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Assistant Director, Compliance
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Compliance Division
400 7th Street, S.W.
Washington, D.C. 20004

Re: Comment on Sycamore Application to
Assign Store Leases to Dollar General

Dear Mr. Ducore:

This letter responds on behalf of Dollar Tree, Inc., to the Federal Trade Commission's request for public comment regarding the application submitted by Sycamore Partners II, L.P., to assign the store leases that it acquired from Dollar Tree to Dollar General Corporation. Dollar Tree writes to correct the inaccuracies in Sycamore's application and to request a competition-enhancing limitation to Dollar Express's plan to liquidate its current merchandise.

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Dollar Tree operates stores throughout the United States under the Dollar Tree and Family Dollar banners. Dollar Tree stores offer merchandise at the fixed price point of \$1.00, while Family Dollar stores sell merchandise at prices that generally range from \$1.00 to \$10.00. At both banners, Dollar Tree's goal is to "wow" customers with a compelling, fun and fresh merchandise assortment comprising a variety of the things you want and things you need, all at incredible values in bright, clean and friendly stores. As part of its strategy, Dollar Tree wants to grow both the Dollar Tree and Family Dollar banners, including by pursuing a "more, better, faster" approach to the rollout of new Dollar Tree and Family Dollar stores to broaden their geographic footprint.¹

Dollar Tree competes fiercely for customers, but it has never attempted to drive Dollar Express out of business. Dollar Tree's agreements regarding the divestiture stores allow Dollar Tree to open stores wherever it wants, and the stores it has opened and plans to open are part of its regular business strategy. In fact, during the negotiations regarding the divestiture, Dollar Express specifically requested that Dollar Tree be prohibited from opening stores near the divestiture locations, but the request was denied, as such a limitation would be anticompetitive. Furthermore, the first that Dollar Tree heard about any concerns relating to Dollar Tree's performance under the Transition Services Agreement (TSA) or purported efforts to drive Dollar Express out of business was when Peter Morrow of Sycamore called on March 31, 2017 to inform Dollar Tree of the pending sale to Dollar General. Dollar Tree first saw the specifics of these concerns in Sycamore's application. Prior to that time, Dollar Tree received **no** complaints about any attempt to drive Dollar Express out of business from Dollar Express, Sycamore, the Federal Trade Commission, or the Independent Monitor appointed to supervise Dollar Tree's compliance with its obligations under the TSA. Indeed, Dollar Express has repeatedly complimented Dollar Tree and Family Dollar on their performance pursuant to the TSA.

Dollar Tree also strongly disagrees with Dollar Express's allegations concerning the profitability and prospects of the dollar store segment. Dollar Tree believes that the Dollar Express stores were performing well, contrary to Dollar Express's allegations.

* * *

Dollar Tree has serious concerns regarding Dollar Express conducting "going out of business" sales. As Dollar Express notes, Dollar Express operates all of its stores under the "Family Dollar" banner, and according to our best information, Dollar Express has not posted adequate signage clarifying that they are Dollar Express rather than Family Dollar stores, despite its obligation to do so pursuant to Section 9.7 of the Asset Purchase Agreement with Dollar Tree. Not surprisingly, there has already been confusion, with news headlines suggesting that Family Dollar is closing more than 300 of its stores, which is certainly not the case.² Any "going out of

¹ Dollar Tree, Inc., Annual Report on Form 10-K, *available at* <http://www.dollartreeinfo.com/investors/global/secfiling.cfm?filingID=935703-17-11>.

² See, e.g., Debbie Strong, *Family Dollar: Hundreds of Locations Will Close*, First for Women (April 6, 2017), <http://www.firstforwomen.com/posts/family-dollar-closing-stores-129489>; Justin Boggs, *Discount Retailer Family Dollar Closing 323 Locations Nationwide*, WCPO Cincinnati (April 5, 2017), <http://www.wcpo.com/news/national/discount-retailer-family-dollar-closing-323-locations-nationwide>; *Hundreds of Family Dollar Stores Sold to Dollar General*, Coupons in the News (April 4, 2017), <http://couponsinthenews.com/2017/04/04/hundreds-of-family-dollar-stores-sold-to-dollar-general/>; Melanie Lawder,

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business” signage at the stores operated by Dollar Express will exacerbate this confusion and cause serious business harm to Dollar Tree. Since any sales at Dollar Express can be comparably accomplished with “store closing” signage, Dollar Tree requested that Dollar Express refrain from using “going out of business” or comparable language during the conduct of its liquidation sales, and Dollar Express agreed. Accordingly, any approval of the APA must incorporate that restriction. By reducing customer confusion, this limitation will maintain the competitiveness of Dollar Tree in these areas, as the closing stores convert to Dollar General, which will benefit the customers of these two chains.

Finally, we advise that Dollar Express owes Dollar Tree in excess of fifty million dollars for goods and services provided for which it has not paid, as well as amounts that will become due in the future, including for merchandise they caused Dollar Tree to order but of which Dollar Express will never take delivery. We also have claims for non-monetary violations by Dollar Express of both the Asset Purchase Agreement and the Transition Services Agreement. Further, we have been advised that Dollar Express is uncertain as to whether its resources would be adequate to meet its debts as they become due, including those to Dollar Tree. These issues are of grave concern to Dollar Tree, and while we recognize that the FTC may ultimately approve the contemplated transaction with Dollar General, we very much expect to be paid what we are owed or otherwise entitled to receive, and expressly reserve, and expressly notify the FTC that we may pursue, any and all rights that Dollar Tree, Family Dollar, and their affiliates may have with respect to both the amounts owed and that result from Dollar Express’s apparent insolvency.

All the best,

David A. Schwartz

cc: William A. Old, Jr., Esq.
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James A. Stempel, Esq.