DOLLAR TREE INC
Form 10-Q
August 30, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 4, 2018
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 0-25464
DOLLAR TREE, INC.
(Exact name of registrant as specified in its charter)

Virginia	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)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
Emerging growth company ¨	

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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 ý

As of August 27, 2018, there were 237,888,437 shares of the registrant’s common stock outstanding.

DOLLAR TREE, INC.
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FOR THE QUARTERLY PERIOD ENDED AUGUST 4, 2018
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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 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales	$5,525.6	$5,281.2	$11,079.3	$10,568.3
Cost of sales	3,861.7	3,653.4	7,715.8	7,313.4
Gross profit	1,663.9	1,627.8	3,363.5	3,254.9
Selling, general and administrative expenses, excluding Receivable impairment	1,281.4	1,205.7	2,543.4	2,393.1
Receivable impairment	—	2.6	—	53.5
Selling, general and administrative expenses	1,281.4	1,208.3	2,543.4	2,446.6
Operating income	382.5	419.5	820.1	808.3
Interest expense, net	46.1	75.8	276.1	150.5
Other (income) expense, net	(1.3)	0.1	(1.1)	0.4
Income before income taxes	337.7	343.6	545.1	657.4
Income tax expense	63.8	109.8	110.7	223.1
Net income	$273.9	$233.8	$434.4	$434.3
Basic net income per share	$1.15	$0.99	$1.83	$1.84
Diluted net income per share	$1.15	$0.98	$1.82	$1.83

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		26 Weeks Ended	
(in millions)	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net income	$273.9	$233.8	$434.4	$434.3
Foreign currency translation adjustments	(1.3)	8.0	(5.2)	5.0
Total comprehensive income	$272.6	$241.8	$429.2	$439.3

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	$647.3	$1,097.8	$693.3
Short-term investments	—	—	4.0
Merchandise inventories, net	3,288.2	3,169.3	2,928.5
Other current assets	337.3	309.2	189.4
Total current assets	4,272.8	4,576.3	3,815.2
Property, plant and equipment, net of accumulated depreciation of $3,448.2, $3,192.1 and $2,941.8, respectively	3,316.1	3,200.7	3,115.4
Assets available for sale	6.9	8.0	10.4
Goodwill	5,023.9	5,025.2	5,025.2
Favorable lease rights, net of accumulated amortization of $270.8, $230.9 and $202.8, respectively	334.5	375.3	420.4
Tradename intangible asset	3,100.0	3,100.0	3,100.0
Other intangible assets, net	4.7	4.8	4.9
Other assets	44.7	42.5	40.8
Total assets	$16,103.6	$16,332.8	$15,532.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$—	$915.9	$165.9
Accounts payable	1,241.7	1,174.8	1,196.3
Income taxes payable	14.1	31.5	—
Other current liabilities	651.6	736.9	722.5
Total current liabilities	1,907.4	2,859.1	2,084.7
Long-term debt, net, excluding current portion	5,041.8	4,762.1	5,595.0
Unfavorable lease rights, net of accumulated amortization of $71.7, $61.1 and $51.2, respectively	89.2	100.0	111.5
Deferred tax liabilities, net	976.0	985.2	1,449.8
Income taxes payable, long-term	30.1	43.8	41.6
Other liabilities	411.6	400.3	389.5
Total liabilities	8,456.1	9,150.5	9,672.1
Commitments and contingencies			
Shareholders' equity	7,647.5	7,182.3	5,860.2
Total liabilities and shareholders' equity	$16,103.6	$16,332.8	$15,532.3
Common shares outstanding	237.9	237.3	236.8

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	26 Weeks Ended	
	August 4,	July 29,
(in millions)	2018	2017
Cash flows from operating activities:		
Net income	$434.4	$434.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	304.0	305.2
Provision for deferred taxes	(9.4)	(6.8)
Amortization of debt discount and debt-issuance costs	51.7	8.4
Receivable impairment	—	53.5
Other non-cash adjustments to net income	49.1	49.2
Loss on debt extinguishment	114.7	—
Changes in operating assets and liabilities	(175.7)	(168.6)
Net cash provided by operating activities	768.8	675.2
Cash flows from investing activities:		
Capital expenditures	(394.3)	(271.7)
Proceeds from (payments for) fixed asset disposition	(0.4)	2.1
Net cash used in investing activities	(394.7)	(269.6)
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)	(569.3)
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	10.2	14.9
Cash paid for taxes on exercises/vesting of stock-based compensation	(21.7)	(24.7)
Net cash used in financing activities	(823.7)	(579.1)
Effect of exchange rate changes on cash and cash equivalents	(0.9)	0.4
Net decrease in cash and cash equivalents	(450.5)	(173.1)
Cash and cash equivalents at beginning of period	1,097.8	866.4
Cash and cash equivalents at end of period	$647.3	$693.3
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest, net of amounts capitalized	$277.7	$143.7
Income taxes	$169.2	$363.8
Non-cash transactions:		
Accrued capital expenditures	$46.4	$37.6

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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DOLLAR TREE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Dollar Tree, Inc. and its wholly-owned subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's Annual Report on Form 10-K for the year ended February 3, 2018. The results of operations for the 13 and 26 weeks ended August 4, 2018 are not necessarily indicative of the results to be expected for the entire fiscal year ending February 2, 2019.

In the Company's opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (including those of a normal recurring nature) considered necessary for a fair presentation of its financial position as of August 4, 2018 and July 29, 2017 and the results of its operations and cash flows for the periods presented. The February 3, 2018 balance sheet information was derived from the audited consolidated financial statements as of that date.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers." This update replaced existing revenue recognition guidance in GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted the standard in the first quarter of fiscal 2018 and the adoption of the standard did not have an impact on the Company's condensed consolidated financial statements or its internal control over financial reporting.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments," which provides guidance on eight specific cash flow issues in an effort to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified within the statement of cash flows. This standard is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company adopted the standard in the first quarter of fiscal 2018, resulting in the classification of $124.5 million of cash paid for debt extinguishment as a financing activity in the accompanying unaudited condensed consolidated statement of cash flows for the 26 weeks ended August 4, 2018.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which will replace existing lease accounting guidance. The new standard will require lessees to recognize right-of-use assets and corresponding lease liabilities on the balance sheet for all in-scope leases with a term of greater than 12 months and disclose certain quantitative and qualitative information about leasing arrangements. When implemented, lessees will be required to recognize and measure leases using a modified retrospective approach, with optional practical expedients. The update is effective for interim and annual reporting periods beginning after December 15, 2018. The Company will adopt the standard in the first quarter of fiscal 2019. The Company has engaged a third party to assist in its preparation for implementation and its evaluation of the impact of the new pronouncement on its consolidated financial statements. The Company continues to assess the effect the implementation will have on its existing accounting policies and the consolidated financial statements and expects the adoption of this pronouncement to result in a material increase in the assets and liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated income statements and consolidated statements of cash flows. Additionally, the Company is implementing lease accounting software to assist in the quantification of the expected impact on the consolidated balance sheets and to facilitate the calculations of the related accounting entries and disclosures. The Company is also evaluating additional changes to its processes and internal controls to ensure it is compliant with the reporting and disclosure requirements of the standard. As of February 3, 2018, the Company had $7.4 billion in undiscounted future minimum operating lease commitments.

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NOTE 2 - LONG-TERM DEBT

Long-term debt at August 4, 2018, February 3, 2018 and July 29, 2017 consists of the following:

	As of August 4, 2018		As of February 3, 2018		As of July 29, 2017	
(in millions)	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs	Principal	Unamortized Debt Discount, Premium and Issuance Costs
Forgivable Promissory Note	$—	$ —	$—	$ —	$7.0	$ —
5.25% Acquisition Notes, due 2020	—	—	750.0	6.1	750.0	7.4
5.75% Acquisition Notes, due 2023	—	—	2,500.0	30.8	2,500.0	33.4
Term Loan A-1	—	—	1,532.7	3.4	1,615.7	4.1
Term Loan B-2	—	—	650.0	8.6	650.0	9.5
$1.25 billion Tranche A Revolving Credit Facility	—	—	—	12.6	—	15.2
5.00% Senior Notes, due 2021	300.0	(5.7)	300.0	(6.8)	300.0	(7.8)
$1.25 billion Revolving Credit Facility, interest payable at LIBOR, reset periodically, plus 1.125%, which was 3.20% at August 4, 2018	—	11.4	—	—	—	—
Term Loan Facility, due 2020, interest payable at LIBOR, reset periodically, plus 0.95%, which was 3.03% at August 4, 2018	782.0	2.2	—	—	—	—
Senior Floating Rate Notes, due 2020, interest payable at LIBOR, reset quarterly, plus 0.70%, which was 3.04% at August 4, 2018	750.0	4.5	—	—	—	—
3.70% Senior Notes, due 2023	1,000.0	8.4	—	—	—	—
4.00% Senior Notes, due 2025	1,000.0	7.7	—	—	—	—
4.20% Senior Notes, due 2028	1,250.0	11.7	—	—	—	—
Total	$5,082.0	$ 40.2	$5,732.7	$ 54.7	$5,822.7	$ 61.8

Senior Credit Facilities

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

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

The loans under the Revolving Credit Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.25% and the loans under the Term Loan Facility bore interest at an initial interest rate of LIBOR, reset periodically, plus 1.00%, subject to adjustment based on (i) the Company’s credit ratings and (ii) the Company’s leverage ratio. Based on these factors, interest on the loans under the Revolving Credit Facility may range from LIBOR plus 1.00% to 1.50% and interest on the loans under the Term Loan Facility may range from LIBOR plus 0.875% to 1.25%. At August 4, 2018, the Revolving Credit Facility bore interest at LIBOR plus 1.125% and the Term Loan Facility bore interest at LIBOR plus 0.95%. The Company pays certain commitment fees in connection with the Revolving Credit

Facility. The Senior Credit Facilities allow voluntary repayment of outstanding loans at any time without premium or penalty, other than customary breakage costs with respect to LIBOR loans. There is no required amortization under the Senior Credit Facilities.

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

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

Senior Notes

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

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

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

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

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

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

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

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

In connection with entry into the Credit Agreement and the offering of the Notes discussed above, the Company used the proceeds of borrowings under the Senior Credit Facilities, together with the net proceeds from the offering of the

Notes and cash on hand to repay all of the outstanding loans under its existing senior secured credit facilities, including its Term Loan A-1 and Term Loan B-2, and redeem all of its outstanding 5.75% Acquisition Notes due 2023.

The credit agreement governing the existing senior secured credit facilities, dated as of March 9, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Existing Credit Agreement”) was terminated and all of the guarantees of the obligations under the Existing Credit Agreement were terminated and all liens granted under the Existing Credit Agreement, including those equally and ratably securing the $300.0 million 5.00% Senior Notes due 2021 issued by the Company’s subsidiary, Family Dollar Stores, Inc., were released. Upon the termination of the Existing Credit Agreement, the Company paid certain lenders thereunder a prepayment premium of $6.5 million, which was equal to 1.00% of the outstanding principal amount of the Term Loan B-2 loans under the Existing Credit Agreement and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 26 weeks ended August 4, 2018.

The Company redeemed all of its outstanding $2.5 billion aggregate principal amount of 5.75% Acquisition Notes due 2023 and the indenture governing the notes was satisfied and discharged. The Company paid a redemption premium of $107.8 million, which was equal to 4.313% of the outstanding principal amount of the Acquisition Notes due 2023 and is included in “Interest expense, net” on the accompanying unaudited condensed consolidated income statements for the 26 weeks ended August 4, 2018.

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

Debt Covenants

As of August 4, 2018, the Company was in compliance with its debt covenants.

NOTE 3 - INCOME TAXES

The Company’s effective tax rate was 18.9% for the 13 weeks ended August 4, 2018 compared with 32.0% for the 13 weeks ended July 29, 2017 and 20.3% for the 26 weeks ended August 4, 2018 compared with 33.9% for the 26 weeks ended July 29, 2017. The 2017 Tax Cuts and Jobs Act (“TCJA”) reduced the federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. As a result, the 2018 federal statutory tax rate is 21%.

In the fourth quarter of 2017, the Company recorded a tax benefit based on currently available information and interpretations related to the TCJA, which are continuing to evolve, and as a result, the benefit is considered provisional. The Company will continue its analysis related to the TCJA as supplemental legislation, regulatory guidance, or evolving technical interpretations become available and will continue to refine such provisional amounts within the measurement period as provided by Staff Accounting Bulletin 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act. The Company expects to complete its analysis no later than December 2018.

NOTE 4 - LEGAL PROCEEDINGS

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

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

Dollar Tree Active Matters

In April 2015, a distribution center employee filed a class action in California state court with allegations concerning wages, meal and rest breaks, recovery periods, wage statements and timely termination pay. The employee filed an amended complaint in which he abandoned his attempt to certify a nation-wide class of non-exempt distribution center employees for alleged improper calculation of overtime compensation. The Company removed this lawsuit to federal court. The court certified the case as a state-wide class action.

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

In April 2016, the Company was served with a putative class action in Florida state court brought by a former store employee asserting the Company violated the Fair Credit Reporting Act in the way it handled background checks. The plaintiff is seeking statutory damages of $100 to $1,000 per violation for the disclosure form claims.

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

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

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

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

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

Family Dollar Active Matters

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

In April 2017, a former store employee filed a lawsuit in California state court alleging off the clock work primarily for bag checks, failure to provide rest and meal breaks, and related claims. The court granted the Company's motion to compel arbitration and stayed the case pending the outcome of the arbitration proceedings. Subsequently, the court allowed the plaintiff to amend her complaint to include PAGA claims which are not subject to arbitration. However, those claims remain stayed pending the outcome of the arbitration proceeding.

In December 2017, a former assistant store manager filed suit in California state court asserting PAGA claims on behalf of herself and other store managers and assistant store managers seeking wages for alleged off the clock work, noncompliant rest and meal breaks and related claims.

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.

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

In August 2018, a former store manager filed a nationwide collective action in federal court in Texas asserting that she and other similarly situated store managers were improperly classified as exempt employees and are therefore owed overtime pay and other related compensation.

Family Dollar Resolved Matters

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

NOTE 5 - FAIR VALUE MEASUREMENTS

As required, financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

(in millions)	August 4, 2018	February 3, 2018	July 29, 2017
Level 1			
Short-term investments	$ —	$ —	$ 4.0
Deferred compensation plan assets	22.5	20.7	19.4

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). The Company did not record any significant impairment charges during the 13 or 26 weeks ended August 4, 2018.

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

	August 4, 2018		February 3, 2018		July 29, 2017	
(in millions)	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 1						