2019, the USTR announced that tariffs on List 1, 2, and 3 products would increase from 25% to 30% on October 1, 2019, tariffs on List 4A products would increase from 10% to 15% on September 1, 2019, and tariffs on List 4B products would increase from 10% to 15% on December 15, 2019. We estimate that without mitigation

List 4 and the additional 5% tariff on Lists 1, 2 and 3 will cost the Company approximately $26 million in additional tariffs between September 1, 2019 and December 15, 2019 and approximately $14.7 million between December 15, 2019 and January 31, 2020. We are now implementing actions that may mitigate all List 1, 2, 3, and 4 tariffs. We will continue to assess the future impact of those tariffs. We are not able to accurately predict that impact of mitigation until we can estimate the success of our current efforts. We can give no assurances as to the final scope, duration, or impact of any existing or future tariffs. The List 1, 2, 3, and 4 tariffs could have a material adverse effect on our business and results of operations next year if we do not mitigate their impact.

- We anticipate higher import freight costs beginning in the third quarter of 2019 based on our April rate negotiations and the commencement of low sulphur fuel requirements for ships in January 2020. We expect that this will result in higher costs in future periods as merchandise is sold.

Results of Operations

13 weeks ended August 3, 2019 compared to the 13 weeks ended August 4, 2018

Net Sales. Net sales increased $215.0 million, or 3.9%, compared with last year's second quarter, resulting from increases in comparable store net sales in the Dollar Tree and Family Dollar segments and sales of $141.2 million in new stores, partially offset by lost sales resulting from store closures primarily on the Family Dollar segment. Comparable store net sales increased 2.4% on a constant currency basis as a result of a 1.7% increase in average ticket and a 0.7% increase in customer count. On a constant currency basis, comparable store net sales increased 2.4% in the Dollar Tree segment and increased 2.4% in the Family Dollar segment for the 13 weeks ended August 3, 2019. 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, re-banner stores or expand stores near existing stores.

Gross Profit. Gross profit decreased by $15.4 million to $1,648.5 million in the second quarter of 2019 compared to $1,663.9 million in the second quarter of 2018. Gross profit margin decreased to 28.7% in the current quarter from 30.1% in the same quarter last year. Our gross profit margin decrease was the result of the following:

- Merchandise cost, including freight, increased approximately 60 basis points resulting from higher freight costs and higher sales of lower margin consumable merchandise at the Family Dollar segment.
- Markdown expense increased approximately 45 basis points resulting from markdowns related to store closures and higher clearance sales in the Family Dollar segment.
- Shrink costs increased approximately 25 basis points due to unfavorable inventory results in the Family Dollar segment in the current quarter.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $1,379.6 million in the second quarter of 2019 from $1,281.4 million in the same quarter last year, an increase of $98.2 million or 7.7%. As a percentage of net sales, selling, general and administrative expenses increased to 24.0% in the second quarter of 2019 from 23.2% in the same quarter last year. The increase in selling, general and administrative expenses was a result of the following:

- Operating and corporate expenses increased approximately 65 basis points resulting from increased costs related to the consolidation of our store support centers, increased loss on the disposal of fixed assets due to store closure write-offs and increased store supplies expense to support the H2 initiative on the Family Dollar segment.
- Payroll expenses increased approximately 25 basis points primarily due to average hourly rate increases and additional hours, including increased temporary help expenses, to support store-level initiatives. These increases were partially offset by decreased retirement plan contributions.

Operating Income. Operating income for the current quarter decreased to $268.9 million compared with $382.5 million in the same period last year and operating income margin decreased to 4.7% in the current quarter from 6.9% in last year's second quarter.

Interest expense, net. Interest expense, net was $40.1 million in the second quarter of 2019 compared to $46.1 million in the prior year quarter. The decrease is due to our having less debt outstanding as a result of the prepayment of the $782.0 million Term Loan Facility in the fourth quarter of 2018.

Income Taxes. Our effective tax rate for the 13 weeks ended August 3, 2019 was 21.1% compared to 18.9% for the 13 weeks ended August 4, 2018. The 2019 and 2018 rates reflect reductions of $5.8 million and $8.1 million, respectively, in the reserve for uncertain tax positions resulting from statute expirations.

26 weeks ended August 3, 2019 compared to the 26 weeks ended August 4, 2018

Net Sales. Net sales in the first half of 2019 increased $470.0 million, or 4.2%, compared with the first half of 2018, resulting from increases in comparable store net sales in the Dollar Tree and Family Dollar segments and sales of $370.7 million at new stores, partially offset by lost sales resulting from store closures primarily on the Family Dollar segment. Comparable store net sales increased 2.3% on a constant currency basis as a result of a 1.7% increase in average ticket and a 0.6% increase in customer count. Comparable store net sales increased 2.2% when including the impact of Canadian currency fluctuations. On a constant currency basis, comparable store net sales increased 2.4% in the Dollar Tree segment and increased 2.1% in the Family Dollar segment for the 26 weeks ended August 3, 2019. 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, re-banner stores or expand stores near existing stores.

Gross Profit. Gross profit increased by $12.2 million to $3,375.7 million in the 26 weeks ended August 3, 2019 compared to $3,363.5 million in the 26 weeks ended August 4, 2018. Gross profit margin decreased to 29.2% in the first half of 2019 from 30.4% in the first half of 2018. Our gross profit margin decrease was the result of the following:

- Merchandise cost, including freight, increased approximately 50 basis points resulting from higher freight costs and increased sales of lower margin consumable merchandise, primarily in the Family Dollar segment.
- Markdown expense increased approximately 20 basis points resulting primarily from markdowns related to store closures and higher clearance sales in the Family Dollar segment.
- Shrink costs increased approximately 20 basis points due to unfavorable inventory results, primarily in the Family Dollar segment, in the current year.
- Occupancy costs increased approximately 10 basis points resulting from the accelerated amortization of the right-of-use assets for Family Dollar stores we closed during 2019.
- Distribution costs increased approximately 10 basis points resulting primarily from higher distribution center payroll costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $2,721.3 million in the 26 weeks ended August 3, 2019 from $2,543.4 million in the same period last year, an increase of $177.9 million or 7.0%. As a percentage of net sales, selling, general and administrative expenses increased to 23.6% in the 26 weeks ended August 3, 2019 from 23.0% in the same period last year. The increase in selling, general and administrative expenses was a result of the net of the following:

- Operating and corporate expenses increased approximately 45 basis points resulting from increased costs related to the consolidation of our store support centers, increased loss on the disposal of fixed assets due to store closure write-offs and increased store supplies expense to support the H2 initiative on the Family Dollar segment.
- Payroll expenses increased approximately 20 basis points primarily due to average hourly rate increases and additional hours, including increased temporary help expenses, to support store-level initiatives. These increases were partially offset by decreased retirement plan contributions.
- Depreciation and amortization expense decreased approximately 10 basis points as a result of certain assets on the Family Dollar segment that were revalued upon the 2015 acquisition becoming fully depreciated.

Operating Income. Operating income for the 26 weeks ended August 3, 2019 decreased to $654.4 million compared with $820.1 million in the same period last year and operating income margin decreased to 5.7% in the first half of 2019 from 7.4% in the first half of 2018.

Interest expense, net. Interest expense, net was $81.5 million in the first half of 2019 compared to $276.1 million in the first half of the prior year. The decrease is due to the first half of 2018 including prepayment premiums totaling $114.3 million and the acceleration of the expensing of $41.2 million of amortizable non-cash deferred financing costs related to the debt refinancing in the first quarter of 2018. In addition, our 2018 debt refinancing resulted in lower interest rates and the prepayment of the $782.0 million Term Loan Facility in the fourth quarter of 2018 resulted in our having less debt outstanding.

Income Taxes. Our effective tax rate for the 26 weeks ended August 3, 2019 was 21.7% compared to 20.3% for the 26 weeks ended August 4, 2018. The 2019 and 2018 rates reflect reductions of $5.8 million and $8.1 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 and two distribution centers in Canada. 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 and 11 distribution centers.

We measure the results of our segments using, among other measures, each segment's net sales, gross profit and operating income. The CODM reviews these metrics for each of our reporting segments.We may revise the measurement of each segment's operating income, as determined by the information regularly reviewed by the CODM. If the measurement of a segment changes, prior period amounts and balances are reclassified to be comparable to the current period's presentation. In the current year, we identified Corporate and support costs, mainly store support center costs that are considered shared services, and excluded these selling, general and administrative costs from our two reporting business segments. These costs include operating expenses for our store support centers in Chesapeake, Virginia and Matthews, North Carolina. During fiscal 2019 we consolidated our Matthews, North Carolina store support center with our store support center in Chesapeake, Virginia in our office tower in the Summit Pointe development in Chesapeake, Virginia. We continue to own our facility in Matthews, North Carolina. Amounts for the 13 and 26 weeks ended August 4, 2018 have been reclassified to be comparable to the current year presentation.

Dollar Tree

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

	13 Weeks Ended				26 Weeks Ended			
	August 3, 2019		August 4, 2018		August 3, 2019		August 4, 2018	
(in millions)	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 2,957.7		$ 2,768.8		$ 5,917.1		$ 5,553.2	
Gross profit	999.0	33.8%	955.3	34.5%	2,020.2	34.1%	1,916.1	34.5%
Operating income	334.0	11.3%	330.8	11.9%	725.0	12.3%	703.5	12.7%

Net sales for the Dollar Tree segment increased 6.8% and 6.6% for the 13 and 26 weeks ended August 3, 2019, respectively, compared to the same periods last year. These increases were due to sales from new stores of $113.3 million and $249.4 million for the 13 and 26 weeks ended August 3, 2019, respectively, and comparable store net sales increases of 2.4% on a constant currency basis for both the 13 and 26 weeks ended August 3, 2019. For both the 13 and 26 weeks ended August 3, 2019, customer count increased 1.4% and average ticket increased 1.0%.

Gross profit margin for the Dollar Tree segment decreased to 33.8% for the 13 weeks ended August 3, 2019 compared to 34.5% for the same period last year as a result of the following:

- Merchandise cost, including freight, increased approximately 55 basis points primarily due to higher freight costs and an increase in lower margin consumable sales in the quarter.
- Distribution costs increased approximately 5 basis points resulting from higher distribution center payroll and depreciation costs.
- Occupancy costs increased approximately 5 basis points resulting from loss of leverage from the lower comparable store net sales increase in the current year.
- Shrink increased approximately 5 basis points resulting from unfavorable inventory results in the current quarter.

Gross profit margin for the Dollar Tree segment decreased to 34.1% for the 26 weeks ended August 3, 2019 compared to 34.5% for the same period last year as a result of the following:

- Merchandise cost, including freight, increased approximately 30 basis points primarily due to higher freight costs.
- Distribution costs increased approximately 10 basis points primarily due to higher distribution center payroll costs.

Operating income margin for the Dollar Tree segment decreased to 11.3% for the 13 weeks ended August 3, 2019 as compared to 11.9% for the same period last year. The decrease in operating income margin in the 13 weeks ended August 3, 2019 was the result of the gross profit margin decrease noted above, partially offset by decreased selling, general and administrative expenses as a percentage of net sales. Selling, general and administrative expenses decreased to 22.5% as a percentage of net sales in the 13 weeks ended August 3, 2019 compared to 22.6% for the same period last year as a result of the net of the following:

- Store occupancy costs decreased approximately 15 basis points primarily due to decreased electricity costs.
- Payroll expenses increased approximately 10 basis points due to increased store hourly payroll costs resulting from average hourly rate increases and additional hours to support store-level initiatives, partially offset by lower retirement plan expense.

Operating income margin for the Dollar Tree segment decreased to 12.3% for the 26 weeks ended August 3, 2019 as compared to 12.7% for the same period last year. The decrease in operating income margin in the 26 weeks ended August 3, 2019 was the result of the gross profit margin decrease noted above. Selling, general and administrative expenses were 21.8% as a percentage of net sales for both 26-week periods. In the 26 weeks ended August 3, 2019, higher store hourly payroll costs due to hourly rate increases and additional hours for store-level initiatives were offset by lower retirement plan expense and lower utility costs.

Family Dollar

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

	13 Weeks Ended				26 Weeks Ended			
	August 3, 2019		August 4, 2018		August 3, 2019		August 4, 2018	
(in millions)	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 2,782.9		$ 2,756.8		$ 5,632.2		$ 5,526.1	
Gross profit	649.5	23.3%	708.6	25.7%	1,355.5	24.1%	1,447.4	26.2%
Operating income	15.4	0.6%	113.6	4.1%	105.7	1.9%	257.5	4.7%

Net sales for the Family Dollar segment increased $26.1 million or 0.9% and $106.1 million or 1.9% for the 13 and 26 weeks ended August 3, 2019, respectively, compared to the same periods last year. These increases were due to comparable store net sales increases of 2.4% and 2.1%, respectively and $27.9 million and $121.3 million, respectively, of new store sales, partially offset by lost sales resulting from store closures that exceed historical closure rates as a result of the store optimization program. For the 13 weeks ended August 3, 2019, average ticket increased 2.5% and customer count decreased 0.1%. For the 26 weeks ended August 3, 2019, average ticket increased 2.6% and customer count decreased 0.5%.

Gross profit for the Family Dollar segment decreased $59.1 million or 8.3% for the 13 weeks ended August 3, 2019 compared to the same period last year. The gross profit margin for Family Dollar decreased to 23.3% for the 13 weeks ended August 3, 2019 compared to 25.7% for the same period in the prior year. The decrease is due to the following:

- Markdown expense increased approximately 100 basis points resulting from store closure markdowns and higher clearance sales.
- Merchandise cost, including freight, increased approximately 95 basis points, primarily due to increased sales of higher cost consumable merchandise and higher freight costs.
- Shrink costs increased approximately 45 basis points resulting from unfavorable physical inventory results in the current quarter and an increase in the shrink accrual rate.

Gross profit for the Family Dollar segment decreased $91.9 million or 6.3% for the 26 weeks ended August 3, 2019 compared to the same period last year. The gross profit margin for Family Dollar decreased to 24.1% for the 26 weeks ended August 3, 2019 compared to 26.2% for the same period in the prior year. The decrease is due to the following:

- Merchandise cost, including freight, increased approximately 90 basis points, primarily due to increased sales of lower margin consumable merchandise and higher freight costs.

- Markdown expense increased approximately 50 basis points resulting from store closure markdowns and higher clearance sales.
- Shrink costs increased approximately 45 basis points resulting from unfavorable physical inventory results in the current year and an increase in the shrink accrual rate.
- Distribution costs increased approximately 15 basis points resulting primarily from higher merchandising and distribution payroll-related costs.
- Occupancy costs increased approximately 10 basis points resulting from the accelerated amortization of the right-of-use assets for stores we closed during 2019.

Operating income margin for the Family Dollar segment decreased to 0.6% for the 13 weeks ended August 3, 2019 as compared to 4.1% for the same period last year resulting from the gross margin decrease noted above and an increase in selling, general and administrative expenses as a percentage of net sales. Selling, general and administrative expenses were 22.7% as a percentage of net sales in the 13 weeks ended August 3, 2019 compared to 21.6% for the same period last year. The current quarter increase in selling, general and administrative expenses as a percentage of net sales was due to the net of the following:

- Operating and corporate expenses increased approximately 95 basis points resulting primarily from increased loss on the disposal of fixed assets due to store closure write-offs and increased store supplies expense to support the H2 initiative.
- Payroll expenses increased approximately 35 basis points primarily due to average hourly rate increases and additional hours, including increased temporary help expenses, to support store-level initiatives. These increases were partially offset by lower workers' compensation expenses resulting from favorable development of prior years' claims.
- Depreciation and amortization expense decreased approximately 15 basis points as a result of certain assets that were revalued upon the 2015 acquisition becoming fully depreciated and/or amortized.

Operating income margin for the Family Dollar segment decreased to 1.9% for the 26 weeks ended August 3, 2019 as compared to 4.7% for the same period last year resulting from the gross margin decrease noted above and an increase in selling, general and administrative expenses as a percentage of net sales. Selling, general and administrative expenses were 22.2% as a percentage of net sales in the 26 weeks ended August 3, 2019 compared to 21.5% for the same period last year. The current year increase in selling, general and administrative expenses as a percentage of net sales was due to the net of the following:

- Operating and corporate expenses increased approximately 45 basis points resulting primarily from increased loss on the disposal of fixed assets due to store closure write-offs and increased store supplies expense to support the H2 initiative.
- Payroll expenses increased approximately 30 basis points primarily due to average hourly rate increases and additional hours, including increased temporary help expenses, to support store-level initiatives.
- Store operating costs increased approximately 10 basis points due primarily to higher repairs and maintenance costs in the current year.
- 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, expand and renovate 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 26 weeks ended August 3, 2019 and August 4, 2018:

(in millions)	26 Weeks Ended August 3, 2019	26 Weeks Ended August 4, 2018
Net cash provided by (used in):		
Operating activities	$ 844.0	$ 768.8
Investing activities	(488.7)	(394.7)
Financing activities	(154.0)	(823.7)

Net cash provided by operating activities increased $75.2 million primarily as a result of lower cash payments for inventory partially offset by lower current year earnings, net of non-cash items.

Net cash used in investing activities increased $94.0 million primarily due to increased capital expenditures related to the Family Dollar segment store optimization program, including H2 renovations and re-banners.

Net cash used in financing activities decreased $669.7 million compared with the prior year, primarily due to our debt refinancing in 2018, which resulted in debt payments exceeding the proceeds from long-term debt by $656.9 million and the payment of $155.3 million of debt-issuance and extinguishment costs, partially offset by $139.2 million of cash paid in 2019 for stock repurchases.

At August 3, 2019, our long-term borrowings were $4.3 billion and we had $1.1 billion available under our revolving credit facility. We also have $385.0 million in Letter of Credit Reimbursement and Security Agreements with various financial institutions, under which approximately $278.4 million was committed to letters of credit issued for routine purchases of imported merchandise as of August 3, 2019.

We repurchased 1,842,307 shares of common stock on the open market for approximately $188.4 million during the 26 weeks ended August 3, 2019. There were no shares repurchased on the open market during the 26 weeks ended August 4, 2018. As of August 3, 2019, we had $811.6 million 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 August 3, 2019, our variable rate debt consists of our $750.0 million Senior Floating Rate Notes due 2020 (the “Floating Rate Notes”), which represents approximately 17% of our total debt. 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 Floating Rate Notes of $7.5 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 August 3, 2019, 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 August 3, 2019 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, several thousand employment-related arbitrations and litigation concerning injury from products. For a discussion of these proceedings, please refer to "Note 2 - 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 2. 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 2, 2019, other than as set forth in the discussion of risk factors in the "A Warning About Forward-Looking Statements" section and in the discussion of tariffs 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.

The following table presents our share repurchase activity during the second quarter of 2019:

Fiscal Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
May 5 - June 1, 2019	—	$ —	—	$ 900.0
June 2 - July 6, 2019	—	—	—	900.0
July 7 - August 3, 2019	881,624	100.22	881,624	811.6
Total	881,624	$ 100.22	881,624	$ 811.6

As of August 3, 2019, we had approximately $811.6 million remaining under Board repurchase authorization.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit		Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: Exhibit	Incorporated by Reference: Filing Date	Filed Herewith
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 March 5, 2019	8-K	3.1	3/6/2019	
10.1	*	2011 Omnibus Incentive Plan, as amended and restated effective June 12, 2019				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 August 3, 2019, formatted in Inline XBRL: (i) Condensed Consolidated Income Statements, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Shareholders' Equity, (v) Condensed Consolidated Statements of Cash Flows and (vi) Notes to Condensed Consolidated Financial Statements				X
104		The cover page from the Company's 10-Q for the fiscal quarter ended August 3, 2019, formatted in Inline XBRL and contained in Exhibit 101				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:	August 29, 2019	By:	/s/ Kevin S. Wampler
			Kevin S. Wampler
			Chief Financial Officer
			(principal financial officer)

Exhibit 10.1

DOLLAR TREE, INC.

AMENDED AND RESTATED 2011 OMNIBUS INCENTIVE PLAN

1. Establishment, Purpose and Term of Plan.

1.1 **Establishment.** The Dollar Tree, Inc. Omnibus Incentive Plan (the "Plan") is hereby established effective as of March 17, 2011, being the date the Plan was adopted by the Board (the "Effective Date"). The Plan was approved by the shareholders of the Company on June 16, 2011 (the "Approval Date"). The Plan constitutes the merger of the Dollar Tree, Inc. 2003 Equity Incentive Plan, the Dollar Tree, Inc. 2003 Non-Employee Director Stock Option Plan and the Dollar Tree, Inc. 2004 Executive Officer Equity Plan (the "Prior Plans") effective as of the Approval Date. Notwithstanding the foregoing, all grants of any awards under the Prior Plans before the Approval Date shall be governed under the terms and conditions of the Prior Plans. This Plan also replaces and supersedes the 2004 Executive Officer Cash Bonus Plan (the "Cash Bonus Plan") as of the Approval Date; *provided, however*, all grants of any awards under the Cash Bonus Plan before the Approval Date shall be governed under the terms and conditions of the Cash Bonus Plan. The Plan is amended and restated as set forth herein primarily to reflect legislative changes to Section 162(m) (as defined herein).

1.2 **Purpose.** The purposes of the Plan are to (i) advance the interests of the Company and its shareholders by providing incentives to attract, retain and reward persons performing services for the Member Companies; (ii) to motivate Participants, by means of appropriate incentives, to contribute to the growth and profitability of the Member Companies; (iii) provide incentive compensation opportunities that are competitive with those of similar companies; and (iv) further identify Participants' interests with those of the Company's shareholders through compensation that is based on the Company's stock. The Company intends that Awards granted pursuant to the Plan be exempt from or comply with Section 409A, and the Plan shall be construed and interpreted as necessary to achieve that intent.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; *provided, however*, that, to the extent required by applicable law, all Awards shall be granted, if at all, within ten (10) years from the date the Plan is adopted by the Board.

2. Definitions and Construction.

2.1 **Definitions.** Whenever used herein, the following capitalized terms shall have their respective meanings set forth below:

(a) ***"Affiliate"*** means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the term "control" (including the term "controlled by") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise.

(b) ***"Award"*** means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit, Performance Bonus, Performance Unit, or Other Award granted under the Plan.

(c) ***"Award Agreement"*** means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.

(d) ***“Board”*** means the Board of Directors of the Company.

(e) ***“Cause”*** means, unless such term or an equivalent term is otherwise defined with respect to an Award in the Participant’s Award Agreement or by a written contract of employment or service, any of the following: (i) the Participant’s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Member Company documents or records that has a material adverse effect on a Member Company; (ii) the Participant’s material failure to abide by a Member Company’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Member Company (including, without limitation, the Participant’s improper use or disclosure of a Member Company’s confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Member Company’s reputation or business; (v) the Participant’s repeated failure or inability to perform any reasonable assigned duties after written notice from a Member Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Member Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude which has a material adverse effect on a Member Company or which impairs the Participant’s ability to perform his or her duties with a Member Company.

(f) ***“Change in Control”*** means, unless such term or an equivalent term is otherwise defined in the Award Agreement of a Participant who is not a “named executive officer” as defined under Item 402(a)(3) of Regulation S-K of the Exchange Act, the occurrence of any of the following:

(i) The sale, exchange or other transfer of all or substantially all of the assets of the Company (in one transaction or in a series of related transactions) to a corporation that is not controlled by the Company; or

(ii) The liquidation or dissolution of the Company; or

(iii) A successful tender offer for the Stock of the Company, after which the tendering party holds more than 50% of the issued and outstanding Stock of the Company; or

(iv) A merger, consolidation, share exchange, or other transaction to which the Company is a party pursuant to which the holders of all the shares of Stock outstanding prior to such transaction do not hold, directly or indirectly, at least 50% of the outstanding shares of the surviving company after the transaction.

Notwithstanding the foregoing:

(i) With respect to an Employee who entered into a retention agreement with the Company prior to the date the Company’s shareholders first approve this Plan, the term “Change in Control” shall have the meaning set forth in such retention agreement and no provision of this Plan shall abrogate any provision or right set forth in such retention agreement; and

(ii) To the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A and Treasury Regulations § 1.409A-3(i)(5)(v), (vi) & (vii).

(g) ***"Code"*** means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(h) ***"Committee"*** means a committee appointed by the Board pursuant to Section 3 of the Plan.

(i) ***"Company"*** means Dollar Tree, Inc., a Virginia corporation, or any successor corporation thereto.

(j) ***"Consultant"*** means a natural person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Member Company.

(k) ***"Covered Employee"*** means an Employee who is a "covered employee" as defined under Section 162(m).

(l) ***"Director"*** means a member of the Board.

(m) ***"Disability"*** means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(n) ***"Dividend Equivalent Right"*** means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(o) ***"Employee"*** means any natural person treated as a common law employee in the personnel records of a Member Company. The Company shall determine in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee. Service as a Director or payment of a director's fee by a Member Company shall not be sufficient to constitute "employment" by a Member Company.

(p) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(q) ***"Fair Market Value"*** means, as of any date, the value of a share of Stock determined as follows:

(i) If the principal market for the Stock is a national securities exchange or the NASDAQ Stock Market, then the "Fair Market Value" as of that date shall be the closing sale price of the Stock on the principal exchange or market on which the Stock is then listed or admitted to trading on such date.

(ii) If sale prices are not available or if the principal market for the Stock is not a national securities exchange and the Stock is not quoted on the NASDAQ Stock Market, the average between the highest bid and lowest asked prices for the Stock on such day as reported on the NASDAQ OTC Bulletin Board Service or by the National Quotation Bureau, Incorporated or a comparable service.

(iii) If the day is not a business day, and as a result, paragraphs (i) and (ii) next above are inapplicable, the Fair Market Value of the Stock shall be determined as of the immediately preceding business day. If paragraphs (i) and (ii) next above are otherwise inapplicable, then the Fair Market Value of the Stock shall be determined in good faith by the Committee subject to the applicable requirements, if any, of Section 409A of the Code.

(r) ***"Incentive Stock Option"*** means an Option intended to qualify (as set forth in the Award Agreement) as an incentive stock option within the meaning of Section 422(b) of the Code.

(s) ***"Insider"*** means an Officer, a Director of the Company or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(t) ***"Insider Trading Policy"*** means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(u) ***"Member Company"*** **or** ***"Member Companies"*** means the Company, any Parent Corporation or Subsidiary Corporation and, to the extent designated by the Board, any Affiliate.

(v) ***"Net-Exercise"*** means a procedure by which the Participant will be issued a number of whole shares of Stock upon the exercise of an Option determined in accordance with the following formula:

N = X(A-B)/A, where

"N" = the number of shares of Stock to be issued to the Participant upon exercise of the Option;

"X" = the total number of shares with respect to which the Participant has elected to exercise the Option;

"A" = the Fair Market Value of one (1) share of Stock determined on the exercise date; and

"B" = the exercise price per share (as defined in the Participant's Award Agreement)

(w) ***"Non-Employee Director"*** means a Director who, as of the day following each year's date of the annual shareholders meeting, is not an Employee of a Member Company or an Affiliate.

(x) ***"Non-Employee Director Option"*** means a Nonstatutory Stock Option granted to a Non-Employee Director under Section 6.7 of the Plan.

(y) ***"Nonstatutory Stock Option"*** means an Option not intended to be (as set forth in the Award Agreement), or which does not qualify as, an incentive stock option within the meaning of Section 422(b) of the Code.

(z) ***"Officer"*** means any person designated by the Board as an officer of the Company or a Member Company.

(aa) ***"Option"*** means a right granted under Section 6 to purchase Stock pursuant to the terms and conditions of the Plan.

(bb) ***"Parent Corporation"*** means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(cc) ***"Participant"*** means any eligible person under Section 5 who has one or more outstanding Awards.

(dd) ***"Performance Bonus"*** means an Award of a cash bonus under Section 10 of the Plan.

(ee) ***"Performance Criteria"*** means one or more criteria that the Committee shall select and define for purposes of setting performance goals for a Performance Period. The Performance Criteria that will be used to establish such performance goals may be based on any one of, or combination of, the performance measures selected by the Committee, including the following, relating to a Member Company or Affiliate or any combination of one or more Member Companies or Affiliates: (i) earnings per share; (ii) earnings (including EBIT or EBITDA); (iii) net earnings; (iv) total shareholder return; (v) return on equity; (vi) return on assets; (vii) return on investment; (viii) return on capital employed; (ix) operating margin; (x) gross margin; (xi) operating income; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) revenue; (xv) revenue growth; (xvi) expenses; (xvii) improvement in or attainment of expense levels; (xviii) improvement in or attainment of working capital levels; (xix) economic value added; (xx) market share; (xxi) cash flow per share; (xxii) share price performance; and (xxiii) debt reduction. Performance goals may be stated in terms of an improvement in any of the foregoing. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement only as specified in writing by the Committee.

(ff) ***"Performance Period"*** means one or more fiscal years of the Company, or such other specific period of time set by the Committee, over which the attainment of one or more performance goals will be measured for the purpose of determining a designated Covered Employee's right to and the payment of an Award.

(gg) ***"Restricted Stock Award"*** means an Award of Stock subject to such restrictions and Vesting Conditions as established by the Committee pursuant to Section 8 of the Plan.

(hh) "***Restricted Stock Unit"*** means a right granted to a Participant pursuant to Section 9 of the Plan to receive the value of a share of Stock on a date determined in accordance with the provisions of Section 9 and the Participant's Award Agreement. For the avoidance of doubt, the term of Restricted Stock Unit hereunder includes those rights granted under the Company's (a) Restricted Stock Unit Agreement, (b) Performance Stock Unit Agreement, and (c) that portion of the Long-Term Performance Plan Award Agreement denominated in Restricted Stock Unit.

(ii) ***"Rule 16b-3"*** means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(jj) ***"Section 162(m)"*** means Section 162(m) of the Code and any successor provision.

(kk) ***"Section 409A"*** means Section 409A of the Code and any successor provision.

(ll) ***"Section 409A Deferred Compensation"*** means compensation provided pursuant to the Plan that constitutes deferred compensation subject to and not exempted from the requirements of Section 409A.

(mm) ***"Securities Act"*** means the Securities Act of 1933, as amended.

(nn) ***"Service"*** means a Participant's employment or service with the Member Companies, whether in the capacity of an Employee, a Director or a Consultant. Unless otherwise determined by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides service to the Member Companies or a transfer between Member Companies, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company; provided that for purposes of determining whether an Option is an Incentive Stock Option, an Employee's Service will be treated as terminating three (3) months after such Employee went on a leave (or for an Employee with a Disability, one (1) year after such Employee went on leave), unless such Employee's right to return to active employment is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Participant performs Service ceasing to be a Member Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

(oo) ***"Stock"*** means the common stock of the Company, as adjusted from time to time in accordance with Section 4.5.

(pp) ***"Stock Appreciation Right"*** means an Award, granted alone or in tandem with an Option, that pursuant to Section 7 of the Plan is designated as a Stock Appreciation Right.

(qq) ***"Stock Award"*** means any Option, Stock Appreciation Right, Restricted Stock Award, and Restricted Stock Unit or, to the extent designated by the Committee in an Award Agreement, any Performance Unit or Other Award.

(rr) ***"Subsidiary Corporation"*** means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(ss) ***"Vesting Conditions"*** mean those conditions established in accordance with the Plan prior to the satisfaction of which shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company upon the Participant's termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. Administration.

3.1 **Committee.** The authority to operate and administer the Plan shall be vested in a committee appointed by the Board. The Committee shall consist solely of two or more members of the Board who are "non-employee directors" as defined under Rule 16b-3, and meet such independence, or other required listing standards, of any applicable securities exchange that is the principal trading market for the Stock or such other requirements of applicable law as the Board determines in its discretion from time to time are necessary for the Committee to administer of the Plan. The initial Committee will be the Compensation Committee of the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers of the Committee at any time.

3.2 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions and limitations of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(a) To select from the persons eligible under Section 5.1 those who will receive Awards under the Plan;

(b) To determine the type of Award granted, the time or times at which Awards shall be granted and the number of shares of Stock to be subject to each Award;

(c) To determine the Fair Market Value of shares of Stock pursuant to the terms of the Plan;

(d) To determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares of Stock acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares of Stock pursuant to any Award; (ii) the method of payment for shares purchased pursuant to any Award; (iii) the method for satisfaction of any tax withholding obligation arising in connection with an Award, including by the withholding or delivery of shares of Stock; (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto; (v) the time of the expiration of any Award, (vi) the effect of the Participant's termination of Service on any of the foregoing; and (vii) all other terms, conditions and restrictions applicable to any Award or shares of Stock acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) To determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;

(f) To approve from time to time the form of any documents, including but not limited to one or more forms of Award Agreement as it deems advisable for use in the operation and administration of the Plan;

(g) To amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired upon the exercise thereof;

(h) To accelerate, continue, extend or defer the exercisability of any Award or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following a Participant's termination of Service;

(i) To prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(j) To correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the Articles of Incorporation and By-Laws of the Company and any applicable state corporate law. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan, an Award Agreement or other agreement thereunder shall be final, binding and conclusive upon all persons having an interest therein.

3.3 **Delegation By Committee**. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any Officer selected by it; provided it may not delegate authority to grant Awards to Insiders except to the extent such delegation complies with Rule 16b-3. To the extent the Committee delegates authority to any Officer, or any sub-committee containing one or more Officers, to grant Awards to Employees, who are not Insiders, such Officer shall not participate in any decision regarding any grant of an Award to himself or herself. Any allocation or delegation of authority by the Committee may be revoked by the Committee at any time.

3.4 **Information to be Furnished to Committee**. The Company and Member Companies shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Member Companies as to a Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

4. Shares Subject to Plan.

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2 and 4.5, the aggregate number of shares of Stock that may be delivered under the Plan to Participants and their beneficiaries shall be equal to the sum of (i) Four Million (4,000,000) shares of Stock; (ii) any shares of Stock available for future awards under the Prior Plans after the Approval Date; and (iii) any shares of Stock that are represented by awards granted under the Prior Plans which are forfeited, expire or are cancelled without delivery of shares of Stock, or which result in the forfeiture of the shares of Stock back to the Company, after the Approval Date. The shares of Stock to which Stock Awards may be made shall consist of currently authorized but unissued shares, treasury shares, shares of Stock acquired by the Company, including shares purchased on the open market or in private transactions, or any combination thereof.

4.2 **Share Counting.** To the extent any shares of Stock of an outstanding Stock Award are not delivered to a Participant or beneficiary because for any reason all or part of a Stock Award is forfeited or cancelled, or if shares of Stock acquired pursuant to a Stock Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, then the shares of Stock allocable to the terminated portion of such Stock Award or such forfeited or repurchased shares of Stock shall not be deemed to have been delivered for purposes of determining the aggregate number of shares of Stock under Section 4.1 that may be delivered to Participants and their beneficiaries. Shares of Stock shall not be deemed to have been delivered pursuant to the Plan with respect to any portion of a Stock Award that is settled in cash. If the exercise price of any Option granted under the Plan or a Prior Plan is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net-Exercise, solely the net number of shares of Stock actually delivered to the Participant shall be deemed delivered for purposes of determining the maximum number of shares deliverable under Section 4.1. Shares of Stock withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 15 shall again be available for delivery under the Plan and shall not reduce the number of shares available under Section 4.1.

4.3 **Limitations.** The following limitations are imposed on the applicable Awards granted under the Plan:

(a) The maximum aggregate number of shares of Stock available to grant Incentive Stock Options to Employees shall be Nine Hundred Thousand (900,000) shares. To the extent required under the Code, the maximum number of shares of Stock available to grant Incentive Stock Options shall not be adjusted as required under Section 4.2 of the Plan.

(b) The maximum number of shares available to grant Options or Stock Appreciation Rights to any one individual shall be Nine Hundred Thousand (900,000) shares during any one fiscal year period. If an Option is granted in tandem with a Stock Appreciation Right, such that the exercise of the Option or Stock Appreciation Right with respect to a share of Stock cancels the tandem Stock Appreciation Right or Option right, respectively, with respect to such share, the tandem Option and Stock Appreciation Right with respect to each share of Stock shall be counted as covering but one share of Stock for purposes of applying the limitations of this paragraph (b).

(c) No more than Five Hundred Thousand (500,000) shares of Stock may be subject to Restricted Stock Awards and Restricted Stock Units granted to any one individual during any one fiscal year period. If, after shares have been earned, the delivery is deferred, any additional shares attributable to dividends during the deferral period shall be disregarded.

(d) No more than Five Million Dollars ($5,000,000) may be subject to Performance Unit Awards granted to any one individual during any one fiscal year period. If, after amounts have been earned with respect to Performance Unit Awards, the delivery of such amounts is deferred, any additional amounts attributable to earnings during the deferral period shall be disregarded.

(e) For Option grants to Non-Employee Directors under Section 6.7 of the Plan, no more than One Million Five Hundred Thousand (1,500,000) shares of Stock shall be available for such grants and the number of shares subject to Options granted to each Non-Employee Director on each Grant Date (as defined under Section 6.7) shall be Twenty-Seven Thousand (27,000); *provided, however*, that the Board may reduce this amount or adopt a formula to determine the number of shares subject to Options to be granted; *provided, further*, that the number of such shares may not be increased over Twenty-Seven Thousand (27,000) without shareholder approval. Options which may be granted to Non-Employee Directors pursuant to Section 6.7 of the Plan are in addition to any Options which may also be issued to such Non-Employee Directors in lieu of annual fee payments under this Plan.

(f) The foregoing limitations will be adjusted proportionately in connection with any adjustments described in Section 4.5 below.

4.4 **Adjustments for Changes in Capital Structure.** The existence of the Plan, any Award or any Award Agreement shall not affect or restrict the right or power of the Company or its shareholders to make or authorize a corporate transaction or event such as a stock dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination or other similar corporate transaction or event affecting the Stock with respect to which Awards have been or may be issued under the Plan (any such transaction or event, a "Transaction"). To prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any change to the Stock effected without receipt of consideration through a Transaction, then the Committee shall, in such manner as the Committee deems equitable: (A) make a proportionate adjustment in (a) the maximum number and type of securities as to which Awards may be granted under this Plan, (b) the number and type of securities subject to outstanding Awards, (c) the grant or exercise price with respect to any such Award, (d) the performance targets and goals appropriate to any outstanding Awards, and (e) the per individual limitations on the number of securities that maybe awarded under the Plan (any such adjustment, an "Antidilution Adjustment"); provided, in each case, that with respect to Incentive Stock Options, no such adjustment shall be authorized to the extent that such adjustment would cause such Options to violate Section 422(b) of the Code or any successor provision; with respect to all Options, no such adjustment shall be authorized to the extent that such adjustment violates the provisions of Treasury Regulation 1.424-1; with respect to all Awards, no adjustment shall be authorized to the extent such adjustment would violate Section 409A or any successor provisions; with respect to all Awards, no such adjustment shall violate the requirements applicable to Awards intended to qualify for exemption under Section 162(m) of the Code; and the number of shares of Stock subject to any Award denominated in shares shall always be a whole number; or (B) cause any Award outstanding as of the effective date of the Transaction to be cancelled in consideration of a cash payment or alternate Award (whether from the Company or another entity that is a participant in the Transaction) or a combination thereof made to the holder of such cancelled Award substantially equivalent in value to the fair market value of such cancelled Award. The determination of fair market value shall be made by the Committee or the Board, as the case may be, in their sole discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and the exercise price per share shall be rounded up to the nearest whole cent. In no event may the exercise price of any Award be decreased to an amount less than the par value, if any, of the stock subject to the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as effected without receipt of consideration by the Company. Any adjustments made hereunder shall be binding on all persons having an interest herein.

5. Eligibility.

5.1 **Persons Eligible for Awards.** Employees, Consultants and Directors are eligible to receive Awards under the Plan. Notwithstanding the foregoing, Incentive Stock Options may be granted solely to Employees; solely Non-Employee Directors may be granted Options under Section 6.7 of the Plan; and Performance Bonuses may be granted solely to Covered Employees. In the case of the grant of an Incentive Stock Option, a person who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or a Parent Corporation or any Subsidiary Corporation shall not be eligible to hold such Incentive Stock Option unless (i) the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of a share of Stock on the date of grant, and (ii) such Incentive Stock Option by its terms is not exercisable after the expiration of five years from the date of grant. For purposes of the previous sentence, in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

5.2 **Participation in Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

6. Stock Options.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. The provisions of the various Award Agreements entered into under the Plan need not be identical. The Award Agreement shall also specify whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option. If an Option is not designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. No Option shall provide for payment of Dividend Equivalents. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** Except as otherwise provided in Section 5.1 of the Plan, the exercise price for each Option shall be established in the discretion of the Committee; *provided, however*, that the exercise price per share for an Option shall be not less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Repricing of Options after the date of grant shall not be permitted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, Performance Criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; *provided, however*, that no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Committee in an Award Agreement, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions. Notwithstanding the foregoing, no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act shall be first exercisable for any shares of Stock until at least six months following the date of grant of the Option.

6.3 **$100,000 Limitation.** To the extent that the aggregate Fair Market Value of shares of Stock (at the time of grant) with respect to which Incentive Stock Options are exercisable for the first time by an Employee in any one calendar year exceeds One Hundred Thousand Dollars ($100,000), the Options or portion of such Options that exceed such limitation (applied in the order in which the Options are granted) shall be treated as Nonstatutory Stock Options notwithstanding any contrary provision in the Award Agreement(s).

6.4 **Payment of Exercise Price.** Except as otherwise provided below, the full exercise price for the shares of Stock being exercised must be paid in cash or by check or cash equivalents on the date of exercise. The Committee may approve and set forth in an Award Agreement additional forms of payment, which may include any one, or a combination of, the following:

(a) ***Tender or Attestation of Shares****.* All or part of the exercise price of an Option may be paid by tendering, either by actual delivery or by attestation, shares of Stock already owned by the Participant. The Committee shall determine in its sole discretion from time to time the acceptable methods of tendering or attesting to shares of Stock to pay all or part of the exercise price of an Option. For purposes of determining the amount of the exercise price satisfied through tender or attestation of shares, the shares shall be valued on the date the shares are tendered or attested to in the method approved by the Committee.

(b) ***Broker Assisted Cashless Exercise.*** To the extent the Company has established and maintains a cashless exercise program with a securities brokerage firm, a Participant may exercise an Option through a cashless exercise in accordance with the policies and procedures established from time to time in the sole discretion of the Committee. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a cashless exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(c) ***Net Exercise****.* By delivering to the Company a properly executed notice, in the form approved by the Committee from time to time in its sole discretion, electing a Net Exercise.

(d) ***Other Methods.*** The exercise price may be paid using such other methods of payment as the Committee, in its sole discretion, deems appropriate from time to time.

6.5 **Effect of Termination of Service.**

(a) ***Option Exercisability***. Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Committee in an Award Agreement, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate:

(i) **Disability**. If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option.

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, then the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option.

(iii) **Termination for Cause**. Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or such act.

(iv) **Other Termination of Service**. If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option.

(b) ***Extension if Exercise Prevented by Law***. Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in Section 6.5(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until thirty (30) days after the date such exercise first would no longer be prevented by such provisions, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option.

6.6 **Transferability of Options.** Except as otherwise provided in Section 6.7 below, during the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiaries, except transfer by will or by the laws of descent and distribution or by beneficiary form filed with the Company pursuant to Section 19.5 of the Plan. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable by gift or domestic relations order to a Participant's "family members" as permitted in the General Instructions to Form S-8 under the Securities Act.

6.7 Non-Employee Director Options.

(a) ***Grant Dates****.* In the event the Committee (or if required by applicable law, the Board) determines to provide for Non-Employee Director Stock Options, such Options shall be granted automatically to each Non-Employee Director on the business day following each year's annual shareholders meeting date (the "*Grant Date*"); *provided, however*, in any event a grant to a Non-Employee Director who was an Employee at any time during the same calendar year as the Grant Date shall be made solely at the discretion of the Committee. Any Non-Employee Director first elected as a Director after the Grant Date but before the next annual shareholders meeting shall be granted an Option as the Board shall determine in its sole discretion, but in any case covering no more than twice the number of shares granted to Non-Employee Directors on the most recent Grant Date. The Grant Date for an Option granted to a newly elected Non-Employee Director shall be the date of such Director's election to the Board, and the exercise price of such Option shall be the Fair Market Value of a share of Stock on such Grant Date.

(b) ***Exercise Price.*** The exercise price per share of Stock covered by each Non-Employee Director Option shall be the Fair Market Value on the Grant Date for a share of Stock. Repricing of Non-Employee Director Options after the Grant Date shall not be permitted.

(c) ***Term.*** Unless otherwise determined by the Committee, Non-Employee Director Options shall vest and become exercisable immediately, subject to the provisions of the Plan. Except as otherwise provided in Section 6.7(d), Non-Employee Director Options will expire ten (10) years after the Grant Date.

(d) ***Termination.*** In the event that a Non-Employee Director's Service on the Board ceases due to death, disability or Retirement, all outstanding options then held by the Director shall remain exercisable for a period of ten (10) years after the date such option is granted. Retirement shall mean resignation from the Board after completing seven (7) years of Service and attaining age 59 1/2. Except as otherwise provided by the Board**,** in the event that a Non-Employee Director's Service on the Board ceases due to resignation, or other voluntary removal, vested and exercisable shares shall remain exercisable for a period of one (1) year following the cessation of Service. In any event, if a Non-Employee Director is involuntarily removed for breach of duty or other Cause, all vested and exercisable Non-Employee Director Options are immediately forfeit. For purposes of this Section 6.7, the Committee will determine in its sole discretion whether a Non-Employee Director has terminated Service due to disability.

(e) ***Nonstatutory Stock Options.*** Options granted under this Section 6.7 of the Plan shall be solely Nonstatutory Stock Options.

(f) ***Transferability.*** Subject to Board approval, the Board may provide that all or a portion of a Non-Employee Director Option may be granted upon terms that permit transfer of the Option in a form and manner determined by the Board. Any person to whom a Non-Employee Director Option is transferred pursuant to this Section 6.7(f) shall agree in writing to be bound by the terms of the Plan and the Award Agreement for such Non-Employee Director Option as if such transferee had been the original grantee thereto and to execute and/or deliver to the Board any documents as may be requested by the Board from time to time.

(g) ***Exercise/Notices.*** Notwithstanding any provision to the contrary in this Section 6, exercise of a Non-Employee Director Option shall be made solely by written notice delivered to the Secretary of the Company. Any written notice required with respect to a Non-Employee Director Option shall be addressed to the Secretary of the Company and shall become effective when it is received by the Company.

7. Stock Appreciation Rights.

Subject to the terms and conditions of the Plan, Stock Appreciation Rights shall be evidenced by Award Agreements specifying the terms and conditions for such Award in such form as the Committee shall from time to time establish. The provisions of the various Award Agreements entered into under the Plan need not be identical. The Award Agreement for a Stock Appreciation Right will set forth the exercise price, term of the Stock Appreciation Right, the conditions of exercise, vesting and such other terms and conditions as the Committee shall determine in its sole discretion. A Stock Appreciation Right may be granted alone, in addition to other Awards or in tandem with an Option. No Stock Appreciation Award shall provide for the payment of Dividend Equivalents. Award Agreements evidencing Stock Appreciation Rights may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Exercise Price**. The exercise price of each Stock Appreciation Right shall be established by the Committee or shall be determined by a method established by the Committee at the time the Stock Appreciation Right is granted; except that the exercise price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant. Repricing of Stock Appreciation Rights after the date of grant shall not be permitted.

7.2 **Term.** No Stock Appreciation Right shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Award Agreement.

7.3 **Exercise of Stock Appreciation Right**. Stock Appreciation Rights shall be exercised by providing written or electronic notice to the Company based on such terms and conditions as shall be set forth in the Award Agreement in the sole discretion of the Committee.

7.4 **Payment Under Stock Appreciation Right.** Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying together (a) and (b) below:

(a) The difference between the Fair Market Value of a share of Stock on the date of exercise and the Fair Market Value of a share of Stock on the date of grant of the Stock Appreciation Right.

(b) The number of shares of Stock with respect to which the Stock Appreciation Right is being exercised.

At the discretion of the Committee, settlement upon exercise of all or part of a Stock Appreciation Right may be paid in cash, in shares of Stock, or in any combination of both.

7.5 **Tandem with Options**. A Stock Appreciation Right granted in tandem with an Option may be granted at the same time as the Option and shall cover the same or a different number of shares of Stock as the tandem Option but shall have the same exercise price and be exercisable at the same time and to the same extent as the tandem Option. Upon exercise of a Stock Appreciation Right granted in tandem with an Option, the related Option shall be cancelled automatically to the extent of the number of the shares of Stock exercised in the tandem Stock Appreciation Right, and if an Option granted in tandem with a Stock Appreciation Right is exercised, the tandem Stock Appreciation Right shall be cancelled automatically to the extent of the number of shares of Stock exercised in the tandem Option.

7.6 **Termination of Service.** In the event of a Participant's termination of Service, the Participant may exercise his or her Stock Appreciation Right to the extent set forth in the Award Agreement, but in no event after the date the term of such Stock Appreciation Right expires. If, after termination of Service, a Participant does not exercise his or her Stock Appreciation Right within the time period specified in the Award Agreement or by the applicable expiration date, the Stock Appreciation Right shall terminate.

8. Restricted Stock Awards.

Restricted Stock Awards shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more performance goals. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Vesting and Restrictions on Transfer.** Shares of Stock issued pursuant to any Restricted Stock Award shall be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance goals as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. Subject to the provisions of Section 14 of the Plan, Vesting Conditions that are performance based shall not lapse for a minimum period of one (1) year, and Vesting Conditions that are non-performance-based shall not lapse in full for a minimum period of three (3) years. Non-performance-based Vesting Conditions may lapse ratably over such three (3) year period as determined in the discretion of the Committee and set forth in an Award Agreement. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than as permitted under Sections 4.5 or 14 of the Plan or in the applicable Award Agreement. The Committee, in its discretion, may provide in an Award Agreement that upon the occurrence of one or more events or conditions that all or part of the Vesting Conditions shall be satisfied early and that the transfer restrictions shall lapse with respect to all or part of the shares of Stock subject to the Award. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Insider Trading Policy. Upon request by the Company, each Participant shall execute any agreement evidencing the transfer restrictions under this Section 8 prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates or appropriate legends evidencing any such transfer restrictions.

8.2 **Voting Rights; Dividends and Distributions.** Except as provided in this Section 8.2, Section 8.3 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a shareholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares. However, in the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions and transfer restrictions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made. To the extent that any portion of a Restricted Stock Award is contingent on the achievement of one or more Vesting Conditions, then any cash dividends payable with respect to shares of Stock subject to the Restricted Stock Award shall be held by the Company and shall not be paid to the Participant unless such shares of Stock become vested under the terms of the Restricted Stock Award.

8.3 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted

Stock Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

8.4 **Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiaries, except transfer by will or the laws of descent and distribution or by a valid beneficiary designation filed with the Company pursuant to Section 19.5 of the Plan. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. Restricted Stock Unit Awards.

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. The Company may settle payment under a Restricted Stock Unit in cash, shares of Stock or a combination of both. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more performance goals.

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of settling a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Member Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Member Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance goal as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. Subject to the provisions of Section 14 of the Plan, Vesting Conditions that are performance based shall not lapse for a minimum period of one (1) year, and Vesting Conditions that are non-performance-based shall not lapse in full for a minimum period of three (3) years. Non-performance-based Vesting Conditions may lapse ratably over such three (3) year period as determined in the discretion of the Committee and set forth in an Award Agreement. The Committee, in its discretion, may provide in an Award Agreement that upon the occurrence of one or more events or conditions that all or part of the Vesting Conditions shall be satisfied early. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Insider Trading Policy.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units (rounded down to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of the Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 **Settlement of Restricted Stock Unit Awards.** Unless otherwise set forth by the Committee in an Award Agreement, on the date on which Vesting Conditions lapse or are otherwise satisfied with respect to Restricted Stock Units, the Company shall issue to a Participant one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 4.5) or the cash equivalent of the Fair Market Value of such share of Stock for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares or payment pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiaries, except transfer by will or by the laws of descent and distribution or by filing a valid beneficiary designation with the Company pursuant to Section 19.5 of the Plan. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. Performance Bonuses.

10.1 **Committee Certification.** As soon as reasonably practicable after the end of each Performance Period for any Performance Bonus intended to be "grandfathered" for purposes of Section 162(m), the Committee shall determine whether the stated performance goal(s) for a Covered Employee have been attained and the amount of the Performance Bonus to be paid to each Covered Employee for such Performance Period and shall certify such determinations in writing. The Committee, in determining the amount of Performance Bonus actually paid to a Covered Employee, shall not have the discretion to increase the amount of the Performance Bonus that otherwise would be payable upon the attainment of the performance goals but may decrease the amount of such Performance Bonus in its sole discretion. Notwithstanding the foregoing, this paragraph shall in no way be construed to preclude the Committee from awarding separate discretionary cash bonuses based on achievements by a Covered Employee that are not related to the attainment of the performance goals upon which payment of the Performance Bonus is conditioned.

10.2 **Payment of Performance Bonuses.** Subject to any election duly and validly made by a Covered Employee with respect to the deferral of all or a portion of his or her Performance Bonus that complies with Section 409A, Performance Bonuses shall be paid in cash no later than the 15th day of the third month of the fiscal year of the Company immediately following the end of the Performance Period; provided the Committee shall have sole discretion to determine when during such period the payment shall be made.

10.3 **Compliance with Section 162(m).** As to any Performance Bonuses paid under the Plan that are intended to be "grandfathered" for purposes of Section 162(m), the terms of this Plan and any designation or terms and conditions of any payment set forth by the Committee shall be interpreted as necessary to comply with Section 162(m).

11. Performance Units. Performance Units may be granted as the right to a fixed or variable number of shares of Stock, a cash payment for the value of such shares of Stock, or dollar denominated units subject to such Vesting Conditions and time of payment as the Committee may determine and as shall be set forth in an Award Agreement; *provided; however*, that the Vesting Conditions shall not lapse for a minimum period of one (1) year. Performance Units may be paid upon attainment of the applicable performance goals in the Award Agreement in shares of Stock, cash or a combination thereof, as determined in the discretion of the Committee.

12. Other Awards. The Committee shall have authority to specify the terms and provisions of other forms of equity-based, equity-related or cash Awards not described above which the Committee determines to be consistent with the purposes of the Plan and the interests of the Company and which may be granted in tandem with, or independent of, other Awards under the Plan.

13. Standard Forms of Award Agreements.

13.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. Any Award Agreement may consist of an appropriate form of notice of grant and a form of agreement incorporated therein by reference, or such other form or forms, including electronic media, as the Committee may approve from time to time.

13.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; *provided, however*, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan, the Code, or applicable law.

14. Change in Control.

14.1 **Assumption or Substitution.** Except as otherwise specified in an applicable Award Agreement, separate employment agreement or retention agreement, in the event of a Change in Control, each outstanding Stock Award shall be assumed or an equivalent option or award substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Stock Awards, the Committee may, in its discretion, provide for (a) the Participant to fully vest in and have the right to exercise the Option or Stock Appreciation Right as to all of the shares of Stock, including shares as to which it would not otherwise be vested or exercisable, (b) all restrictions and conditions of any Restricted Stock Award or Restricted Stock Units held by such Participant to lapse, and (c) all Performance Units and any Other Awards held by such Participant to be deemed fully earned at the level determined in the sole discretion of the Committee. If in lieu of assumption or substitution in the event of a Change in Control, a Stock

Option or Stock Appreciation Right becomes fully vested and exercisable, the restrictions and conditions on Restricted Stock Awards and Restricted Stock Units lapse, and Performance Units and Other Awards are deemed fully earned at the level determined in the sole discretion of the Committee, then the Committee shall notify the Participant in writing or electronically of the change in the Stock Award and that the Stock Award shall terminate fifteen (15) days from the date of such notice (to the extent applicable). For the purposes of this Section 14.1, the Stock Award shall be considered assumed if, following the merger or sale of assets, the award confers the right to purchase or receive on the same terms and conditions as the Stock Award, for each share of Stock subject to the Stock Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); *provided, however*, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise or settlement of the Stock Award, for each share of Stock subject to the Stock Award, to be solely common stock of the successor corporation or its parent equal in Fair Market Value to the per share consideration received by holders of Stock in the Change in Control.

14.2 **Accelerated Vesting.** In the event of a Change in Control, the Committee may accelerate the vesting or exercisability of a Stock Award in its sole discretion. Unless otherwise set forth in an Award Agreement, separate employment agreement or retention agreement, in the event of the involuntary termination of an Employee's Service with a Member Company not for Cause within twenty-four months after a Change in Control of the Company, the following shall occur: (i) all of such Employee's outstanding Options and Stock Appreciation Rights shall become vested and exercisable, (ii) all restrictions and conditions of all Restricted Stock Awards and Restricted Stock Units held by such Employee shall lapse and (iii) all Performance Units and any Other Awards held by such Employee shall be deemed to be fully earned at the Participant's target level.

14.3 **Cash-Out of Stock Awards.** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Stock Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Stock Award in (i) cash, (ii) stock of a corporation or other business entity that is a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced by the exercise or purchase price per share, if any, under such Stock Award. If any portion of such consideration may be received by holders of Stock pursuant to the Change in Control on a contingent or delayed basis, the Committee may, in its sole discretion, determine such Fair Market Value per share as of the time of the Change in Control on the basis of the Committee's good faith estimate of the present value of the probable future payment of such consideration. In the event such determination is made by the Committee, the amount of such payment (reduced by applicable withholding taxes, if any) shall be paid to Participants in respect of the vested portions of their canceled Stock Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Stock Awards in accordance with the vesting schedules applicable to such Stock Awards.

14.4 **Federal Excise Tax Under Section 4999 of the Code.** Unless otherwise set forth by the express terms of an employment or retention agreement between a Participant and a Member Company, in the event that any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, then the amount of any acceleration of vesting called for under the Award shall be reduced in order to avoid such characterization and payment of any excise tax imposed under Section 4999 of the Code.

15. Tax Withholding.

15.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Member Companies with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to a Stock Award Agreement, or to make any payment in cash under the Plan until the Member Companies' tax withholding obligations have been satisfied by the Participant.

15.2 **Withholding in Shares.** The Company shall deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Stock Award a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to the tax withholding obligations of the Member Companies. Upon the exercise, settlement, or vesting of a Stock Award, all tax withholding shall be satisfied by deduction of shares of Stock otherwise issuable to a Participant upon the exercise or settlement of the Stock Award or, as applicable, by cancellation of a portion of the shares of Stock that become vested under the Stock Award. The Fair Market Value of any shares of Stock withheld or cancelled under this Section 15.2 shall not exceed the amount determined by the minimum statutory withholding rates for each applicable tax jurisdiction.

16. Compliance with Securities Law.

The grant of Stock Awards and the issuance of shares of Stock pursuant to any Stock Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Stock Award may be exercised or shares issued pursuant to an Stock Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Stock Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Stock Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

17. Compliance with Section 409A.

All Options and Stock Appreciation Rights granted under the Plan are intended to be exempt from Section 409A as stock rights granted with an exercise price not less than the Fair Market Value of a share of Stock on the date of grant of the Option or Stock Appreciation Right and the Plan and any Award Agreement or other document evidencing a grant of an Option or Stock Appreciation Right shall be interpreted as necessary to comply with Section 409A. Notwithstanding any provision of the Plan or any Award Agreement to the contrary, any Award or portion of an Award that is or becomes subject to Section 409A shall comply with the following:

17.1 **Awards Subject to Section 409A.** Awards subject to Section 409A may include, but are not limited to:

(a) Any Nonstatutory Stock Option that permits the deferral of compensation other than the deferral of recognition of income until the exercise or transfer of the Option or the time the shares acquired pursuant to the exercise of the option first become substantially vested.

(b) Any Restricted Stock Unit, Performance Unit, Performance Award or Other Award that provides by its terms that payment will be made or the Award settled upon or after the occurrence of any event that will or may occur later than the end of the Short-Term Deferral Period.

Subject to U.S. Treasury Regulations promulgated pursuant to Section 409A ("*Section 409A Regulations*") or other applicable guidance, the term "*Short-Term Deferral Period*" means the period ending on the later of (i) the 15th day of the third month following the end of the Company's fiscal year in which the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Participant's taxable year in which the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "*substantial risk of forfeiture*" shall have the meaning set forth in Section 409A Regulations or other applicable guidance.

17.2 **Fixed Payment Dates.** Except as otherwise permitted or required by Section 409A Regulations or other applicable guidance, no payment or other distribution in settlement of an Award or portion of an Award subject to Section 409A may commence earlier than:

(a) The Participant's "separation from service" (as defined by Section 409A Regulations, including the definition of "service recipient" under Treasury Regulation § 1.409A-1(h)(3));

(b) The date the Participant becomes "disabled" (as defined by Section 409A Regulations);

(c) The Participant's death;

(d) A specified time (or pursuant to a fixed schedule) that is specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award;

(e) A change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company (as defined by Section 409A Regulations); or

(f) The occurrence of an "unforeseeable emergency" (as defined by Section 409A Regulations).

17.3 **Specified Employees.** To the extent that a Participant is a "Specified Employee" (as defined by Section 409A Regulations) of the Company, distribution pursuant to Section 17.2(a) in settlement of an Award subject to Section 409A shall be made on the first day of the seventh month after the Participant's separation from service (the "*Delayed Payment Date*") or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date. The amount of any payment under an Award that is based on the Fair Market Value of a share of Stock shall be determined at the time the Award vests pursuant to the applicable Award Agreement and not at the time of the Delayed Payment Date. No interest shall be paid by the Company on any amount accumulated during the period ending on the Delayed Payment Date.

17.4 **No Acceleration of Distributions**. Notwithstanding anything to the contrary herein, this Plan does not permit the acceleration of the time or schedule of any distribution under this Plan pursuant to any Award or portion of an Award subject to Section 409A, except as provided by Section 409A and Section 409A Regulations.

17.5 **Interpretation.** To the extent any Award granted under the Plan is subject to, or becomes subject to, Section 409A, the terms of the Plan and the Award Agreement shall be interpreted as necessary to comply with Section 409A and this Section 17.

18. Amendment or Termination of Plan.

The Committee may amend, suspend or terminate the Plan at any time; *provided, however*, that any payment or distribution upon settlement of an Award subject to Section 409A upon termination of the Plan shall comply with Section 409A Regulations and all applicable guidance issued hereunder; *provided, further*, no amendment of the Plan by the Committee shall become effective without approval by the Company's shareholders if such approval is required for compliance with Rule 16b-3 or such other applicable federal or state laws, regulations or rules, or the rules of any stock exchange or market system upon which the Stock may then be listed. No amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant; *provided, however*, that notwithstanding any provision of the Plan or any Award Agreement to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A of the Code and all applicable guidance promulgated thereunder.

19. Miscellaneous Provisions.

19.1 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, then any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve (12) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement.

(c) To the extent required by the regulations issued by the Securities and Exchange Commission under the Dodd-Frank Wall Street Reform and Consumer Protection Act, executive officers of the Company will be required to reimburse the Company for an incentive compensation that is received from a payment or other settlement of an Award as required by such regulations.

19.2 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's shareholders.

19.3 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Member Company to terminate the Participant's Service at any time. To the extent that an Employee of a Member Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

19.4 **Rights as a Shareholder.** A Participant shall have no rights as a shareholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.5 or another provision of the Plan.

19.5 **Beneficiary Designations.** A Participant's beneficiary shall be the person, persons, or entity designated by the Participant on a properly completed beneficiary designation form submitted to the Company. Such designation may be changed by the Participant without the consent of any previously designated beneficiary. A beneficiary designation will not become effective unless it is made on a form approved by the Company and is received by the Company prior to the Participant's death.

19.6 **Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

19.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Stock Award. In lieu of issuing such fraction of a share of Stock, the Company will be entitled to pay a Participant the Fair Market Value of such fractional share on the business day immediately following the date the Stock Award is exercised or vests.

19.8 **Retirement and Welfare Plans.** Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards shall be included as "compensation" for purposes of computing the benefits payable to any Participant under any Member Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing such benefits.

19.9 **Severability.** If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

19.10 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Member Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Member Company to take any action which such entity deems to be necessary or appropriate.

19.11 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes. No Member Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Member Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Member Company. The Participants shall have no claim against any Member Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

19.12 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of law rules.

19.13 **No Repricing.** Notwithstanding anything in this Plan to the contrary, without prior approval of the Company's shareholders, no amendment or modification may be made to an outstanding Option or Stock Appreciation Award, including, without limitation, by reducing the exercise price or replacing any Option or Stock Appreciation Right with cash or another Award when such amendment or modification would be treated as repricing under the rules of the stock exchange on which the Company's Stock is listed; *provided, however*, that appropriate adjustments to Options and Stock Appreciation Awards may be made as permitted under Section 4.5 of the Plan.

20. Shareholder Approval. The Plan is subject to approval of the Shareholders within twelve (12) months of the Effective Date.

EXHIBIT 31.1

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: August 29, 2019

/s/ Gary Philbin

Gary Philbin
President and Chief Executive Officer

EXHIBIT 31.2

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: August 29, 2019

/s/ Kevin S. Wampler

Kevin S. Wampler
Chief Financial Officer

EXHIBIT 32.1

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 August 3, 2019, 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.

August 29, 2019	/s/ Gary Philbin
Date	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.

EXHIBIT 32.2

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 August 3, 2019, 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.

August 29, 2019	/s/ Kevin S. Wampler
Date	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.