**Item 1A. Risk Factors**

An investment in our common stock involves a high degree of risk. Any failure to meet market expectations, including our comparable store sales growth rate, earnings and earnings per share or new store openings, could cause the market price of our stock to decline. You should carefully consider the specific risk factors listed below together with all other information included or incorporated in this report and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. Any of the following risks may materialize, and additional risks not known to us, or that we now deem immaterial, may arise. In such event, our business, financial condition, results of operations or prospects could be materially adversely affected.

***Our profitability is vulnerable to cost increases.***

Future increases in costs such as wage and benefit costs, the cost of merchandise, duties, merchandise loss (due to theft, damage, or errors), shipping rates, freight costs, fuel costs and store occupancy costs would reduce our profitability. Wage rates, labor costs, and inflation are expected to increase in 2019. The minimum wage has increased in certain states and local jurisdictions and is scheduled to increase further in 2019.

In our Dollar Tree segment, we do not raise the sales price of our merchandise to offset cost increases because we are committed to selling primarily at the $1.00 price point to continue to provide value to the customer. We are dependent on our ability to adjust our product assortment, to operate more efficiently or to increase our comparable store net sales in order to offset cost increases. We can give no assurance that we will be able to operate more efficiently or increase our comparable store net sales in the future. Although Family Dollar, unlike Dollar Tree, can raise the price of merchandise, customers would buy fewer products if prices were to increase. Please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 27 of this Form 10-K for further discussion of the effect of economic factors on our operations.

***We could encounter additional disruptions in our distribution network and have encountered and expect to encounter additional costs in distributing merchandise, such as freight cost increases due to the truck driver shortage and fuel cost increases.***

Our success is dependent on our ability to transport merchandise to our distribution centers and then ship it to our stores in a timely and cost-effective manner. We also rely on third parties to deliver certain merchandise directly from vendors to our stores. We may not anticipate, respond to or control all of the challenges of operating our receiving and distribution systems. Additionally, if a vendor fails to deliver on its commitments, we could experience merchandise shortages that could lead to lost sales or increased costs. Some of the factors that could have an adverse effect on our distribution network or costs are:

•*Shipping disruption.*Our oceanic shipping schedules may be disrupted or delayed from time to time.

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| *•* | *Shipping costs.*We could experience increases in shipping rates imposed by the trans-Pacific ocean carriers. Changes in import duties, import quotas and other trade sanctions could increase our costs. |

•*Efficient operations.*Distribution centers and other aspects of our distribution network are difficult to operate

efficiently and we have and could experience a reduction in operating efficiency.

•*Diesel fuel costs.*We have experienced volatility in diesel fuel costs over the past few years.

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| • | *Trucking costs.*We have experienced significant increases in trucking cost due to the truck driver shortage and other factors. |

•*Vulnerability to natural or man-made disasters.*A fire, explosion or natural disaster at a port or any of our distribution

facilities could result in a loss of merchandise and impair our ability to adequately stock our stores. Some facilities are

    vulnerable to earthquakes, hurricanes or tornadoes.

•*Labor disagreement.*Labor disagreements, disruptions or strikes may result in delays in the delivery of merchandise

to our distribution centers or stores and increase costs.

•*War, terrorism and other events.*War and acts of terrorism in the United States, the Middle East, or in China or other

parts of Asia, where we buy a significant amount of our imported merchandise, could disrupt our supply chain or

increase our transportation costs.

•*Economic conditions.*Suppliers may encounter financial or other difficulties.

•*McLane Company, Inc.*In fiscal 2018, we purchased approximately 13% of our merchandise for our Family Dollar

segment through our relationship with McLane Company, Inc., which distributes consumable merchandise from multiple

manufacturers. A disruption in our relationship with McLane Company, Inc. could have a significant near-term impact

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on our operations.

***Integrating Family Dollar’s operations with ours may be more difficult, costly or time consuming than expected, including disruptions or the loss of key personnel in connection with the consolidation of the Family Dollar headquarters from North Carolina to Virginia.***

The success of the Family Dollar acquisition (the “Acquisition”), including anticipated benefits, synergies and cost savings, will depend, in part, on our ability to successfully combine and integrate the businesses and cultures of the Family Dollar segment into our company. The integration is not yet complete. It is possible that the remaining integration process will take longer than anticipated and could result in the loss of key employees, higher than expected costs or unexpected costs, ongoing diversion of management attention, increased competition, the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, vendors and employees. If we experience difficulties with the integration process, the anticipated benefits of the Acquisition may not be realized fully, or may take longer to realize than expected, which could adversely affect our results of operations or business.

***Our business could be adversely affected if we fail to attract and retain qualified associates and key personnel.***

Our growth and performance is dependent on the skills, experience and contributions of our associates, executives and key personnel for both Dollar Tree and Family Dollar. Various factors, including the Acquisition, the integration process, constraints on overall labor availability, wage rates, regulatory or legislative impacts, and benefit costs could impact our ability to attract and retain qualified associates at our stores, distribution centers and corporate offices.

***Risks associated with our domestic and foreign suppliers, including, among others, increased taxes, duties, tariffs or other restrictions on trade (including Section 301 tariffs imposed by the United States Trade Representative on imported Chinese goods), could adversely affect our financial performance.***

We are dependent on our vendors to supply merchandise in a timely and efficient manner. If a vendor fails to deliver on its commitments due to financial or other difficulties, we could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used.

We rely on the availability of imported goods at favorable wholesale prices. Merchandise imported directly accounts for approximately 40% to 42% of our Dollar Tree segment’s total retail value purchases and 17% to 19% of our Family Dollar segment’s total retail value purchases. In addition, we believe that a significant portion of our goods purchased from domestic vendors is imported. China is the source of a substantial majority of our imports. Imported goods are generally less expensive than domestic goods and increase our profit margins. A disruption in the flow of our imported merchandise or an increase in the cost of those goods may significantly decrease our profits. Risks associated with our reliance on imported goods may include disruptions in the flow of or increases in the cost of imported goods because of factors such as:

•an increase in duties, tariffs or other restrictions on trade;

•raw material shortages, work stoppages, strikes and political unrest;

•economic crises and international disputes or conflicts;

•changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin;

•potential changes to, or withdrawal of the United States from, international trade agreements;

•changes in leadership and the political climate in countries from which we import products; and

•failure of the United States to maintain normal trade relations with China and other countries.

***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.***

We rely extensively on our computer and technology systems and, in certain cases, those of third-party service providers to manage inventory, process credit card and customer transactions and summarize results. Our ability to effectively manage our business and coordinate the distribution and sale of our merchandise depends significantly on the reliability, integrity and capacity of these systems and on our ability to successfully integrate the Dollar Tree and Family Dollar systems. We also rely on third-party providers and platforms for some of these computer and technology systems and support.

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Although we have operational safeguards in place, they may not be effective in preventing the failure of these systems or platforms to operate effectively and be available to us. Such failures may be caused by various factors, including power outages, catastrophic events, physical theft, computer and network failures, inadequate or ineffective redundancy, problems with transitioning to upgraded or replacement systems or platforms, flaws in third-party software or services, errors or improper use by our employees or third party service providers, or a breach in the security of these systems or platforms, including through computer viruses and cyber-attacks.

If these systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, may experience loss of critical data and interruptions or delays in our ability to manage inventories or process customer transactions and may receive negative publicity, which could adversely affect our results of operations and business. In addition, remediation of any problems with our systems could result in significant, unplanned expenses.

***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.***

Many of our information technology systems, such as those we use for our point-of-sale, web and mobile platforms, including online and mobile payment systems, and for administrative functions, including human resources, payroll, accounting, and internal and external communications, contain personal, financial or other information that is entrusted to us by our customers and associates. Many of our information technology systems also contain proprietary and other confidential information related to our business and suppliers.

We have procedures and technology in place to safeguard our customers’ debit and credit card information, our associates’ private data, suppliers’ data, and our business records and intellectual property and other sensitive information. Despite these measures, cyber-attacks are rapidly evolving and becoming increasingly sophisticated and difficult to detect and we may be vulnerable to, and unable to anticipate, detect and appropriately respond to, data security breaches and data loss, including cyber-security attacks. If we or any third-party systems we use experience a data security breach, we could be exposed to negative publicity, government enforcement actions and private litigation. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing the use of debit or credit cards in our stores or not shopping in our stores altogether.

Moreover, significant capital investments and other expenditures could also be required to remedy cybersecurity problems and prevent future security breaches, including costs associated with additional security technologies, personnel and experts for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems.

The unavailability of our information technology systems or the failure of those systems or software to perform as anticipated for any reason and any inability to respond to, or recover from, such an event, could disrupt our business, decrease performance and increase overhead costs. 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. Any of these factors could have a material adverse effect on 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.***

Existing store sales growth is critical to good operating results and is dependent on a variety of factors including merchandise quality, relevance and availability, store operations and customer satisfaction. In addition, increased competition could adversely affect our sales. Failure to meet our sales targets, including in our renovated stores, could result in our needing to record material non-cash impairment charges related to our intangible assets.

Our highest sales periods are during the Christmas and Easter seasons, and we generally realize a disproportionate amount of our net sales and our operating and net income during the fourth quarter. In anticipation, we stock extra inventory and hire many temporary employees to prepare our stores. A reduction in sales during these periods could adversely affect our operating results, particularly operating and net income, to a greater extent than if a reduction occurred at other times of the year. Untimely merchandise delays due to receiving or distribution problems could have a similar effect. When Easter is observed earlier in the year, the selling season is shorter and, as a result, our sales could be adversely affected. Easter was observed on April 16, 2017 and April 1, 2018, and will be observed on April 21, 2019.

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Expanding our square footage profitably depends on a number of uncertainties, including our ability to locate, lease, build out and open or expand stores in suitable locations on a timely basis under favorable economic terms. Obtaining an increasing number of profitable stores is an ever increasing challenge. In addition, our expansion is dependent upon third-party developers’ abilities to acquire land, obtain financing, and secure necessary permits and approvals. We also open or expand stores within our established geographic markets, where new or expanded stores may draw sales away from our existing stores. We may not manage our expansion effectively, and our failure to achieve our expansion plans could materially and adversely affect our business, financial condition and results of operations.

***We could incur losses due to impairment of long-lived assets, goodwill and intangible assets.***

Under U.S. generally accepted accounting principles, we review our long-lived assets for impairment whenever economic events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Identifiable intangible assets with an indefinite useful life, including goodwill, are not amortized but are evaluated annually for impairment. A more frequent evaluation is performed if events or circumstances indicate that impairment could have occurred.

In fiscal 2018, we recorded a $2.73 billion non-cash pre-tax and after-tax goodwill impairment charge related to our Family Dollar reporting unit, as a result of a strategic and operational reassessment of the Family Dollar segment following challenges that the business has experienced that have impacted our ability to grow the business at the originally estimated rate when the Company made the acquisition in 2015. These challenges include slower sales growth, increased freight costs driven by the driver shortage, reinvestment in store labor and higher shrink. In the future, failure to address these challenges, significant negative industry or general economic trends, other disruptions to our business and unanticipated significant changes in our use of the assets may result in additional impairments to our goodwill, intangible assets and other long-lived assets. We will continue to monitor key assumptions and other factors utilized in our goodwill impairment analysis, and if business or other market conditions develop that are materially different than we currently anticipate, we will conduct an additional impairment evaluation. Any reduction in or impairment of the value of goodwill or intangible assets will result in a charge against earnings, which could have a material adverse impact on our reported results of operations and financial condition. For additional information on goodwill impairments please refer to “Note 3 - Goodwill and Nonamortizing Intangible Assets” in “Item 8. Financial Statements and Supplementary Data” beginning on page 42 of this Form 10-K.

***Our profitability is affected by the mix of products we sell.***

Our gross profit margin could decrease if we increase the proportion of higher cost goods we sell in the future. Imported merchandise is generally lower cost than domestic goods. If duties increase, increasing the cost of imported goods, we may sell less imported goods and our profitability may suffer. In recent years, the percentage of our sales from higher cost consumable products has increased and we can give no assurance that this trend will not continue. In addition, carrying a greater proportion of higher cost goods can lead to higher shrink. As a result, our gross profit margin could decrease unless we are able to maintain our current merchandise cost sufficiently to offset any decrease in our product margin percentage. We can give no assurance that we will be able to do so.

In our Family Dollar segment, our success also depends on our ability to select and obtain sufficient quantities of relevant merchandise at prices that allow us to sell such merchandise at profitable and appropriate prices. A sales price that is too high causes products to be less attractive to our customers and our sales at Family Dollar could suffer. We are continuing to implement our everyday low price strategy at Family Dollar to drive customer loyalty and have a strategic pricing team to improve our value and to increase profitability. Inability to successfully implement our pricing strategies at Family Dollar could have a negative effect on our business.

In addition, our Family Dollar segment has a substantial number of private brand items and the number of items has been increasing. We believe our success in maintaining broad market acceptance of our private brands depends on many factors, including our pricing, costs, quality and customer perception. We may not achieve or maintain our expected sales for our private brands and, as a result, our business and results of operations could be adversely impacted. Additionally, the increased number of private brands could negatively impact our existing relationships with our non-private brand suppliers.

***Our business or the value of our common stock could be negatively affected as a result of actions by activist shareholders.***

We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. The Board of Directors and management team are committed to acting in the best interests of all of our shareholders. There is no assurance that the actions taken by the Board of Directors and management in seeking to maintain constructive engagement with the Company’s shareholders will be successful. Activist shareholders who disagree with the composition of the Board of Directors, the Company’s strategy or the way the Company is managed may seek to effect change through various strategies that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by the Board of Directors and litigation.

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On January 2, 2019, an activist shareholder, Starboard Value and Opportunity Master Fund Ltd. (“Starboard”), delivered to us a notice of its intention to nominate seven director candidates for election to the Board of Directors at the 2019 Annual Meeting of Stockholders of the Company to be held June 13, 2019 (the “2019 Annual Meeting”). If Starboard is successful, it is possible that Starboard-nominated directors could constitute a majority of the Board of Directors following the 2019 Annual Meeting. Starboard has also made public statements calling for changes to the Company’s strategy.

Responding to these actions may be costly and time-consuming, disrupt our operations, divert the attention of our Board of Directors, management and employees, and interfere with the Company’s store support center consolidation and the ability to execute its strategic plan and attract and retain qualified executive leadership. A contested election could also require us to incur substantial legal and public relations fees and proxy solicitation expenses. The perceived uncertainty as to the Company’s future direction resulting from activist strategies could also affect the market price and volatility of the Company’s common stock.

***Litigation may adversely affect our business, financial condition and results of operations.***

Our business is subject to the risk of litigation involving employees, consumers, suppliers, competitors, shareholders, government agencies, or others through private actions, class actions, governmental investigations, administrative proceedings, regulatory actions or other litigation. Our products could also cause illness or injury, harm our reputation, and subject us to litigation. We are dependent on our vendors to ensure that the products we buy comply with all applicable safety standards. However, product liability, personal injury or other claims may be asserted against us relating to product contamination, product tampering, mislabeling, recall and other safety issues with respect to the products that we sell. We seek but may not be successful in obtaining contractual indemnification and insurance coverage from our vendors, and if we do not have adequate contractual indemnification or insurance available, such product liability or safety claims could adversely affect our business, financial condition and results of operations. Our ability to obtain the benefit of contractual indemnification from foreign vendors may be hindered by our ability to enforce contractual indemnification obligations against such vendors. Our litigation expenses could increase as well, which also could have a materially negative impact on our results of operations even if a product liability claim is unsuccessful or is not fully pursued.

For example, we are currently defendants in state employment-related class and representative actions and litigation concerning injury from products. The outcome of litigation is difficult to assess or quantify. Plaintiffs in these types of lawsuits or proceedings may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. In addition, certain of these matters, if decided adversely to us or settled by us, may result in an expense that may be material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend current and future litigation or proceedings may be significant. There also may be adverse publicity associated with litigation, including litigation related to product or food safety, customer information and environmental or safety requirements, which could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable.

For a discussion of current legal matters, please see “Item 3. Legal Proceedings” beginning on page 23 of this Form 10-K and “Note 5 - Commitments and Contingencies” under the caption “Contingencies” in “Item 8. Financial Statements and Supplementary Data” beginning on page 42 of this Form 10-K. Resolution of these matters, if decided against the Company, could have a material adverse effect on our results of operations, accrued liabilities or cash flows.

***Pressure from competitors may reduce our sales and profits.***

The retail industry is highly competitive. The marketplace is highly fragmented as many different retailers compete for market share by utilizing a variety of store formats and merchandising strategies, including mobile and online shopping. We expect competition to increase in the future. There are no significant economic barriers for others to enter our retail sector. Some of our current or potential competitors have greater financial resources than we do. We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors. Please see “Item 1. Business” beginning on page 6 of this Form 10-K for further discussion of the effect of competition on our operations.

***A downturn or changes in economic conditions could impact our sales or profitability.***

Deterioration in economic conditions, such as those caused by a recession, inflation, higher unemployment, consumer debt levels, trade disputes or international conflict, as well as adverse weather conditions or terrorism, could reduce consumer spending or cause customers to shift their spending to products we either do not sell or do not sell as profitably. Adverse economic conditions could disrupt consumer spending and significantly reduce our sales, decrease our inventory turnover, cause greater markdowns or reduce our profitability due to lower margins.

Furthermore, factors that could adversely affect consumer disposable income could decrease our customers’ spending on products we sell. Factors that could reduce our customers’ disposable income and over which we exercise no influence include

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but are not limited to, the adverse economic conditions described above as well as increases in fuel or other energy costs and interest rates, lack of available credit, higher tax rates and other changes in tax laws, concerns over government mandated participation in health insurance programs, increasing healthcare costs, and changes in, decreases in, or elimination of, government subsidies such as unemployment and food assistance programs.

Many of the factors identified above that affect disposable income, as well as commodity rates, transportation costs (including the costs of diesel fuel), costs of labor, insurance and healthcare, foreign exchange rate fluctuations, lease costs, barriers or increased costs associated with international trade and other economic factors also affect our ability to implement our corporate strategy effectively, our cost of goods sold and our selling, general and administrative expenses, and may have other adverse consequences which we are unable to fully anticipate or control, all of which may adversely affect our sales or profitability. We have limited or no ability to control many of these factors.

***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.***

Our business is subject to a wide array of laws and regulations. The minimum wage has increased or is scheduled to increase in multiple states, provinces and local jurisdictions. Significant legislative changes in regulations such as the health-care legislation, that impact our relationship with our workforce could increase our expenses and adversely affect our operations. Changes in other regulatory areas, such as consumer credit, privacy and information security, product and food safety, worker safety or environmental protection, among others, could cause our expenses to increase or product recalls. In addition, if we fail to comply with applicable laws and regulations, particularly wage and hour laws, we could be subject to legal risk, including government enforcement action and class action civil litigation, which could adversely affect our results of operations.

***The price of our common stock is subject to market and other conditions and may be volatile.***

The market price of our common stock may fluctuate significantly in response to a number of factors. These factors, some of which may be beyond our control, include the perceived prospects and actual results of operations of our business; changes in estimates of our results of operations by analysts, investors or us; trading activity by our large shareholders; trading activity by sophisticated algorithms (high-frequency trading); our actual results of operations relative to estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions or changes; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

***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.***

In connection with the Acquisition, we substantially increased our indebtedness, which could adversely affect our ability to fulfill our obligations and have a negative impact on our financing options and liquidity position. As of February 2, 2019, our total indebtedness is $4.3 billion. In addition, we have $1.25 billion of additional borrowing availability under our revolving credit facility, less amounts outstanding for letters of credit totaling $182.9 million.

Our high level of debt could have significant consequences, including the following:

•limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or

other general corporate purposes;

•requiring a substantial portion of our cash flows to be dedicated to debt service payments, instead of other purposes,

thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;

•limiting our ability to refinance our indebtedness on terms acceptable to us or at all;

•imposing restrictive covenants on our operations;

•placing us at a competitive disadvantage to competitors carrying less debt; and

•making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures.

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In addition, our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect the opinions of the ratings agencies of our financial strength, operating performance and ability to meet our debt obligations. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future.

***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.***

The agreements that govern our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interests, including, among other things, restrictions on our ability to:

•incur, assume or guarantee additional indebtedness;

•declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for

value, equity interests;

•make loans, advances or other investments;

•incur liens;

•sell or otherwise dispose of assets, including capital stock of subsidiaries;

•enter into sale and lease-back transactions;

•consolidate or merge with or into, or sell all or substantially all of our assets to, another person; and

•enter into transactions with affiliates.

In addition, certain of these agreements require us to comply with certain financial maintenance covenants. Our ability to satisfy these financial maintenance covenants can be affected by events beyond our control, and we cannot assure you that we will meet them.

A breach of the covenants under these agreements could result in an event of default under the applicable indebtedness, which, if not cured or waived, could result in us having to repay our borrowings before their due dates. Such default may allow the debt holders to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. If we are forced to refinance these borrowings on less favorable terms or if we were to experience difficulty in refinancing the debt prior to maturity, our results of operations or financial condition could be materially affected. In addition, an event of default under our credit facilities may permit the lenders under our credit facilities to terminate all commitments to extend further credit under such credit facilities. Furthermore, if we are unable to repay the amounts due and payable under our credit facilities, those lenders may be able to proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or holders of notes accelerate the repayment of such borrowings, we cannot assure you that we will have sufficient assets to repay such indebtedness.

As a result of these restrictions, we may be:

•limited in how we conduct our business;

•unable to raise additional debt or equity financing to operate during general economic or business downturns; or

•unable to compete effectively, take advantage of new business opportunities or grow in accordance with our plans.

***Our variable-rate indebtedness subjects us to interest rate risk, which could cause our annual debt service obligations to increase significantly.***

Certain of our indebtedness, including borrowings under our revolving credit facility, is subject to variable rates of interest and exposes us to interest rate risk. Interest rates, while historically low, have recently begun to increase. When interest rates increase, our debt service obligations on the variable rate indebtedness increase even though the amount borrowed remains the same, and our net income decreases. An increase (decrease) of 1.0% on the interest rate would result in an increase (decrease) of $7.5 million in annual interest expense. Although we may enter into interest rate swaps, involving the exchange of floating-rate for fixed-rate interest payments, to reduce interest rate volatility, we cannot assure you we will be able to do so.

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***Certain provisions in our Articles of Incorporation and Bylaws could delay or discourage a change of control transaction that may be in a shareholder’s best interest.***

Our Articles of Incorporation and Bylaws currently contain provisions that may delay or discourage a takeover attempt that a shareholder might consider in his/her best interest. These provisions, among other things:

•provide that only the Board of Directors, chairman or president may call special meetings of the shareholders;

•establish certain advance notice procedures for nominations of candidates for election as directors and for shareholder

proposals to be considered at shareholders’ meetings; and

•permit the Board of Directors, without further action of the shareholders, to issue and fix the terms of preferred stock,

which may have rights senior to those of the common stock.

However, we believe that these provisions allow our Board of Directors to negotiate a higher price in the event of a takeover attempt which would be in the best interest of our shareholders.