

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the Fiscal Year Ended December 31, 1999

Commission File No.0-25464

DOLLAR TREE STORES, INC.
(Exact name of registrant as specified in its charter)

Virginia 54-1387365
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

500 Volvo Parkway, Chesapeake, VA 23320
(Address of principal executive offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on Which Registered
None None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock (par value \$.01 per share)
(Title of Class)

Indicate by check mark whether 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 (X) No ()

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of Common Stock held by non-affiliates of the Registrant on March 10, 2000 was \$2,009,327,616 based on a \$40.844 average of the high and low sales prices for the Common Stock on such date. For purposes of this computation, all executive officers and directors have been deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers and directors are, in fact, affiliates of the Registrant.

On March 10, 2000 there were 62,248,562 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for in Part III is incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of the Company to be held May 25, 2000, which will be filed with the Securities and Exchange Commission not later than April 30, 2000.

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A WARNING ABOUT FORWARD LOOKING STATEMENTS: This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view" or "estimate." For example, our forward-looking statements include statements regarding:

- o our anticipated comparable store net sales and the impact of our growth on total sales;
- o our future operating costs such as wages and landlord costs (including rents and our ability to sublease our former distribution centers);
- o the availability and cost of merchandise, including shipping costs;
- o the reliability and stability of our sources of supply, particularly China;
- o our growth strategy, including store openings and remodeling plans and entering new markets;
- o the planned opening and performance of distribution centers;
- o the anticipated consequences of the Year 2000 issue; and
- o our expectations regarding competition, the overall retail environment and domestic and international economies.

These forward-looking statements are subject to numerous risks, uncertainties and assumptions potentially affecting Dollar Tree, including the factors described in this annual report under the headings "Business," "Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the factors listed under "Risk Factors" in our most recent prospectus. They include, among other things:

- o possible difficulties in meeting our expansion goals on a profitable basis, including anticipated store openings and expansions;
- o adverse economic factors and increases in costs, including possible increases in shipping rates, wage levels and inflation and interest rates;
- o risks relating to our dependence on imports and vulnerability to import tariffs and restrictions, particularly those regarding China;

- o potentially limited availability of low-cost, high-quality merchandise;
- o possible difficulties in achieving our sales goals due to the effect of expansion, seasonal sales fluctuations, the development of our larger format stores and changes in merchandise mix;
- o the capacity and the performance of our distribution system and its ability to cope with our expansion plans; and
- o increasing competition in the discount retail market.

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in this report or our most recent prospectus could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this annual report and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts, 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 analyst regardless of the content of the statement or report. We also have a policy against issuing financial forecasts or projections or confirming those 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.

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INTRODUCTORY NOTE: Unless otherwise stated, references to "we," "our" and "Dollar Tree" generally refer to Dollar Tree Stores, Inc. and its direct and indirect subsidiaries on a consolidated basis.

PART I

Item 1. BUSINESS

Overview

Dollar Tree was started in 1986 by Macon Brock, our President and Chief Executive Officer, Doug Perry, our Chairman, and Ray Compton, our Executive Vice President. We are the leading operator of discount variety stores offering merchandise at a fixed price point of \$1.00 or less. We operate over 1,383 stores in 33 states and have added over 200 stores in each of the last two years.

Our stores successfully operate in major metropolitan areas, mid-sized cities and small towns with populations under 25,000 and perform well in a variety of locations. We have traditionally opened stores generally between 3,500 and 6,000 total square feet in size, stocking a wide assortment of products in many traditional variety store categories. During 1998, we began testing larger stores in the 7,000 to 10,000 total square foot range, which provides us the opportunity to target prime locations with the larger store size. In 2000, we will open stores generally in the 5,000 to 12,000 total square foot range.

In December 1998, we merged with 98 Cent Clearance Center, adding 66 stores located in northern and central California and Nevada to our chain. In June 1999, we merged with Only \$One, adding 24 stores to our chain in central and upstate New York. These stores average 10,000 to 12,000 total square feet.

Business Strategy

We are the leader in the \$1.00 price point segment of the discount retail industry. Factors contributing to our success include:

Value Offering. We strive to exceed customers' expectations of the variety and quality of products that can be purchased for \$1.00. Many of the items we sell for \$1.00 are typically sold for higher prices elsewhere. We purchase a substantial portion of our products directly from foreign manufacturers, allowing us to pass on additional value to the customer. In addition, direct relationships with both domestic and foreign manufacturers permit us to select a broad product range, customize packaging and frequently obtain larger product sizes and higher package quantities.

Convenient, Highly Visible Store Locations. We locate our stores close to where we believe our core customer resides. Although our customer tends to be a female with children in a middle income household, we attract customers from all demographic ranges, including low and high income households. We believe that bright lighting and the store's "curb appeal" attract new customers, as well as our repeat customers, and enhance our image as both a destination and impulse,

treasure hunt store.

Strong and Consistent Store Level Economics. Since 1994, stores opened under the Dollar Tree name have been profitable within the first full year of operation. Our stores, whose first full year of operation was 1999, have an average store level operating income of approximately \$195,000 (approximately 22% of net sales).

Cost Control. Given our fixed \$1.00 price structure, we must monitor expenses, inventory levels and operating margins to be successful. We closely manage both retail inventory shrinkage and retail markdowns of inventory, limiting each to an average of not more than 2.5% of annual net sales over the last five years. In the past five years, excluding merger related items, we have kept our gross profit margins in the 35.9% to 37.7% range and increased our operating income margin from 10.8% to 13.6%.

Growth Strategy

For the five years ended December 31, 1999, net sales increased at a compound annual growth rate of 33.2% and operating income, excluding merger related items, increased at a compound annual growth rate of 41.2%. Future sales growth will come primarily from new store openings and, to a lesser degree, sales increases from expanded and relocated stores and comparable store net sales increases. We anticipate expanding by approximately 225 to 235 stores in 2000. While a portion of our store openings in 2000 are planned to occur in the West, our

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store openings continue to be concentrated within our existing eastern markets to take advantage of market opportunities, distribution efficiencies and field management efficiencies. We also plan to selectively enter new markets.

We plan to increase our store expansion and relocation program. In 1999, we expanded or relocated 59 stores and, in 2000, we plan to expand or relocate approximately 100 additional stores. We target existing stores for expansion based on the current sales per square foot and changes in market opportunities.

Our growth strategy includes the opening of new distribution centers and the expansion or replacement of existing distribution centers. We currently operate four distribution centers. Two of these can be physically expanded--the facilities in Olive Branch, Mississippi and Stockton, California. In addition, the Stockton facility can be fully automated when the store demand requires. We are currently constructing a new 600,000 square foot, leased, automated distribution facility in Savannah, Georgia which we expect to begin operating during the first quarter of 2001. See more information on distribution centers in "Merchandise Receiving and Distribution" on page 7.

We have experienced significant sales growth over the last five years. Managing our growth has become more complex because we are now operating in 33 states from coast to coast. Our sales growth depends on our ability to aggressively and steadily add stores and store support systems in a profitable and efficient manner. Management believes that we are well positioned to accomplish these tasks, but we may not achieve our targets for opening new stores, and we may not expand profitably and efficiently. As we expand, we will face challenges that may be difficult to manage, and others that may be entirely controlled by outside economic factors. We must supply an increasing number of stores with the proper mix and amount of merchandise. This will require hiring an increasing number of qualified employees, opening suitable store sites, and expanding and upgrading our distribution centers and internal store support systems. Failure to achieve these goals in a timely and economical manner could have a material adverse effect on our business and results of operations.

In the past four years, we have made three large acquisitions and a number of smaller acquisitions which added 239 stores. Our acquisition strategy has been to target companies with a similar single price point concept that have shown success in operations or provide some strategic advantage. We look for opportunities to leverage our management expertise in merchandise procurement, logistics, management information systems, and in managing growth thereby significantly improving the acquired company. Reviewing the operating strategies of the acquired companies has also enabled us to improve our operations. Although we do not have any current plans regarding potential acquisitions, we continuously evaluate opportunities in our retail sector.

Inherent in our growth strategy is the constant evaluation of our infrastructure needs in people, processes and systems. Over the past three years, we have:

- o increased our efforts in recruiting and training;
- o improved human resource and merchandising functions;
- o added buying and real estate infrastructure; and
- o increased our top management expertise.

During this period of growth, we feel we have made appropriate investments while containing costs and improving operating margins. We will continue making future investments to improve our supply chain and decision making processes in order to achieve our target growth rate.

Site Selection and Store Locations

We maintain a disciplined, cost-sensitive approach to store site selection, favoring strip centers and selected enclosed malls. In the last five years, we have opened primarily strip center based stores. These stores have required lower initial capital investment and generated higher operating margins than mall stores. We prefer opening new stores in strip center locations anchored by strong mass merchandisers such as Wal-Mart, Kmart and Target, whose target customers are similar to ours. We also open stores in neighborhood centers anchored by large grocery retailers. Our stores have been successful in major metropolitan areas, mid-sized cities and small towns. We believe that our stores have a relatively small shopping radius, which allows us to concentrate multiple stores in a single market profitably. Our ability to open new stores is dependent upon, among other factors, locating suitable sites and negotiating favorable lease terms.

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The size of our stores has evolved over time from a predominantly mall-based store, averaging 2,500 to 3,000 total square feet, in the late 1980's, to a predominantly strip shopping center based store of approximately 4,500 to 5,000 total square feet in more recent years. In the past two years, we have opened larger size stores, primarily in the 7,000 to 10,000 total square foot range. The range of store sizes provides us with an important opportunity to target a particular location with the appropriate store size. Although we characterize a 7,000 square foot store as "larger," these stores are still regarded as "small box" retailing within the discount retail industry. Our management does not view these stores as a departure from our core business.

Including stores added by merger or acquisition, approximately 10% of our store base at the end of 1999 is greater than 7,000 total square feet per store. We expect to open 90 to 100 of these larger stores during 2000, primarily in the 8,000 to 12,000 total square foot range. For more information on retail locations and retail store leases, see "Properties" on page 9.

Merchandising and Store Format

We offer a wide assortment of products which exceed customer expectations of the value available for \$1.00 by:

- o providing a balanced mix of everyday core products and changing selections in traditional variety store categories;
- o maintaining a disciplined, global purchasing program; and
- o emphasizing the effective display of merchandise in our stores.

Merchandise Mix. Our stores offer a well stocked selection of core and changing products within traditional variety store categories. These categories include housewares, candy and food, seasonal goods, health and beauty care, toys, party goods, gifts, stationery and other consumer items. The actual items and brands offered at any one time will vary. We have a core selection of consumable products (such as household chemicals, paper and plastics, candy and food, and health and beauty care) which we target to have in stock at our stores continuously. These products are generally available year-round in our distribution facilities for stores to reorder as needed. Our larger stores carry more consumable products than our smaller stores, particularly food and health and beauty care products. Because of the added space in the large stores, we can also display a larger selection of certain items.

We sell seasonal and impulse items and, to a limited extent, selected closeout merchandise to add variety and freshness to our core products. Seasonal goods include Easter gifts, summer toys, back-to-school products and Christmas wrapping paper. When the opportunity arises, we offer closeout merchandise, whose value creates an exciting shopping experience for our customers. However, in order to maintain our disciplined approach to merchandising, we limit closeout merchandise to less than 20% of our purchases. We also sell lower priced, private label goods, which are comparable to national name brands.

Purchasing. Our excellent supplier relationships, as well as our substantial buying power at the \$1.00 price point, contribute to our successful purchasing strategy. We offer real product value to our customers that they recognize and appreciate. At the same time, we establish disciplined, targeted merchandise margin goals.

We purchase merchandise from a large number of vendors, including manufacturers, trading companies and brokers. No vendor accounted for more than 10% of total merchandise purchased in any of the last five years. New vendors are used frequently to offer competitive, yet varied, product selection and high

levels of value.

We buy product on an order-by-order basis and have no long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. Management believes that an adequate supply of quality merchandise suited to a \$1.00 sales price will continue to be available.

Imports. Merchandise imported directly from overseas manufacturers and agents accounts for approximately 40% to 45% of total purchases at retail. China is the primary source for our import merchandise. In addition, our management believes that a small portion of the non-consumable goods that we purchase from domestic vendors is imported. While we do not expect to significantly increase imports as a percentage of our merchandise, our future success depends on the continuing availability of imported merchandise at favorable costs.

Chinese goods imported into the United States currently enjoy favorable duties because the United States grants China normal trade relations, formerly called "most favored nation" status. Under a 1974 law, China's favorable trade status is reviewed on an annual basis and is

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currently extended through July 2, 2000. In November 1999, the United States and China finalized an agreement concerning China's future membership in the World Trade Organization. President Clinton has asked Congress to remove normal trade relations with China from annual review. However, there continues to be significant political opposition to the permanent extension of normal trade relations with China. The opposition stems from a variety of issues, including China's trade surplus with the United States, its failure to open its markets adequately to U.S. businesses, its relations with Taiwan, its human rights record and its acquisition and sale of weapons and sensitive technology. Failure to renew normal trade relations could have a material adverse effect on our business and results of operations. For example, administration officials testified in June 1999 that ending normal trade relations with China would raise tariffs on Chinese products from their current overall trade-weighted average of 4% to an estimated 44%. Depending on the extent of tariffs and the nature of goods affected, such an increase could impose significantly higher purchasing costs on our company.

Even if normal trade relations do become permanent, the United States could also impose punitive trade sanctions on Chinese goods for a variety of reasons. In 1995, the United States threatened to impose punitive trade tariffs on certain categories of Chinese goods in response to China's failure to protect the intellectual property of U.S. businesses. The November 1999 agreement between the United States and China permits punitive tariffs and other tariffs designed to reduce market disruptions because of a large increase in Chinese imports. Although no punitive import duties are currently imposed, these duties could equal as much as 100% of the cost of certain Chinese goods. Imposition of trade restrictions, such as punitive tariffs or duties, could impose significantly higher purchasing costs on us, depending on which goods might be affected.

While imported goods are less expensive than domestic goods and have contributed significantly to our historically favorable profit margins, importing presents significant risks. For example, the flow of imported goods could be interrupted, or the cost of purchasing or shipping foreign merchandise could increase. In the event Chinese or other imported merchandise becomes more expensive or unavailable, we believe we could find alternative sources of supply. However, the transition to alternative sources may not occur in time to meet our demands. Products from alternative sources could also be of lesser quality and more expensive than those we currently import. As a result, a disruption in the flow of imported merchandise or an increase in the cost of those goods could have a material adverse effect on our business and results of operations.

Visual Merchandising. The presentation and display of merchandise in our stores is critical to communicating value and excitement to our customers. Our stores are attractively designed. They create an inviting atmosphere for shoppers by using bright lighting, vibrant colors, uniform decorative signs, carpeting and background music. Our merchandise fixtures include gondola shelving, slat walls, bins, and adjustable gift displays, allowing us the flexibility to rearrange merchandise to feature seasonal products. Some of these fixtures have been specifically designed for us, such as the customized shelf display promoting our polyresin and porcelain gift products. Our field merchandising group, including regional merchandise managers and store display coordinators, maintains a consistent visual presentation of merchandise throughout our chain of stores. We rely on attractive exterior signs and in-store merchandising for our advertising. We generally do not use other forms of advertising, except when promoting the opening of a new store.

The wide variety, value and freshness of our merchandise together with the lively appearance of the store create an exciting shopping experience for our customers. These unique features result in high store traffic, high sales volume and an environment which encourages impulse purchases. Credit and debit cards are accepted at a select number of stores and checks are accepted at all stores.

During 1999, we converted the 98 Cent Clearance Center stores to more closely resemble existing Dollar Tree stores, including changing the store name to Dollar Tree. During the first quarter of 2000, we will convert most of the 24 Only \$One stores added in 1999. These conversions will include installing new checkouts and display fixtures and improving store layouts and merchandise displays at all Only \$One stores and changing the name from Only \$One to Dollar Tree at select stores.

Merchandise Receiving And Distribution

Merchandise receiving and distribution are managed centrally from our corporate headquarters, located on the same site as our Chesapeake, Virginia distribution center. Maintaining a strong receiving and distribution system is critical to our expansion and ability to maintain a low cost operating structure.

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Substantially all of our inventory is shipped or picked up directly from suppliers and delivered to our distribution centers, where the inventory is processed and then distributed to our stores. The majority of our inventory is delivered to the stores by contract carriers. Stores receive weekly shipments of merchandise from distribution centers based on their anticipated inventory requirements for that week. We also make semi-weekly deliveries to certain high volume stores and during the busy Christmas season.

Our distribution center capacity allows us to receive manufacturers' early shipment discounts and buy large quantities of goods at favorable prices. In addition, during the past several years we have used off-site facilities to accommodate large receipts of seasonal merchandise. For more information on distribution centers, see "Properties" on page 9.

Competition

The retail industry is highly competitive. Our competitors include mass merchandisers (such as Wal-Mart), discount stores (such as Dollar General), closeout stores (such as Odd Lots and Big Lots) and other variety stores. In past years, other single price point retailers have not been significant competitors. However, we expect that our expansion plans as well as the expansion plans of other single price point retailers such as 99 Cents Only Stores based in Southern California and Dollar Express based in Philadelphia, Pennsylvania will bring us increasingly into direct competition. Increased competition may have a material adverse effect on our business, comparable store net sales and results of operations.

Trademarks

We are the owners of Federal service mark registrations for "Dollar Tree," the "Dollar Tree" logo, "1 Dollar Tree" together with the related design, and "One Price . . . One Dollar." A small number of our stores operate under the name "Only One Dollar," for which we have not obtained a service mark registration; if we were required to change the name of these stores, we do not believe that this would have a material adverse effect on our business. We also own a concurrent use registration for "Dollar Bill\$" and the related logo. During 1997, we acquired the rights to use trade names previously owned by Everything's A Dollar, a former competitor in the \$1.00 price point industry. Several trade names were included in the purchase, including the marks "Everything's \$1.00 We Mean Everything" and "Everything's \$1.00," the registration of which is pending, and "The Dollar Store." In 1998, with the acquisition of 98 Cent Clearance Center, we became the owner of additional Federal service mark registrations which include "98 Cent Clearance Centers" and "98 Cent Clearance Centers" together with the related design. In 1999, with the acquisition of the Only \$One stores, we became the owner of additional Federal service mark registrations which include Only One \$1 stylized "Only \$One" together with the related design. We also occasionally use various private labels under which we market products, although management believes that these brand names are not material to our operations.

Seasonality

Dollar Tree has historically experienced and expects to continue to experience seasonal fluctuations in its net sales, operating income and net income. See "Management's Discussion and Analysis--Seasonality and Quarterly Fluctuations" on page 20.

Employees

We employed approximately 5,000 full-time and 13,000 part-time associates on December 31, 1999. The number of part-time associates fluctuates depending on seasonal needs. None of our associates are currently represented by a labor union. The Teamsters have attempted to organize our associates at our Chesapeake and Chicago distribution centers on several occasions, and we expect them to do so in the future. We consider our relationship with associates to be good, and

we have not experienced significant interruptions of operations due to labor disagreements.

Item 2. PROPERTIES

As of December 31, 1999, we operated 1,383 stores in 33 states. The following table presents a summary of our historical unit growth by region over the past three years (number represents stores open as of the date indicated):

	December 31,		
	1999	1998	1997
Southeast.....	466	415	351
Midwest.....	362	309	256
Mid-Atlantic.....	258	230	196
Southcentral.....	121	68	47
Northeast	99	91	57
West.....	77	66	59
Total.....	1,383	1,179	966

Of the 1,383 stores open at December 31, 1999, the majority are located in the Southeastern and Midwestern regions of the United States. We anticipate expanding by approximately 225 to 235 stores in 2000.

We currently lease all of our existing store locations and expect that our policy of leasing rather than owning stores will continue as we expand. Our leases typically provide for a short initial lease term and give us the option to extend. Management believes that this lease strategy enhances our flexibility to pursue various expansion and relocation opportunities resulting from changing market conditions. Our ability to open new stores is contingent upon:

- o finding, signing leases for, building-out improvements for and opening suitable store sites on a timely basis and on favorable economic terms, including both in new geographic markets, where we have limited or no experience, and in our established geographic markets, where new stores may draw sales away from our existing stores; and
- o hiring, training and retaining an increasing number of qualified employees at affordable rates of compensation.

As current leases expire, we believe that we will be able either to obtain lease renewals, if desired, for present store locations, or to obtain leases for equivalent or better locations in the same general area. To date, we have not experienced difficulty in either renewing leases for existing locations or securing leases for suitable locations for new stores. We may have violated prohibitions against a change in control of Dollar Tree in a minority of our leases. Many of our leases contain provisions with which we do not comply, including provisions requiring us to advertise or insure store property, prohibiting us from operating another store within a specified radius and restricting the sale of leasehold improvements. We believe that the violation of these provisions will not have a material adverse effect on our business or financial position because we maintain good relations with our landlords, and we are a valued tenant. Most of our leases are at market rents, and we have historically been able to secure leases for suitable locations.

The following table includes information about the distribution centers that we currently operate. We believe our existing distribution centers can support a total of approximately \$1.7 billion in sales. The table shows the location of those distribution centers; whether we own the facility or lease it, and, if leased, when the lease expires; and the overall size in square feet of the facility.

Location	Own/Lease	Lease Expires	Size in Square Feet
Chesapeake, Virginia	Own	N/A	400,000
Olive Branch, Mississippi	Own	N/A	425,000
Chicago, Illinois area	Lease	June 2005, with options to renew	250,000
Stockton, California	Lease	June 2004, with options to renew	317,000

We have also signed a contract to lease a 600,000 square foot distribution center being constructed in Savannah, Georgia. We believe this facility, along with our existing distribution centers, will support sales of more than \$2 billion. We expect this distribution center to be operational in the first quarter of 2001 and its lease expires in January 2005 with options to renew.

The Chesapeake and Olive Branch distribution centers contain, and the Savannah distribution center will contain, advanced materials handling technologies, including an automated conveyor and sorting system, radio-frequency inventory tracking equipment and specialized information systems. The Chicago and Stockton distribution centers are not automated, but the Stockton distribution center is designed to allow for future automation.

Our Store Support Center in Chesapeake was built in 1997 to replace our original location in Norfolk, Virginia. The lease on our former Norfolk location expires in December 2009 and the facility has been subleased through February 2008. The distribution center in Olive Branch became operational in January 1999 and replaced a former location in Memphis, Tennessee. The lease on our former Memphis distribution center expires in September 2005; this facility is currently subleased through December 2000. The distribution center in Stockton became operational in January 2000 and replaced a former location in the Sacramento, California area. The lease on our former Sacramento distribution center expires in June 2008; we hope to sublease this facility in the future. See "Management's Discussion and Analysis--Inflation and Other Economic Factors" on page 20.

Item 3. LEGAL PROCEEDINGS

Alper Lawsuit. On January 31, 1996, we bought all of the capital stock of Dollar Bills, Inc. pursuant to a stock purchase agreement. In March and April 1996, Michael and Pamela Alper, former shareholders of Dollar Bills, together with a corporation they control, filed lawsuits in the state and federal courts in Illinois against our company and one of our employees, relating to the Dollar Bills transaction. The lawsuits sought to recover compensatory damages of not less than \$10.0 million, punitive damages, attorney's fees and other relief. The plaintiffs claimed contract violations, fraud, misrepresentation and other violations in connection with our purchase of the wholesale operations which were owned by Dollar Bills and are currently operated by Dollar Tree. Plaintiffs subsequently dismissed their suit in state court voluntarily. On November 26, 1996, the federal court dismissed all counts of the plaintiffs' lawsuit against us and the co-defendant. Plaintiffs' federal securities and federal antitrust claims against us were dismissed with prejudice and the state claims were dismissed without prejudice. No litigation is currently pending against us in this matter. However, in light of the history of this dispute, the Alpers may attempt to refile their state law claims in the future. We believe that the ultimate outcome of this matter will not have a material adverse effect on our financial condition or results of operations. Nevertheless, there can be no assurance regarding the ultimate outcome of any future litigation, and any such litigation may have a material adverse effect on our financial condition or results of operations.

Consumer Products Liability. We recalled (in cooperation with the Consumer Products Safety Commission) approximately 155,000 retractable dog leashes which we sold between November 1997 and January 1998. We learned of several minor injuries involving the leashes, and one leash allegedly caused a serious personal injury in January 1998. Our insurer settled with that individual in 1999 at no cost to Dollar Tree. Management does not believe that potential claims arising from product injuries will have a material adverse effect on us. However, we can give no assurance that additional serious injuries from products we have sold will not occur in the future.

Additional Disputes. We are also defendants to ordinary routine litigation and proceedings incidental to our business, including certain matters which may occasionally be asserted by the Consumer Products Safety Commission. We are currently in the process of recalling three products. We do not believe that any of these additional matters are individually or in the aggregate material to the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of our 1999 calendar year.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Dollar Tree's common stock has been traded on The Nasdaq Stock Market (R) under the symbol "DLTR" since our initial public offering on March 6, 1995. The

following table gives the high and low sales prices of our common stock as reported by Nasdaq for the periods indicated, restated to reflect a 3-for-2 stock split effected as a stock dividend in June 1998.

1999: -----	High ----	Low ---
First Quarter.....	\$ 49.250	\$ 30.750
Second Quarter.....	44.000	28.750
Third Quarter.....	46.500	32.500
Fourth Quarter.....	52.250	34.500
1998: -----		
First Quarter.....	\$ 36.083	\$ 23.000
Second Quarter.....	41.917	33.417
Third Quarter.....	49.500	27.875
Fourth Quarter.....	48.750	23.750

On March 10, 2000, the last reported sale price for our common stock as quoted by Nasdaq was \$40.063 per share. As of March 10, 2000, we had approximately 460 shareholders of record.

We anticipate that all of our income in the foreseeable future will be retained for the development and expansion of our business and the repayment of indebtedness. Management does not anticipate paying dividends on our common stock in the foreseeable future. Additionally, our credit facilities contain financial covenants which restrict our ability to pay dividends.

Item 6. SELECTED FINANCIAL DATA

This section of our report presents our selected financial data for the last five years. This information is different from the information reported in the table in our 1998 Annual Report on Form 10-K because we merged with Only \$One during 1999. We accounted for the merger as a pooling of interests, which required us to combine the financial statements of Dollar Tree with those of Only \$One, retroactively.

The selected income statement and balance sheet items for December 31, 1999, 1998 and 1997 come from our consolidated financial statements that have been audited by our independent certified public accountants. This information should be read in conjunction with the consolidated financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information found elsewhere in this report.

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<TABLE>
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	Year Ended December 31,				
	1999 ----	1998(1) -----	1997(1) -----	1996(1,2) -----	1995(1,3) -----
	(In thousands, except store, per share data and sales per square foot)				
Income Statement Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	\$1,197,960	\$944,122	\$745,590	\$577,440	\$366,842
Cost of sales.....	746,463	589,080	474,612	369,701	235,117
Merger related costs (4)	443	1,301	-	-	-
	-----	-----	-----	-----	-----
Gross profit.....	451,054	353,741	270,978	207,739	131,725
Selling, general and administrative expenses:					
Operating expenses.....	259,917	208,782	169,792	131,682	85,880
Merger related expenses (4)	607	4,024	-	-	-
Depreciation and amortization.....	28,117	20,518	14,523	11,497	6,164
	-----	-----	-----	-----	-----
Total.....	288,641	233,324	184,315	143,179	92,044
	-----	-----	-----	-----	-----
Operating income.....	162,413	120,417	86,663	64,560	39,681
Interest income.....	1,717	596	145	108	60
Interest expense.....	(4,522)	(4,927)	(3,554)	(5,712)	(3,029)
	-----	-----	-----	-----	-----
Income before income taxes.....	159,608	116,086	83,254	58,956	36,712
Provision for income taxes.....	61,090	44,533	31,295	22,249	13,392
	-----	-----	-----	-----	-----
Net income.....	\$ 98,518	\$ 71,553	\$ 51,959	\$ 36,707	\$ 23,320

Income Per Share Data (5):					
Basic net income per share.....	\$ 1.59	\$ 1.17	\$ 0.86	\$ 0.62	\$ 0.40
Diluted net income per share.....	\$ 1.45	\$ 1.06	\$ 0.78	\$ 0.56	\$ 0.37
Pro Forma Income Data (6):					
Pro forma net income.....	\$ 98,013	\$ 70,528	\$ 51,177	\$ 36,184	\$ 22,853
Pro forma basic income per share.....	\$ 1.58	\$ 1.15	\$ 0.84	\$ 0.61	\$ 0.39
Pro forma diluted income per share.....	\$ 1.44	\$ 1.04	\$ 0.76	\$ 0.55	\$ 0.36
Weighted average number of common shares					
outstanding, in thousands	61,839	61,185	60,714	59,436	58,008
Weighted average number of common shares and					
dilutive potential common shares outstanding,					
in thousands	68,135	67,626	66,982	65,495	63,641
Selected Operating Data:					
Number of stores open at end of period (7).....	1,383	1,179	966	801	552
Total gross square footage (7).....	6,675	5,376	4,218	3,319	2,063
Net sales growth.....	26.9%	26.6%	29.1%	57.4%	28.5%
Comparable store net sales increase (8)	5.6%	6.8%	7.5%	5.6%	6.4%
Net sales per store (9)	\$ 920	\$ 879	\$ 826	\$ 758	\$ 721
Net sales per square foot (9).....	\$ 198	\$ 200	\$ 199	\$ 201	\$ 195

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As of December 31,

	1999	1998	1997	1996	1995
Balance Sheet Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Working capital.....	\$ 219,545	\$114,182	\$ 65,313	\$ 26,897	\$ 33,025
Total assets.....	571,128	405,187	306,698	198,650	110,269
Total debt.....	82,058	49,426	41,166	13,039	19,836
Shareholders' equity.....	360,971	248,816	164,357	108,071	43,628

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- (1) We merged with 98 Cent Clearance Center during 1998 in a transaction accounted for as a pooling of interests. The following table identifies the reporting periods that have been combined:

Historical Fiscal Period		Currently Reported
Dollar Tree	98 Cent Clearance Center	Combined Period
Jan. 1, 1998-Dec. 31, 1998	Jan. 26, 1998-Dec. 31, 1998	Calendar Year 1998
Jan. 1, 1997-Dec. 31, 1997	Jan. 27, 1997-Jan. 25, 1998	Calendar Year 1997
Jan. 1, 1996-Dec. 31, 1996	Jan. 29, 1996-Jan. 26, 1997	Calendar Year 1996
Jan. 1, 1995-Dec. 31, 1995	Jan. 30, 1995-Jan. 28, 1996	Calendar Year 1995

Effective January 30, 1995 and prior to the merger with Dollar Tree in 1998, 98 Cent Clearance Center reported financial results based on a 52-week period that ended on the last Sunday in January. For this reason, our combined calendar year 1998 financial statements include only an 11-month period for 98 Cent Clearance Center. Only \$One's reported financial results are based on a calendar year and are included in each period presented.

- (2) On January 31, 1996, we bought all of the stock of a corporation owning 136 Dollar Bills stores in an acquisition accounted for as a purchase. For this reason, the operating results for the year ended December 31, 1996 only include 11 months of results for Dollar Bills. The operating results for the year ended December 31, 1995 do not include any Dollar Bills results.
- (3) Effective January 30, 1995, 98 Cent Clearance Center changed its fiscal year from a 52-week period ending on the Sunday nearest December 31 to the last Sunday in January. For this reason, 98 Cent Clearance Center's results

of operations for the four-week period ended January 29, 1995 are not included in the results of operations for the year ended December 31, 1995. The net loss for this four-week period was \$169.

- (4) For 1999, represents expenses of \$1,050 related to the June 1999 merger with Only \$One, primarily inventory writedowns and professional fees. For 1998, represents expenses of \$5,325 related to the December 1998 merger with 98 Cent Clearance Center, primarily professional fees and inventory and fixed asset writedowns.
- (5) Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common shares and dilutive potential common shares outstanding. Dilutive potential common shares include all outstanding stock options and warrants after applying the treasury stock method.
- (6) Amounts include a pro forma adjustment for C-corporation income taxes relating to Only \$One of \$505 in 1999, \$1,025 in 1998, \$782 in 1997, \$523 in 1996, and \$467 in 1995.
- (7) We closed four stores in 1999, seven stores in 1998, one store in 1997, six stores in 1996, and three stores in 1995.
- (8) Comparable store net sales increase compares net sales for stores open during the entire two periods compared. The comparable store net sales increase calculation for the year ended December 31, 1998 includes net sales for 98 Cent Clearance Center for the 11-month periods ended December 31, 1998 and 1997. The comparable store net sales increase calculation for the year ended December 31, 1997 includes net sales of Dollar Bills stores for the 12-month periods ended December 31, 1997 and 1996.
- (9) For stores open the entire period presented. The net sales per store and net sales per square foot calculations for 1998 include 98 Cent Clearance Center's net sales for the 12-month period ended December 31, 1998. Dollar Bills stores are included in the calculations beginning in 1997.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

In Management's Discussion and Analysis, we explain our general financial condition and results of operations, including:

- o what factors affect our business;
- o what our earnings and costs were for the years 1999, 1998, and 1997;
- o why earnings and costs in 1999 and 1998 were different from the year before;
- o where our earnings come from;
- o how all of this affects our overall financial condition;
- o what our expenditures for capital projects were in 1999, 1998, and 1997 and what we expect them to be in 2000; and
- o where funds will come from to pay for future expenditures.

We merged with 98 Cent Clearance Center in December 1998 and with Only \$One in June 1999. We accounted for each of these mergers as a "pooling of interests." Under this form of accounting, we combined the financial statements of Dollar Tree with those of 98 Cent Clearance Center and Only \$One, not only since the dates of the mergers, but also retroactively. As a result, all financial data, information, and discussion assumes that 98 Cent Clearance Center and Only \$One had each been a part of Dollar Tree throughout all years discussed. For each period presented, the outstanding 98 Cent Clearance Center and Only \$One shares have been converted into Dollar Tree shares based on the exchange ratios used in each merger. This has the effect of changing our prior net income per share calculations.

Key Events and Recent Developments

Several key events have had or are expected to have a significant effect on our results of operations. When reading Management's Discussion and Analysis, you should keep in mind that:

- o In January 2000, we signed a contract to enter into an operating lease for a new 600,000 square foot distribution center, which is being constructed in Savannah, Georgia. We plan to have this facility in operation in the first quarter of 2001.
- o Also in January 2000, we opened a new 317,000 square foot distribution center in Stockton, California, which replaced our Sacramento, California facility.
- o In June 1999, we completed our merger with Only \$One. We issued 501,600 shares of our common stock to the former owners of Only \$One. Only \$One operated 24 stores in central and upstate New York.
- o In January 1999, we opened a new 425,000 square foot distribution center in Olive Branch, Mississippi, which replaced our Memphis, Tennessee facility.
- o In December 1998, we completed our merger with 98 Cent Clearance Center. We reserved or issued approximately 2,152,000 shares of our common stock for 98 Cent Clearance Center's existing shareholders and its option holders. 98 Cent Clearance Center operated 66 stores in northern and central California and Nevada.
- o In January 1996, we acquired a corporation owning 136 Dollar Bills stores for \$54.6 million in cash and inventory.

Results of Operations

In this section, we discuss our 1999 and 1998 operations and the factors affecting them. Our net sales result 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, sales at our existing stores change from one year to the next. We refer to this as a change in "comparable store net sales," because we compare only those stores which are open for the entire two years being compared.

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Most retailers can increase the price of their merchandise as well as sell more merchandise in order to increase their comparable store net sales. As a fixed price point retailer, we do not have the ability to raise our prices. Our comparable store net sales increase only if we sell more merchandise. In 1999, however, we increased the price point in the sixty-six 98 Cent Clearance Centers from \$0.98 to \$1.00, which had a minor impact on our comparable store net sales. We believe that our future comparable store net sales increases, if any, will be lower than those we have experienced in the past. Our internal business plan continues to call for a 2% to 3% increase in comparable store net sales in 2000, with some reduction in the first quarter of 2000 because the Easter holiday shopping season shifts to the second quarter.

We anticipate that our future sales growth will come mostly from new store openings. We plan to expand by 225 to 235 stores in 2000. We also expect our average store size to increase in 2000, which we believe will result in a decrease in our net sales per square foot.

Increases in expenses could impact our operating results negatively since we cannot pass on increased expenses to our customers by increasing our merchandise price. Consequently, our future success depends in large part on our ability to control costs.

The following table expresses certain of our expenses as a percentage of net sales:

<TABLE>
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	Year Ended December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	62.3	62.4	63.7
Merger related costs	-	0.1	-
Gross profit.....	37.7	37.5	36.3
Selling, general and administrative expenses:			
Operating expenses.....	21.7	22.1	22.8
Merger related expenses.....	0.1	0.4	-
Depreciation and amortization.....	2.3	2.2	1.9
Total.....	24.1	24.7	24.7
Operating income.....	13.6	12.8	11.6
Interest income.....	0.1	0.0	0.0
Interest expense.....	(0.4)	(0.5)	(0.5)

Income before income taxes.....	13.3	12.3	11.1
Provision for income taxes.....	5.1	4.7	4.2
Net income.....	8.2%	7.6%	6.9%

</TABLE>

1999 Compared to 1998

Net Sales. Net sales increased 26.9% to \$1,198.0 million for 1999 from \$944.1 million for 1998. We attribute this \$253.9 million increase to two factors:

- o Approximately 81% of the increase came primarily from stores opened in 1999 and 1998, which are not included in our comparable store net sales calculation.
- o Approximately 19% of the increase came from comparable store net sales growth. Comparable store net sales increased 5.6% during 1999.

Because our products sell for a fixed price, the increase in comparable store net sales was entirely a result of an increase in the number of items sold in the stores included in the calculation. We believe net sales increased in comparable stores because:

- o We improved the quality and mix of merchandise, with a slightly higher emphasis on consumable products.
- o Throughout 1999, we changed the merchandise mix at the 98 Cent Clearance Center stores to more closely resemble the mix at our existing Dollar Tree stores.
- o We benefited from expanding and relocating existing stores, which are included in the comparable store net sales calculation.
- o Customers purchased a higher average number of items and more customers visited our stores.

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We opened 208 new stores and closed four stores during 1999, compared to 220 new stores opened and seven stores closed the previous year. The new 1999 stores include four that we acquired from a small dollar store operator. We added 24.2% to our total square footage in 1999 compared to adding 27.5% in 1998.

Gross Profit. Gross profit increased \$97.3 million, or 27.5% in 1999 as compared to 1998. Our gross profit expressed as a percentage of net sales is called our "gross profit margin." Our gross profit margin increased to 37.7% in 1999 from 37.5% in 1998. This increase occurred mainly because of a decline in certain costs as a percentage of net sales offset by increases in certain costs as a percentage of sales:

- o Our increased sales volume provided greater buying power with merchandise vendors. We also experienced lower overall merchandise costs resulting from an increase in the percentage of import merchandise.
- o Our distribution costs were lower as a result of efficiencies at our Chesapeake and Olive Branch distribution centers.
- o We experienced higher freight costs because of the increase in the trans-Pacific shipping rates. Management estimates that the impact of these higher shipping rates was approximately \$5.0 million in 1999. See "Inflation and Other Economic Factors" on page 20.

In 1999, we purchased a slightly higher percentage of imports, which generally cost less than domestic product, and these goods improved our gross profit margin for the year. In 2000, we intend to buy more consumable products, such as food and household chemicals, to meet customer demand and supply our larger store format. Consumable products are generally domestically produced and carry a higher cost than imports. Management expects the changing merchandise mix will result in a slight reduction in gross profit margin in 2000.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$55.3 million, or 23.7%, in 1999 compared to 1998. As a percentage of net sales, selling, general and administrative expenses decreased to 24.1% in 1999 compared to 24.7% in 1998. Excluding merger related expenses, selling, general and administrative expenses decreased as a percentage of net sales to 24.0% in 1999 from 24.3% in 1998. This decrease happened primarily because our comparable store net sales allowed us to leverage our fixed costs. Depreciation and amortization increased \$7.6 million, to 2.3% as a percentage of net sales in 1999 from 2.2% in 1998. This percentage increase is

mainly the result of depreciation related to the Olive Branch facility.

During 1999, we recorded a \$1.3 million loss contingency in selling, general and administrative expenses due to our uncertainty about being able to sublease our Sacramento facility for an amount that would cover our remaining payments. During 1998, we recorded a \$1.1 million loss contingency in selling, general and administrative expenses because we were not certain that we could sublease our Memphis facility for an amount that would cover our remaining payments. The Memphis facility experienced favorable developments in 1999, which reduced the loss contingency approximately \$0.7 million. See "Inflation and Other Economic Factors" on page 20.

Operating Income. Our operating income increased \$42.0 million, or 34.9%, in 1999 as compared to 1998. As a percentage of net sales, operating income increased to 13.6% in 1999 compared to 12.8% in 1998. Excluding merger related items, operating income increased to \$163.5 million in 1999 from \$125.7 million in 1998 and increased as a percentage of net sales to 13.6% from 13.3%. These increases were attributable to our improved gross profit margin and the decrease in our selling, general and administrative expenses as a percentage of net sales discussed above.

Interest Income/Expense. Interest expense decreased \$0.4 million to \$4.5 million in 1999 from \$4.9 million in 1998. Interest income increased \$1.1 million to \$1.7 million in 1999 from \$0.6 million in 1998. The increase in interest income and the decrease in interest expense each resulted from lower levels of debt in 1999 compared to 1998, creating a higher cash position in 1999 compared to 1998.

1998 Compared to 1997

Net Sales. Net sales increased 26.6% to \$944.1 million for 1998 from \$745.6 million for 1997. We attribute this \$198.5 million increase to two factors:

- o Approximately 80% of the increase came primarily from stores opened in 1998 and 1997, which are not included in our comparable store net sales calculation.

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- o Approximately 20% of the increase came from comparable store net sales growth. Comparable store net sales increased 6.8% during 1998. This comparable store net sales calculation includes sales at 98 Cent Clearance Center stores for the 11-month periods ended December 31, 1998 and December 31, 1997.

We believe net sales increased in comparable stores because:

- o We stocked a more consistent quantity of consumable products during the first half of 1998.
- o Customers purchased a higher average number of items, and more customers visited our stores.
- o The number of days in the Easter selling season increased because Easter shifted to April 12 in 1998 from March 30 in 1997.
- o We continued to improve the quality and variety of merchandise offered in our stores.

We opened 220 new stores and closed seven stores during 1998, compared to 166 new stores opened and one store closed the previous year. We acquired nine of the new stores in 1998 from two small dollar store operators.

Gross Profit. Gross profit increased \$82.8 million, or 30.5%, in 1998 as compared to 1997. Our gross profit margin increased to 37.5% in 1998 from 36.3% in 1997. If you exclude merger related costs otherwise included in cost of sales (related to merchandise markdowns), the gross profit margin increased to 37.6%. This increase occurred mainly because certain costs declined as a percentage of net sales:

- o Our increased sales volume gave us greater buying power with merchandise vendors, which in turn lowered our overall merchandise costs expressed as a percentage of net sales. We believe that favorable foreign currency rates had only a minor effect on the lower cost of our imported goods.
- o We imported a higher percentage of our goods.
- o We experienced lower occupancy costs expressed as a percentage of net sales because occupancy costs tend to be mostly fixed. The ability to lower fixed costs as a percentage of net sales because of a growth in sales is known in the industry as "leverage."

In 1998, we brought in a larger than usual amount of imports compared to

1997, which generally cost less than domestic product, and these goods improved our gross profit margin for the year. Consumable products are generally domestically produced and carry a higher cost than imports.

In May 1998, certain ocean shippers increased freight charges by \$300 per container. The higher charges, which apply only to imported goods, added approximately \$700,000 to our freight costs in 1998.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$49.0 million, or 26.6%, in 1998 as compared to 1997. As a percentage of net sales, selling, general and administrative expenses remained constant at 24.7%. If you exclude merger related expenses, selling, general and administrative expenses decreased as a percentage of net sales to 24.2% in 1998 from 24.7% in 1997. This decline happened primarily because we were able to leverage fixed costs across a higher sales volume because of a high comparable store net sales increase. Depreciation and amortization increased \$6.0 million, to 2.2% as a percentage of net sales in 1998 from 1.9% in 1997. This percentage increase is mainly the result of depreciation related to the Chesapeake Store Support Center.

Operating Income. Our operating income increased \$33.8 million, or 38.9%, in 1998 as compared to 1997. As a percentage of net sales, operating income increased to 12.8% in 1998 from 11.6% in 1997. If you exclude merger related items, operating income increased to \$125.7 million in 1998 from \$86.7 million in 1997 and increased as a percentage of net sales to 13.3% from 11.6%. These increases were attributable to our improved gross profit margin and the decrease in our selling, general and administrative expenses as a percentage of net sales discussed above.

Interest Income/Expense. Interest income increased \$0.5 million to \$0.6 million in 1998 from \$0.1 million in 1997. This increase was primarily a result of an increased net cash position in the fourth quarter of 1998 compared to 1997. Interest expense increased \$1.3 million to \$4.9 million in 1998 from \$3.6 million in 1997. This increase was primarily a result of higher levels of debt in 1998 compared to 1997 resulting from borrowings related to our two new distribution centers. In 1998, we capitalized \$402,000 of interest relating to the construction of the Olive

Branch facility compared with \$916,000 of interest capitalized in 1997 related to the construction of the Chesapeake Store Support Center.

Liquidity and Capital Resources

Overview

Our business requires capital primarily to open new stores and operate existing stores. Our working capital requirements for existing stores are seasonal 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 funded our store expansion program from internally generated funds and borrowings under our credit facilities.

The following table compares certain cash-related information for 1999, 1998, and 1997:

	1999 ----	1998 ----	1997 ----
	(in millions)		
Net cash provided by (used in):			
Operating activities.....	\$120.7	\$ 71.0	\$ 70.5
Investing activities.....	(48.1)	(53.4)	(60.0)
Financing activities.....	29.2	9.4	29.4

We generally expended net cash used in investing activities to open new stores and to meet the following additional needs:

- o \$17.9 million for part of the construction of the Olive Branch distribution center in 1998 and another \$1.4 million on that project in 1999; and
- o \$30.0 million for the construction of the Chesapeake Store Support Center in 1997.

Net cash provided by financing activities reflects cash which came from sources other than normal operations. We obtained cash from the exercise of stock options and the following sources:

- o \$21.6 million from the sale and leaseback of some of our retail store leasehold improvements in 1999;
- o \$2.5 million in 1999 and \$16.5 million in 1998 from the issuance of

callable bonds related to the construction of the Olive Branch facility; and

- o \$30.0 million from the issuance of senior notes in 1997.

Our borrowings under our bank facility, senior notes and bonds were \$49.0 million at December 31, 1999 and \$46.5 million at December 31, 1998. At December 31, 1999, we had an additional \$135.0 million available through our bank facility. Of this amount, approximately \$42.4 million is committed to letters of credit issued for the routine purchase of imported merchandise.

Funding Requirements

We expect to expand by approximately 225 to 235 stores during 2000. In 1999, the average investment per new store, including capital expenditures, initial inventory and pre-opening costs, was approximately \$211,000 per store. Of our new Dollar Tree stores in 1999, 35 were a slightly larger format than our traditional prototype. Average investment for these larger stores was approximately \$307,000. We expect our cash needs for opening new stores in 2000, including approximately 90 to 100 of the larger format stores, to total approximately \$58.0 million and we have budgeted \$36.5 million for capital expenditures and \$21.5 million for initial inventory and pre-opening costs. Our total planned capital expenditures for 2000 are approximately \$77.5 million, including planned expenditures for expanded and relocated stores, additional equipment for the distribution centers, computer system upgrades, expanding the Store Support Center in Chesapeake and remodeling and upgrading the Only \$One stores.

We believe that we can adequately fund our planned capital expenditures and working capital requirements for the next several years from net cash provided by operations and borrowings under our credit facility.

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Bank Credit Facility. During September 1996, we entered into an amended and restated credit agreement with our banks which currently provides for a \$135.0 million unsecured revolving credit facility to be used for working capital, letters of credit and development needs, bearing interest at the agent bank's prime rate or LIBOR plus a spread, at our option. As of December 31, 1999, the interest rate was approximately 7.0%. The credit agreement, among other things, requires the maintenance of certain specified ratios, restricts the payments of cash dividends and other distributions, limits the amount of debt, and, through March 1, 2000, requires that aggregate borrowings must be paid down to a specified amount for at least 30 consecutive days at any time between December 1 and March 1. The facility matures May 31, 2002.

During 1998, our banks agreed to remove the requirement that our founding shareholders maintain a minimum beneficial ownership in the company and to eliminate requirements which restricted the amount of our capital expenditures.

Operating Lease Agreements. During June 1999, we entered into an \$18.0 million operating lease agreement to finance the construction of a new distribution center in Stockton, California. In January 2000, we entered into a \$35.0 million operating lease agreement to finance the construction of a new distribution center in Savannah, Georgia. Under these agreements the lessor purchases the property, pays for the construction costs and subsequently leases the facility to us.

Sale-Leaseback Transaction. In September 1999, we sold some of our retail store leasehold improvements to an unrelated third party and leased them back for seven years. We have an option to repurchase the leasehold improvements at the end of the fifth and seventh years at amounts approximating their fair market values at the time the option is exercised. This transaction is treated as a financing arrangement. The total amount of the lease obligation is \$29.0 million. We are required to make monthly lease payments of \$438,000 in years one through five and \$638,000 in years six and seven. As a result of the transaction, we received net cash of \$20.9 million and an \$8.1 million 11% note receivable which matures in September 2006 and is included in "other assets, net."

Revenue Bond Financing. In May 1998, we entered into an agreement with the Mississippi Business Finance Corporation under which it issued \$19.0 million of Taxable Variable Rate Demand Revenue Bonds. We used the proceeds from the bonds to finance the acquisition, construction and installation of land, buildings, machinery and equipment for our new distribution facility in Olive Branch, Mississippi. At December 31, 1999, the balance outstanding on the bonds was \$19.0 million. We begin repayment of the principal amount of the bonds on June 1, 2006, with a portion maturing each June 1 until the final portion matures on June 1, 2018. The bonds do not have a prepayment penalty as long as the interest rate remains variable. The bonds contain a demand provision and, therefore, outstanding amounts are classified as current liabilities. We pay interest monthly based on a variable interest rate which was 6.9% at December 31, 1999. The bonds are supported by a \$19.3 million letter of credit issued by one of our

existing lending banks. The letter of credit is renewable annually. The letter of credit and reimbursement agreement requires that we maintain certain specified ratios and restricts our ability to pay dividends.

In April 1999, we entered into an interest rate swap agreement that converts a portion of the Demand Revenue Bonds to a fixed rate and reduces our exposure to changes in interest rates. Under this agreement, as amended, we pay interest to the bank which provided the swap at a fixed rate of 4.99%. In exchange, the bank pays us at a variable interest rate, which is similar to the rate on the Demand Revenue Bonds and was 6.5% at December 31, 1999. A maximum variable interest rate was set, such that no payments are made by either party under the swap for monthly periods with an established interest rate greater than 8.28%. The variable interest rate on the interest rate swap is set monthly. The swap expires April 1, 2009; however, it may be canceled by us or the bank and settled for the fair value of the swap as determined by market rates.

Debt Securities. In April 1997, we issued \$30.0 million of 7.29% unsecured senior notes. We used the proceeds to pay down a portion of the revolving credit facility, which enabled us to use that credit facility to fund capital expenditures for the Chesapeake corporate headquarters and distribution center. We pay interest on the notes semiannually on April 30 and October 30 each year and will pay principal in five equal installments of \$6.0 million beginning April 30, 2000. The note holders have the right to require us to prepay the notes in full without premium upon a change of control or upon certain asset dispositions or certain other transactions we may make. The note agreements prohibit certain mergers and consolidations in which our company is not the surviving company, require that we maintain certain specified ratios, require that the notes rank on par with other debt and limit the amount of debt we can incur. In the event of default or a prepayment at our option, we must pay a prepayment penalty equal to a make-whole amount.

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Seasonality and Quarterly Fluctuations

We experience seasonal fluctuations in our net sales growth, comparable store net sales, operating income and net income. Management expects this trend to continue. Our results of operations may also fluctuate significantly as a result of a variety of factors, including:

- o shifts in the timing of certain holidays, especially Easter, which may fall in different quarters from year to year;
- o the timing of new store openings;
- o the net sales contributed by new stores;
- o changes in our merchandise mix; and
- o competition.

Our highest sales periods are the Christmas and Easter seasons. We generally realize a disproportionate amount of our net sales and a substantial majority of our operating and net income during the fourth quarter. In anticipation of increased sales activity during these months, we purchase substantial amounts of inventory and hire a significant number of temporary employees to supplement our permanent store staff. Our operating results, particularly operating and net income, could suffer if our net sales were below seasonal norms during the fourth quarter or Easter season for any reason, including merchandise delivery delays due to receiving or distribution problems. Historically, net sales, operating income and net income have been weakest during the first quarter. We expect this trend to continue.

Our unaudited results of operations for the eight most recent quarters are shown in a table in Footnote 12 of the consolidated financial statements in Item 8 of this Form 10-K. To reconcile the combined company's quarterly information with that previously reported by Dollar Tree, refer to our Form 8-K, filed on July 22, 1999, which includes quarterly information for the combined companies.

Inflation and Other Economic Factors

Our ability to provide quality merchandise at a fixed price point is subject to certain economic factors which are beyond our control, including inflation, operating costs, consumer confidence and general economic conditions. These factors may not remain favorable. In particular, ocean shipping costs, hourly minimum wage rates, or other costs may not remain at current levels.

Ocean Shipping Costs. In May 1998, a trans-Pacific ocean-shipping cartel imposed a freight increase of \$300 per container on United States imports from Asia. In May 1999, the cartel imposed a further increase of \$900 per container for shipments from Asia to the West Coast of the United States and \$1,000 for shipments to the East Coast, with a \$300 per container surcharge during the peak shipping season from June 1 through November 30. Management believes the higher rates will increase our shipping costs by approximately \$2.0 to \$3.0 million

during the first three quarters of 2000 as compared to the first three quarters of 1999. The shipping cartel could seek a further rate increase in the future.

Minimum Wage. The federally mandated minimum wage increased by \$0.50 per hour on October 1, 1996 and by an additional \$0.40 per hour on September 1, 1997. These changes increased payroll costs by approximately \$5 million in 1998. In February 2000, the United States Senate approved a proposal increasing the federal minimum wage by \$1.00 an hour over three years. In March 2000, the House of Representatives approved a proposal increasing the federal minimum wage by \$1.00 per hour over two years. Differences between the two bills need to be settled before a final bill is sent to the President for approval. Although our average hourly rate is significantly higher than the federal minimum wage, an increase in the minimum wage, if eventually passed into law, could have a significant impact on our payroll costs.

Leases for Replaced Distribution Centers. We are liable for rent and pass-through costs under leases for our former distribution center in Memphis through September 2005 and in Sacramento through June 2008. Annual rent and pass-through costs are approximately \$745,000 for the Memphis facility and \$585,000 for the Sacramento facility. We have recorded loss contingencies for each of these leases considering current market conditions and probable sublease income at each location. If an acceptable sublease is not obtained in Sacramento, we could record up to \$250,000 in selling, general and administrative expenses in 2000. If an acceptable sublease is not obtained in Memphis beyond December 2000, we could record up to \$350,000 in selling, general and administrative expenses in 2000.

Unless offsetting cost savings are realized (and we can give no assurance that they will be), an increase in inflation, minimum wage levels, shipping costs or other operating costs, or a

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decline in consumer confidence or general economic conditions, could have a material adverse effect on our financial condition and results of operations.

Year 2000 Compliance

We use a large number of computer software programs throughout our entire organization, such as purchasing, distribution, retail store management, financial business systems and various administrative functions. We developed some of these programs in-house and bought others from vendors. At one time, most computer programs were written to store only two digits of date-related information in order to more efficiently handle and sort data. As a result, these programs were unable to properly distinguish between dates occurring in the year 1900 and dates occurring in the year 2000. This is referred to as the "Year 2000 problem."

In preparation for Year 2000, we evaluated and adjusted all known date-sensitive systems and equipment for Year 2000 compliance. We relied primarily on internal resources to identify, correct or reprogram and test systems for Year 2000 compliance. Through December 31, 1999, we spent less than \$150,000 in modifying our systems for the Year 2000, and we do not expect to incur any additional costs.

We have not encountered any business interruptions due to Year 2000 problems. However, it is too early to conclude these interruptions will not occur. We are unable to assess fully the potential effect of Year 2000 problems on our international suppliers, particularly in China. We also cannot predict the duration or severity of any disruptions which may occur in China or the home countries of our other overseas suppliers. In the event we experience business interruptions resulting from Year 2000 problems, we are prepared to enact contingency plans developed during the Year 2000 project. This Year 2000 Compliance section is a Year 2000 readiness disclosure as defined under the Year 2000 Information and Readiness Disclosure Act of 1998.

New Accounting Pronouncements

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes standards for derivative instruments and hedging activities and requires that companies recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement goes into effect on January 1, 2001. We do not expect that the implementation of this pronouncement will have a material impact on our financial condition or results of operations.

Recently Issued Securities

During the quarter ended June 30, 1999, we issued an aggregate of 501,600 shares of our common stock in connection with the purchase of the capital stock of Tehan's Merchandising, Inc. The shares were issued pursuant to an exemption by reason of Section 4(2) of the Securities Act of 1933. These sales were made without general solicitation or advertising. Each purchaser was an accredited investor or a sophisticated investor with access to all relevant information

necessary. We have filed a Registration Statement on Form S-3 covering the resale of such securities.

During the quarter ended September 30, 1999, we granted an option to two owners of a business we acquired to purchase 3,000 shares of our common stock at an exercise price of \$42.875 per share. The option was issued pursuant to an exemption by reason of Section 4(2) of the Securities Act of 1933. The issuance was made without general solicitation or advertising. The holders are accredited investors or sophisticated investors with access to all relevant information necessary.

Item 7A. 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 foreign currency rate fluctuations. We have the option of entering into interest rate swaps to manage exposure to interest rate changes, and we may employ other risk management strategies, including the use of foreign currency forward contracts. We do not enter into derivative instruments for any purpose other than cash flow hedging purposes. We do not hold derivatives for trading purposes.

Interest Rate Risk

We have financial instruments that are subject to interest rate risk, comprised of debt obligations issued at variable and fixed rates. Based on amounts outstanding on our fixed rate debt obligations at December 31, 1999, our exposure to interest rate risk is not considered material.

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We use variable-rate debt to finance our operations. In particular, we have issued variable-rate long-term revenue bonds. This obligation exposes us to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases. We believe it is beneficial to limit the variability of a portion of our interest payments.

To meet this objective, we entered into a derivative instrument in the form of an interest rate swap to manage fluctuations in cash flows resulting from interest rate risk. The interest rate swap changes the variable rate cash flow exposure on the variable-rate debt to fixed-rate cash flows by entering into a receive-variable, pay-fixed interest swap. Under the interest rate swap, we receive variable interest rate payments and make fixed interest rate payments, thereby creating fixed rate bonds. Under the interest rate swap, we pay the bank at a fixed rate of 4.99% and receive variable interest at a rate approximating the variable rate on the hedged cash flows. No payments are made by either party under the swap for monthly periods in which the variable interest rate is greater than 8.28%. As a result, we will not experience a negative cash flow or income statement impact unless the variable interest rate increases to greater than 8.28%. The variable rate under the swap was 6.5% for the month of December 1999. We assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows.

Foreign Currency Risk

Although we purchase most of our imported goods with U.S. dollars, we are subject to foreign currency exchange rate risk relating to payments to a supplier in Italian lire. As a general policy, we substantially hedge foreign currency commitments of future payments by purchasing foreign currency forward contracts. On December 31, 1999, we had one contract outstanding for \$793,000. Less than one percent of our expenditures are contracted in Italian lire and the market risk exposure relating to currency exchange is not material.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Balance Sheets as of December 31, 1999 and 1998.....	25
Consolidated Income Statements for the years ended December 31, 1999, 1998 and 1997.....	26
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999, 1998 and 1997.....	27
Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997.....	28

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Dollar Tree Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Dollar Tree Stores, Inc. and subsidiaries (the Company) as of December 31, 1999 and 1998, and the related consolidated income statements and statements of shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dollar Tree Stores, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

Norfolk, Virginia
January 24, 2000

<TABLE>
<CAPTION>

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998

	1999 ----	1998 ----
	(In thousands, except share data)	
ASSETS		
Current assets:		
<S> Cash and cash equivalents.....	<C> \$ 176,514	<C> \$ 74,644
Merchandise inventories.....	174,582	142,706
Deferred tax asset (Note 3).....	5,398	6,709
Prepaid expenses and other current assets.....	13,001	7,451
	-----	-----
Total current assets	369,495	231,510
	-----	-----
Net property and equipment (Notes 4 and 5).....	144,023	122,503
Deferred tax asset (Note 3).....	-	2,194
Goodwill, net of accumulated amortization (Note 2).....	42,394	42,551
Other assets, net (Note 2).....	15,216	6,429
	-----	-----
TOTAL ASSETS.....	\$ 571,128	\$ 405,187
	=====	=====

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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

<S>	<C>	<C>
Accounts payable.....	\$ 63,170	\$ 53,030
Income taxes payable (Note 3).....	28,063	21,353
Other current liabilities (Note 5).....	29,034	25,988
Current portion of long-term debt (Note 6).....	26,500	16,500
Current installments of obligations under capital leases (Note 4).....	3,183	457
	-----	-----
Total current liabilities.....	149,950	117,328
Long-term debt, excluding current portion (Note 6).....	24,000	30,000
Obligations under capital leases, excluding current installments (Note 4).....	28,375	2,469
Deferred tax liability (Note 3).....	1,182	-
Other liabilities.....	6,650	6,574
	-----	-----
Total liabilities.....	210,157	156,371
	-----	-----

Commitments, contingencies and subsequent event (Notes 1, 4, 6, 8, 10 and 11)

Shareholders' equity (Notes 2, 7, 8 and 10):

Common stock, par value \$0.01. Authorized 300,000,000 shares, 62,111,143 shares issued and outstanding at December 31, 1999; and authorized 100,000,000 shares, 61,380,418 shares issued and outstanding at December 31, 1998.....	621	614
Additional paid-in capital.....	72,539	53,030
Retained earnings.....	287,811	195,172
	-----	-----
Total shareholders' equity.....	360,971	248,816
	-----	-----

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 571,128	\$ 405,187
	=====	=====

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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<TABLE>
<CAPTION>

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

Years ended December 31, 1999, 1998 and 1997

	1999	1998	1997
	----	----	----
	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
Net sales.....	\$ 1,197,960	\$ 944,122	\$ 745,590
Cost of sales.....	746,463	589,080	474,612
Merger related costs (Note 2).....	443	1,301	-
	-----	-----	-----
Gross profit.....	451,054	353,741	270,978
	-----	-----	-----
Selling, general and administrative expenses (Notes 4, 7, and 9):			
Operating expenses.....	259,917	208,782	169,792
Merger related expenses (Note 2).....	607	4,024	-
Depreciation and amortization (Note 2).....	28,117	20,518	14,523
	-----	-----	-----
Total selling, general and administrative expenses.....	288,641	233,324	184,315
	-----	-----	-----
Operating income.....	162,413	120,417	86,663
Interest income.....	1,717	596	145
Interest expense (Note 6).....	(4,522)	(4,927)	(3,554)

Income before income taxes.....	159,608	116,086	83,254
Provision for income taxes (Note 3).....	61,090	44,533	31,295
	-----	-----	-----
Net income.....	\$ 98,518	\$ 71,553	\$ 51,959
	=====	=====	=====
Net income per share (Note 8):			
Basic net income per share.....	\$ 1.59	\$ 1.17	\$ 0.86
	=====	=====	=====
Diluted net income per share.....	\$ 1.45	\$ 1.06	\$ 0.78
	=====	=====	=====
Pro forma income data (Note 2):			
Net income.....	\$ 98,518	\$ 71,553	\$ 51,959
Pro forma adjustment for C-corporation income taxes.....	505	1,025	782
	-----	-----	-----
Pro forma net income.....	\$ 98,013	\$ 70,528	\$ 51,177
	=====	=====	=====
Pro forma basic net income per share.....	\$ 1.58	\$ 1.15	\$ 0.84
	=====	=====	=====
Pro forma diluted net income per share.....	\$ 1.44	\$ 1.04	\$ 0.76
	=====	=====	=====
Weighted average number of common shares outstanding.....	61,839	61,185	60,714
	=====	=====	=====
Weighted average number of common shares and dilutive potential common shares outstanding.....	68,135	67,626	66,982
	=====	=====	=====

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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<TABLE>
<CAPTION>

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 1999, 1998 and 1997

Shareholders'	Common	Common	Additional	Retained	Equity
	Stock	Stock	Paid-in	Earnings	
	Shares	Stock	Capital	Earnings	Equity
	-----	-----	-----	-----	-----
(In thousands, except share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1996.....	60,381,297	\$ 268	\$ 33,818	\$ 73,985	\$ 108,071
Transfer from additional paid-in capital for Common Stock dividend.....	-	135	(135)	-	-
Net income for the year ended December 31, 1997.....	-	-	-	51,959	51,959
Shareholder distributions (Note 2).....	-	-	-	(950)	(950)
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	26,078	-	358	-	358
Exercise of stock options, including income tax benefit of \$2,752 (Note 10).....	466,901	2	4,917	-	4,919
	-----	---	-----	-----	-----
Balance at December 31, 1997.....	60,874,276	405	38,958	124,994	164,357
Transfer from additional paid-in capital for Common Stock dividend.....	-	198	(198)	-	-
Net income for the year ended December 31, 1998.....	-	-	-	71,553	71,553
Shareholder distributions (Note 2).....	-	-	-	(1,375)	(1,375)
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	24,235	7	634	-	641
Grant of stock options under the 1998					

Special Stock Option Plan (Note 10).....	-	-	4,413	-	4,413
Exercise of stock options, including income tax benefit of \$4,916 (Note 10).....	481,907	4	9,223	-	9,227
	-----	---	-----	-----	-----
Balance at December 31, 1998.....	61,380,418	614	53,030	195,172	248,816
Termination of Only \$One S-corporation status.....	-	-	4,469	(4,469)	-
Net income for the year ended December 31, 1999.....	-	-	-	98,518	98,518
Shareholder distributions (Note 2).....	-	-	-	(1,410)	(1,410)
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	30,437	-	838	-	838
Exercise of stock options, including income tax benefit of \$6,278 (Note 10).....	700,288	7	14,202	-	14,209
	-----	---	-----	-----	-----
Balance at December 31, 1999.....	62,111,143	\$ 621	\$ 72,539	\$ 287,811	\$ 360,971
	=====	===	=====	=====	=====

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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<TABLE>
<CAPTION>

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1999, 1998 and 1997

	1999	1998	1997
	----	----	----
	(In thousands)		
Cash flows from operating activities:			
<S> Net income	<C> \$ 98,518	<C> \$ 71,553	<C> \$ 51,959
	-----	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	28,117	20,518	14,523
Loss on disposal of property and equipment.....	1,221	2,814	305
Provision for deferred income taxes.....	4,687	(1,207)	(3,503)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:			
Merchandise inventories.....	(31,148)	(31,886)	(20,537)
Prepaid expenses and other current assets.....	(6,382)	(558)	1,691
Other assets.....	307	247	(351)
Accounts payable.....	9,968	(2,010)	10,303
Income taxes payable.....	12,988	6,682	9,366
Other current liabilities.....	3,046	4,538	5,281
Other liabilities.....	(597)	351	1,437
	-----	-----	-----
Total adjustments.....	22,207	(511)	18,515
	-----	-----	-----
Net cash provided by operating activities.....	120,725	71,042	70,474
	-----	-----	-----
Cash flows from investing activities:			
Acquisition, net of cash acquired.....	(320)	-	-
Capital expenditures.....	(47,931)	(53,562)	(60,118)
Proceeds from sale of property and equipment.....	172	174	159
	-----	-----	-----
Net cash used in investing activities.....	(48,079)	(53,388)	(59,959)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from sale-leaseback transaction.....	21,605	-	-
Proceeds from long-term debt.....	19,400	202,300	236,600
Payment of long-term debt and facility fees.....	(18,041)	(186,030)	(209,803)
Net change in notes payable to bank.....	-	(10,045)	1,359
Principal payments under capital lease obligations.....	(1,099)	(425)	(305)
Proceeds from stock issued pursuant to stock-based compensation plans.....	8,769	4,927	2,510
Distributions paid.....	(1,410)	(1,375)	(950)
	-----	-----	-----
Net cash provided by financing activities.....	29,224	9,352	29,411

Net increase in cash and cash equivalents.....	101,870	27,006	39,926
Cash and cash equivalents at beginning of year.....	74,644	47,638	7,712
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 176,514	\$ 74,644	\$ 47,638
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amount capitalized.....	\$ 4,729	\$ 4,389	\$ 4,276
	=====	=====	=====
Income taxes.....	\$ 43,100	\$ 39,154	\$ 25,257
	=====	=====	=====

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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DOLLAR TREE STORES, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Dollar Tree Stores, Inc. (DTS or the Company) owns and operates, in one business segment, discount variety retail stores which sell substantially all items for \$1.00. The Company operates under the names of Dollar Tree, Dollar Bills, Only \$One and Only One Dollar. The Company's headquarters and one of its distribution centers are located in Chesapeake, Virginia. The Company also operates distribution centers in Olive Branch, Mississippi, in the Chicago, Illinois area and in Stockton, California. Most of the Company's stores are located in the eastern half of the United States and in northern and central California and Nevada. The Company's merchandise includes housewares, candy and food, seasonal goods, health and beauty care, toys, party goods, gifts, stationery and other consumer items. A slight majority of the Company's merchandise is imported, primarily from China. The Company is not dependent on a few suppliers.

Principles of Consolidation

At December 31, 1999, DTS has three wholly owned subsidiaries, Dollar Tree Management, Inc. (DTM), Dollar Tree Distribution, Inc. (DTD) and Dollar Tree New York, Inc. (DTN). DTM provides management, accounting and administrative services to DTS for a fee and DTD provides merchandise procurement, purchasing, warehousing and distribution services to DTS for a fee. DTN owns and operates discount variety retail stores under the name Only \$One and was merged with and into DTS on January 1, 2000. Effective October 29, 1996, DTD established a wholly owned subsidiary, Dollar Tree Properties, Inc. (DTP). DTP is organized as a real estate holding company and owns certain undeveloped property. The consolidated financial statements include the financial statements of Dollar Tree Stores, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

On December 10, 1998, Dollar Tree West, Inc. (DTW), a former wholly owned subsidiary, completed a merger, which was accounted for as a pooling of interests, with Step Ahead Investments, Inc. (98 Cent Clearance Center) in which 98 Cent Clearance Center became a wholly owned subsidiary of DTS. 98 Cent Clearance Center operated 66 stores in northern and central California and Nevada under the name "98 Cent Clearance Center." Prior to the merger, 98 Cent Clearance Center's fiscal year end was the 52-week period ending on the last Sunday in January. As a result of the merger, the Company's consolidated financial statements were restated to retroactively combine 98 Cent Clearance Center's financial statements as if the merger had occurred at the beginning of the earliest period presented.

On June 30, 1999, DTN completed a merger, which was accounted for as a pooling of interests, with privately-held Tehan's Merchandising, Inc. (Only \$One), in which Only \$One became a wholly owned subsidiary of DTS. Only \$One operated 24 stores in New York state under the name "Only \$One." As a result of the merger, the Company's consolidated financial statements have been restated to retroactively combine Only \$One's financial statements as if the merger had occurred at the beginning of the earliest period presented.

The consolidated income statement and statements of shareholders' equity and cash flows for the year ended December 31, 1998 reflect the results of operations and cash flows for Dollar Tree Stores, Inc. for the year then ended

combined with 98 Cent Clearance Center for the 11-month period ended December 31, 1998. The consolidated income statements, statements of shareholders' equity and cash flows for the year ended December 31, 1997 reflect the results of operations and cash flows for Dollar Tree Stores, Inc. for the year then ended combined with 98 Cent Clearance Center for the fiscal year ended January 25, 1998.

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 1999 and 1998 includes \$162,755 and \$64,200, respectively, of investments in money market securities and bank participation agreements which are valued at cost, which approximates market. The underlying assets of these short-term participation agreements are primarily commercial notes. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is assigned to store inventories using the retail inventory method, determined on a first-in, first-out (FIFO) basis. Costs directly associated with warehousing and distribution are capitalized as merchandise inventories. Total warehousing and distribution costs capitalized into inventories amounts to \$8,347 and \$7,790 at December 31, 1999 and 1998, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings.....	39 years
Furniture, fixtures and equipment.....	3 to 7 years
Transportation vehicles.....	4 to 6 years

Leasehold improvements and assets held under capital leases are amortized over the estimated useful lives of the respective assets or terms of the related leases, whichever is shorter.

Costs incurred related to software developed for internal use are capitalized and depreciated over three years. Costs capitalized include those incurred in the application development stage.

Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. In 1998 and 1997, \$402 and \$916, respectively, of interest cost was capitalized; no interest was capitalized in 1999.

Goodwill

Goodwill, which represents the excess of acquisition cost over the fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 20 to 25 years. If events indicate the carrying amount of goodwill will not be recoverable, the Company assesses the recoverability by comparing the carrying amount of the asset to expected future net undiscounted cash flows of the acquired organization. The recoverability of goodwill will be impacted if estimated future net cash flows are not achieved. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of capital. Accumulated amortization relating to goodwill approximates \$7,593 and \$5,619 at December 31, 1999 and 1998, respectively.

Financial Instruments

The Company utilizes derivative financial instruments to reduce its exposure to market risks from changes in interest rates. By entering into a receive-variable, pay-fixed interest rate swap, the Company changed the variable rate cash flow exposure on certain variable-rate debt to fixed rate cash flows. The Company is exposed to credit related losses in the event of non-performance by the counterparty to the interest rate swap; however, the counterparty is a major financial institution, and the risk of loss due to non-performance is considered remote. Interest rate differentials paid or received on the swap are recognized as adjustments to interest expense in the period earned or incurred. The Company does not speculate using derivative instruments in the form of interest rate swaps; therefore, these swaps are not recorded in the Company's balance sheet. The Company had no interest rate derivative instruments outstanding at December 31, 1998.

The Company enters into foreign exchange forward contracts to hedge off-balance sheet foreign currency denominated purchase commitments from suppliers. The contracts are exclusively for Italian lire. The terms of these contracts are generally less than three months. Gains and losses on these contracts are not recognized until included in the measurement of the related foreign currency transaction. At December 31, 1999, open foreign exchange contracts of approximately \$793 were recorded based on current conversion rates in prepaid expenses and other current assets and accounts payable. There were no open exchange contracts at December 31, 1998.

Cost of Sales

The Company includes the cost of merchandise, warehousing and distribution costs, and certain occupancy costs in cost of sales.

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Store Opening Costs

The Company expenses store opening costs as they are incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date of such change.

Stock-Based Compensation

The Company has elected to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related Interpretations in accounting for certain stock-based compensation plans as permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The Company has adopted the disclosure-only provisions of SFAS No. 123.

Net Income Per Share

Basic net income per share has been computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share reflects the potential dilution that could occur assuming the inclusion of dilutive potential common shares and has been computed by dividing net income by the weighted average number of common shares and dilutive potential common shares outstanding. Dilutive potential common shares include all outstanding stock options and warrants after applying the treasury stock method.

New Accounting Standards

The Financial Accounting Standards Board (FASB) has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," an Amendment of SFAS No. 133, which defers the effective date of SFAS No. 133 to all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not expect the implementation of these pronouncements to have a material effect on the Company's financial condition and results of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. In addition, the Company has contingent liabilities related to legal proceedings and other matters arising from the normal course of operations. Management does not expect that amounts, if any, which may be required to satisfy such contingencies will be material in relation to the accompanying consolidated financial statements.

Reclassifications

Certain 1998 and 1997 amounts have been reclassified for comparability with the 1999 financial statement presentation.

98 Cent Clearance Center Merger

On December 10, 1998, the Company completed the merger with 98 Cent Clearance Center. The merger qualified as a tax-free exchange and was accounted for as a pooling of interests. DTS issued 1.1212 shares of the Company's common stock for each share of 98 Cent Clearance Center outstanding common and preferred stock. A total of 1,662,740 of the Company's common stock was issued as a result of the merger and 98 Cent Clearance Center's outstanding stock options were

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converted into options to purchase 323,207 common shares of the Company. In addition, the Company issued options to certain former shareholders of 98 Cent Clearance Center in exchange for non-competition agreements and a consulting agreement. Included in other assets at December 31, 1998 is the fair value of these agreements of \$4,413 which is being amortized, generally, over a ten-year period. At December 31, 1999, the carrying value of these agreements is \$3,930, net of \$483 of accumulated amortization. The recording of these non-competition agreements did not involve the use of cash and, accordingly, has been excluded from the accompanying consolidated statements of cash flows. In connection with the merger, the Company incurred \$5,325 (\$4,201 after taxes or \$0.06 diluted net income per share) of merger related costs and expenses, consisting primarily of professional fees and writedowns of inventory and fixed assets, which were charged to operations during the year ended December 31, 1998.

Only \$One Merger

On June 30, 1999, the Company completed the merger with Only \$One. The merger qualified as a tax-free exchange of stock and was accounted for as a pooling of interests. The Company issued 501,600 shares of its common stock for all of the Only \$One outstanding common stock. In connection with the merger, the Company incurred approximately \$1,050 (\$792 after taxes or \$0.01 diluted net income per share) of merger related costs and expenses, consisting primarily of professional fees and writedowns of inventory, which were charged to operations during the year ended December 31, 1999.

Prior to June 30, 1999, Only \$One was treated as an S-corporation for federal and state income tax purposes. As such, income of Only \$One for periods prior to June 30, 1999 was taxable to the Only \$One shareholders, rather than to Only \$One. Effective with the Company's merger with Only \$One, Only \$One became a C-corporation. The pro forma provisions for income taxes presented in the consolidated income statements represent an estimate of the taxes that would have been recorded had Only \$One been a C-corporation prior to the merger on June 30, 1999. Distributions paid presented in the consolidated statements of cash flows represent distributions paid to the Only \$One shareholders for payment of their pass-through tax liabilities.

The following table presents a reconciliation of net sales and net income previously reported in the Company's 1998 Annual Report to those presented in the accompanying consolidated financial statements.

	For the year ended December 31,	
	1998	1997
	----	----
Net sales:		
DTS.....	\$ 918,807	\$ 723,202
Only \$One	25,315	22,388
	-----	-----
Combined.....	\$ 944,122	\$ 745,590
	=====	=====
Net income:		
DTS.....	\$ 68,890	\$ 49,928
Only \$One.....	2,663	2,031
	-----	-----
Combined.....	\$ 71,553	\$ 51,959
	=====	=====

Other

On July 6, 1999, the Company acquired all of the assets and liabilities of a small dollar store operator for approximately \$2,600 in cash and forgiveness of receivables. The acquisition was accounted for as a purchase. The purchase price was allocated to the assets acquired based on their estimated fair market values. The excess of the purchase price over the fair value of the net assets acquired (goodwill) was approximately \$1,800. The goodwill is being amortized over 20 years. The operating results of the acquired company are included in the Company's operating results beginning July 6, 1999. Pro forma financial information is not presented because it is immaterial.

NOTE 3 - INCOME TAXES

The provision for income taxes for the years ended December 31, 1999, 1998 and 1997 consists of the following:

	1999	1998	1997
	----	----	----
Federal--Current.....	\$ 48,535	\$ 39,348	\$ 29,967
Federal--Deferred.....	3,950	(1,024)	(3,067)
State--Current.....	7,868	6,392	4,831
State--Deferred.....	737	(183)	(436)
	-----	-----	-----
	\$ 61,090	\$ 44,533	\$ 31,295
	=====	=====	=====

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A reconciliation of the statutory federal income tax rate and the effective rate for the years ended December 31, 1999, 1998 and 1997 follows:

	1999	1998	1997
	----	----	----
Statutory tax rate.....	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes, net of			
federal income tax benefit.....	3.5	3.5	3.3
Only \$One S-corporation income.....	(0.3)	(0.8)	(0.8)
Other, net.....	0.1	0.7	0.1
	----	----	----
Effective tax rate.....	38.3%	38.4%	37.6%
	=====	=====	=====

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are classified on the balance sheet based on the classification of the underlying asset or liability. Significant components of the Company's net deferred tax assets as of December 31, 1999 and 1998 are as follows:

	1999	1998
	----	----
Deferred tax assets:		
Property and equipment.....	\$ -	\$ 2,359
Accrued expenses.....	5,707	5,487
Inventories.....	3,142	3,147
Other.....	424	361
	-----	-----
Total deferred tax assets.....	9,273	11,354
	-----	-----
Deferred tax liabilities:		
Intangible assets.....	(2,553)	(2,311)
Property and equipment.....	(657)	-
Deferred compensation.....	(1,626)	-
Other.....	(221)	(140)
	-----	-----
Total deferred tax liabilities.....	(5,057)	(2,451)
	-----	-----
Net deferred tax assets.....	\$ 4,216	\$ 8,903
	=====	=====

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred taxes will not be realized. Based upon the availability of carrybacks of future deductible amounts to 1999, 1998 and 1997 taxable income and management's projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the existing net deductible temporary differences will reverse during periods in which carrybacks are available or in which the Company generates net taxable income. However, there can be no assurance that the Company will generate any income or any specific level of continuing income in future years.

NOTE 4 - LEASES

Future minimum lease payments under noncancelable store, distribution center and former corporate headquarters operating leases and the present value of future minimum capital lease payments as of December 31, 1999 are as follows:

	Capital Leases -----	Operating Leases -----
Year ending December 31:		
2000	\$ 5,873	\$ 71,921
2001	5,859	65,016
2002	5,829	53,969
2003	5,792	41,629
2004	6,346	27,801
Thereafter.....	13,525	56,436
	-----	-----
Total minimum lease payments.....	43,224	\$316,772
		=====
Less amount representing interest (at an average rate of approximately 9%).....	11,666	

Present value of net minimum capital lease payments...	31,558	
Less current installments of obligations under capital leases.....	3,183	

Obligations under capital leases, excluding current installments.....	\$ 28,375	
	=====	

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The above future minimum lease payments include amounts for leases that were signed prior to December 31, 1999 for stores that were not open as of December 31, 1999. Minimum rental payments for operating leases do not include contingent rentals that may be paid under certain store leases based on a percentage of sales in excess of stipulated amounts. Future minimum lease payments have not been reduced by future minimum sublease rentals of \$7,284 under operating leases.

Included in property and equipment at December 31, 1999 and 1998 are leased furniture and fixtures and transportation vehicles, excluding sale-leaseback assets, with a cost of \$3,366 and \$3,473 and accumulated amortization of \$1,170 and \$677 at December 31, 1999 and 1998, respectively.

Sale-Leaseback Transaction

On September 30, 1999, the Company sold certain retail store leasehold improvements to an unrelated third party and leased them back for a period of seven years. The Company has an option to purchase the leasehold improvements at the end of the fifth and seventh years at amounts approximating their fair market values at the time the option is exercised. This transaction is being accounted for as a financing arrangement. The total amount of the lease obligation is \$29.0 million. The lease agreement includes financial covenants that are not more restrictive than those of existing loan agreements. As part of the transaction, the Company received net proceeds of \$20,880 and an \$8,120 11% note receivable which matures September 2006 and is included in "other assets, net." The future minimum lease payments related to the capital lease obligation are included in the five year schedule above.

Operating Leases

During June 1999, the Company entered into an \$18,000 operating lease agreement to finance the construction of the new unautomated distribution center in Stockton. This distribution center replaced the Sacramento, California area facility. Under this agreement, the lessor purchases the property, pays for the construction costs and subsequently leases the facility to the Company. The initial lease term is five years. The lease provides for a residual value guarantee and includes a purchase option based on the initial cost of the property. The Company estimates its liability, if any, under the residual value guarantee and records additional rent expense on a straight-line basis over the remaining lease term. (See Note 11)

The Company is responsible for payments under leases for former distribution centers located in Memphis, Tennessee and Sacramento and the former corporate headquarters and distribution center in Norfolk, Virginia. The leases for the facilities expire in September 2005, June 2008, and December 2009, respectively. The lease for the Norfolk facility is from a partnership owned by related parties. The future minimum lease payments for each facility are included in the five-year schedule above. The Company receives sublease income in connection with the Norfolk and Memphis facilities from sublease agreements which expire in February 2008 and December 2000, respectively. The sublease income on the Norfolk facility exceeds the annual obligation of \$656 under the lease. Due to the uncertainty regarding the ultimate recovery of the future lease payments and the investment in the improvements in the building in Memphis and Sacramento, the Company recorded a \$1,300 loss contingency related to Sacramento in 1999 and a \$1,125 loss contingency related to Memphis in 1998. The loss contingency for Memphis was reduced \$700 in 1999 due to favorable developments.

The Company also leases properties for three of its stores from partnerships owned by related parties. The total rental payments related to the leases for the former corporate headquarters and distribution center and these stores were \$794, \$790 and \$789 for the years ended December 31, 1999, 1998 and 1997, respectively. Rental expense for these properties is included in the rental expense disclosure below.

Rental expense for store, distribution center and former corporate headquarters operating leases included in the accompanying consolidated income statements for the years ended December 31, 1999, 1998 and 1997 are as follows:

	1999 ----	1998 ----	1997 ----
Minimum rentals.....	\$ 65,480	\$ 51,693	\$ 42,143
Contingent rentals.....	1,613	1,374	1,837
	-----	-----	-----
Total.....	\$ 67,093 =====	\$ 53,067 =====	\$ 43,980 =====

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NOTE 5 - BALANCE SHEET COMPONENTS

Net property and equipment as of December 31, 1999 and 1998 consists of the following:

	1999 ----	1998 ----
Land	\$ 8,051	\$ 8,051
Buildings.....	28,468	17,714
Improvements.....	61,779	47,508
Furniture, fixtures and equipment.....	111,033	80,729
Transportation vehicles.....	3,248	3,903
Construction in progress.....	7,576	20,918
	-----	-----
Total property and equipment.....	220,155	178,823
Less accumulated depreciation and amortization....	76,132	56,320
	-----	-----
Total	\$144,023 =====	\$122,503 =====

Other current liabilities as of December 31, 1999 and 1998 consists of the following:

	1999 ----	1998 ----
Compensation and benefits.....	\$ 12,132	\$ 13,496
Taxes (other than income taxes).....	13,963	10,355
Other.....	2,939	2,137
	-----	-----
Total	\$ 29,034 =====	\$ 25,988 =====

NOTE 6 - LONG-TERM DEBT

Long-term debt as of December 31, 1999 and 1998 consists of the following:

	1999 ----	1998 ----
7.29% Senior Notes, interest payable semiannually on April 30 and October 30, principal payable \$6,000 per year beginning April 30, 2000.....	\$ 30,000	\$ 30,000
Demand Revenue Bonds, interest payable monthly at a variable rate which was 6.9% at December 31, 1999, principal payable beginning June 2006, maturing June 2018.....	19,000	16,500
Note payable, interest at 7.0%, paid in January 2000.....	1,500	-
	-----	-----
Total long-term debt	50,500	46,500
Less current portion	26,500	16,500
	-----	-----
Long-term debt, excluding current portion	\$ 24,000 =====	\$ 30,000 =====

Maturities of long-term debt are as follows: 2000 - \$26,500; 2001 - \$6,000; 2002 - \$6,000; 2003 - \$6,000; 2004 - \$6,000.

Senior Notes

The holders of the Senior Notes have the right to require the Company to prepay the Notes in full without premium upon a change of control or upon certain other transactions by the Company. The Note agreements, among other things, prohibit certain mergers and consolidations, require the maintenance of certain specified ratios, require that the Notes rank pari passu with the Company's other debt and limit the amount of Company debt. In the event of default or a prepayment at the option of the Company, the Company is required to pay a prepayment penalty equal to a make-whole amount.

Demand Revenue Bonds

On May 20, 1998, the Company entered into a Loan Agreement with the Mississippi Business Finance Corporation (MBFC) under which the MBFC issued Taxable Variable Rate Demand Revenue Bonds (the Bonds) in an aggregate principal amount of \$19,000 to finance the acquisition, construction, and installation of land, buildings, machinery and equipment for the Company's new distribution facility in Olive Branch. The Bonds do not contain a prepayment penalty as long as the interest

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rate remains variable. The Bonds are supported by a \$19,300 letter of credit issued by one of the Company's existing lending banks. The letter of credit is renewable annually. The Letter of Credit and Reimbursement Agreement requires, among other things, the maintenance of certain specified ratios and restricts the payment of dividends. The Bonds contain a demand provision and, therefore, outstanding amounts are classified as current liabilities.

On April 1, 1999, the Company entered into an interest rate swap agreement (swap) related to the \$19,000 Loan Agreement with the MBFC (Loan Agreement). This swap converts the variable interest rate to a fixed rate and reduces the Company's exposure to interest rate fluctuations. Under this agreement, as amended, the Company pays interest to the bank which provided the swap at a fixed rate of 4.99%. In exchange, the bank pays the Company at a variable interest rate, which approximates the rate on the Loan Agreement. The variable interest rate of the swap is adjusted monthly. For months in which the interest rate as calculated under the agreement is greater than 8.28%, no payments are made by either party. The swap, effective through April 1, 2009, is for the entire amount outstanding under the Loan Agreement.

Note Payable

The Company issued a note in connection with the acquisition of four stores from a small dollar store operator (see Note 2). The note bears interest at 7.0% and the Company paid all except \$24 of the principal and accrued interest in January 2000. The remaining balance relates to certain contingent payments of store deposits.

Revolving Credit Facility

On September 27, 1996, the Company entered into an Amended and Restated Revolving Credit Agreement with its banks (the Agreement). The Agreement provides for, among other things: (1) a \$135,000 revolving line of credit, bearing interest at the agent bank's prime interest rate or LIBOR, plus a spread, at the option of the Company; (2) an annual facilities fee and annual agent's fee payable quarterly; and (3) the reduction of amounts outstanding under the Agreement for a period of 30 consecutive days between December 1, 1999 and March 1, 2000 to \$10,000. There are no additional reduction requirements.

The Agreement, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and prohibits the incurrence of certain new indebtedness. During 1998, the Agreement was amended to remove the restrictions on the amount of capital expenditures and on the minimum beneficial ownership of the founding shareholders. The Agreement matures on May 31, 2002. At December 31, 1999, the variable interest rate on the facility was 7.0%. At December 31, 1999 and 1998, no amounts were outstanding under the Agreement; however, approximately \$42,387 of the \$135,000 available under the Agreement was committed to certain letters of credit issued in relation to the routine purchase of imported merchandise at December 31, 1999.

Fair Value of Financial Instruments

The carrying value of the Company's long-term debt approximates its fair value. The fair value is estimated by discounting the future cash flows of each instrument at rates offered for similar debt instruments of comparable maturities.

The fair value of the interest rate swap is the estimated amount the

Company would receive or pay to terminate the agreement as of the reporting date. The fair value of the interest rate swap at December 31, 1999 is \$867.

NOTE 7 - MANAGEMENT ADVISORY SERVICES

The Company has a financial and management advisory service agreement with one of its non-employee shareholders. The agreement provides for the payment of \$200 annually over the term of the agreement. The agreement is terminable by vote of the Company's Board of Directors. During each of the years ended December 31, 1999, 1998 and 1997, the Company paid \$200 under this agreement.

NOTE 8 - SHAREHOLDERS' EQUITY

Unattached Warrants

The Company issued unattached warrants to purchase 2,792,450 shares of Common Stock on September 30, 1993 for \$0.18 per warrant and unattached warrants to purchase 2,792,450 shares of Common Stock on February 22, 1994 for \$0.18 per warrant. The warrants, which are held by certain Company shareholders, carry an exercise price of \$0.86 per share, have been exercisable since

March 6, 1995 (the effective date of the Company's initial public offering), and expire on December 31, 2003. All warrants are outstanding at December 31, 1999.

Preferred Stock

Effective February 1, 1995, the Articles of Incorporation were amended to authorize 10,000,000 shares of Preferred Stock, \$0.01 par value per share.

Stock Dividends

In connection with stock dividends authorized by the Board of Directors in 1998 and 1997, the Company issued one-half share for each outstanding share of Common Stock, payable June 29, 1998 to shareholders of record as of June 22, 1998, and payable July 21, 1997 to shareholders of record as of July 14, 1997, respectively. All share and per share data in these consolidated financial statements and the accompanying notes have been retroactively adjusted to reflect these dividends, each having the effect of a 3-for-2 stock split.

Net Income Per Share

The following table sets forth the calculation of basic and diluted net income per share:

<TABLE>
<CAPTION>

	1999	1998	1997
	----	----	----
	(In thousands, except per share data)		
Basic net income per share:			
<S> Net income	\$ 98,518	\$ 71,553	\$ 51,959
	-----	-----	-----
Weighted average number of common shares outstanding	61,839	61,185	60,714
	-----	-----	-----
Basic net income per share	\$ 1.59	\$ 1.17	\$ 0.86
	=====	=====	=====
Diluted net income per share:			
Net income	\$ 98,518	\$ 71,553	\$ 51,959
	-----	-----	-----
Weighted average number of common shares outstanding	61,839	61,185	60,714
	-----	-----	-----
Dilutive effect of stock options and warrants (as determined by applying the treasury stock method)	6,296	6,441	6,268
	-----	-----	-----
Weighted average number of common shares and dilutive potential common shares outstanding	68,135	67,626	66,982
	-----	-----	-----
Diluted net income per share	\$ 1.45	\$ 1.06	\$ 0.78
	=====	=====	=====

</TABLE>

NOTE 9 - PROFIT SHARING AND 401(K) RETIREMENT PLAN

The Company maintains defined contribution profit sharing and 401(k) plans which are available to all employees over 21 years of age who have completed one year of service in which they have worked, in general, at least 1,000 hours.

Eligible employees may make elective salary deferrals. The Company may make contributions at its discretion.

Contributions to and reimbursements by the Company of expenses of the plans included in the accompanying consolidated income statements for the years ended December 31 were as follows:

1999.....	\$ 5,344
1998.....	4,017
1997.....	2,923

NOTE 10 - STOCK-BASED COMPENSATION PLANS

At December 31, 1999, the Company has five stock-based compensation plans, which are described below.

Accounting Method

The Company adopted the disclosure-only option under SFAS No. 123 as of January 1, 1996. If the accounting provisions of SFAS No. 123 had been adopted as of the beginning of 1996, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated in the following table:

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	1999	1998	1997
	----	----	----
Net income:			
As reported.....	\$ 98,518	\$ 71,553	\$ 51,959
	=====	=====	=====
Pro forma.....	\$ 88,499	\$ 64,813	\$ 48,951
	=====	=====	=====
Basic net income per share:			
As reported.....	\$ 1.59	\$ 1.17	\$ 0.86
	=====	=====	=====
Pro forma.....	\$ 1.43	\$ 1.06	\$ 0.81
	=====	=====	=====
Diluted net income per share:			
As reported.....	\$ 1.45	\$ 1.06	\$ 0.78
	=====	=====	=====
Pro forma.....	\$ 1.30	\$ 0.96	\$ 0.73
	=====	=====	=====

The full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income and net income per share amounts presented above because compensation cost is reflected over the options' vesting periods and compensation cost for options granted prior to January 1, 1995 is not considered. These pro forma amounts may not be representative of future disclosures because compensation cost is reflected over the options' vesting periods and because additional options may be granted in future years.

Fixed Stock Option Plans

The Company has four fixed stock option plans. Under the Non-Qualified Stock Option Plan (SOP), the Company granted options to its employees for 698,176 shares of Common Stock in 1993 and 698,859 shares in 1994. Options granted under the SOP have an exercise price of \$1.29 and are fully vested at the date of grant.

Under the 1995 Stock Incentive Plan (SIP), the Company may grant options to its employees for up to 5,400,000 shares of Common Stock. The exercise price of each option equals the market price of the Company's stock at the date of grant, unless a higher price is established by the Board of Directors, and an option's maximum term is ten years. Options granted under the SIP generally vest over a three-year period.

The Step Ahead Investments, Inc. Long-Term Incentive Plan (SAI Plan) provided for the issuance of stock options, stock appreciation rights (SARs), phantom stock and restricted stock awards to officers and key employees. Effective with the merger with 98 Cent Clearance Center and in accordance with the terms of the SAI Plan, outstanding 98 Cent Clearance Center options were assumed by the Company and converted, based on 1.1212 Company options for each 98 Cent Clearance Center option, to options to purchase the Company's common stock. Options issued as a result of this conversion were fully vested as of the date of the merger. At the date of the merger, the SAI Plan was authorized to issue 400,000 shares subject to stock options, 40,000 phantom shares, 125,000 SARs, and 25,000 restricted stock awards. In 1996, 98 Cent Clearance Center converted all of the outstanding SARs and phantom stock awards to stock options and restricted stock awards, respectively.

Under the 1998 Special Stock Option Plan (Special Plan), options to

purchase 165,000 shares were granted to five former officers of 98 Cent Clearance Center who were serving as employees or consultants of the Company following the merger. The options were granted as consideration for entering into non-competition agreements and a consulting agreement. The exercise price of each option equals the market price of the Company's stock at the date of grant, and an option's maximum term is ten years. Options granted under the Special Plan vest over a five-year period.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1999	1998	1997
	----	----	----
Expected term in years.....	8	8	10
Expected volatility.....	52.7%	50.4%	47.7%
Annual dividend yield.....	-	-	-
Risk-free interest rate.....	6.6%	4.9%	5.8%

The following tables summarize the Company's various option plans, including the SAI Plan for the period prior to the merger with 98 Cent Clearance Center, as of December 31, 1999, 1998 and 1997, and changes during the years then ended and information about fixed options outstanding at December 31, 1999.

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<TABLE>
<CAPTION>

	Stock Option Activity					
	1999		1998		1997	
	-----		-----		-----	
Weighted	Weighted		Weighted			
Average	Average		Average			
Share	Per Share		Per Share		Per	
Exercise	Exercise		Exercise			
	Shares	Price	Shares	Price	Shares	Price
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year.....	3,250,910	\$ 21.50	2,404,642	\$ 10.16	2,183,246	\$ 7.07
Granted.....	979,850	30.45	1,413,073	36.30	798,338	15.64
Exercised.....	(700,288)	11.33	(481,806)	8.91	(473,307)	4.59
Forfeited.....	(156,878)	31.58	(84,999)	18.19	(103,635)	12.60
	-----		-----		-----	
Outstanding at end of year.....	3,373,594	25.68	3,250,910	21.50	2,404,642	10.16
	=====		=====		=====	
Options exercisable at end of year.....	1,474,729	18.10	1,344,067	8.98	1,087,587	6.04
	=====		=====		=====	
Weighted average fair value of options granted during the year.....		\$ 20.08		\$ 22.53		\$
10.39						

</TABLE>
<TABLE>
<CAPTION>

Stock Options Outstanding and Exercisable

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 1999	Weighted Average Exercise Price	
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>

\$1.29.....	152,053	(a)	\$ 1.29	152,053	\$ 1.29
\$4.44 to \$8.92.....	370,060	5.7 years	6.69	370,060	6.69
\$10.15 to \$14.89.....	625,032	6.9 years	14.73	447,303	14.66
\$16.22 to \$29.25.....	870,376	9.1 years	28.70	57,301	22.31
\$31.00 to \$36.13.....	831,950	8.4 years	34.44	312,285	34.37
\$38.44 to \$49.81.....	524,123	9.0 years	40.72	135,727	40.48
	-----			-----	
\$1.29 to \$49.81.....	3,373,594	8.1 years	\$ 25.68	1,474,729	\$ 18.10
	=====			=====	

<FN>

(a) Options granted under the SOP in 1993 and 1994 have no expiration date. They are therefore not included in the total weighted average remaining life.

</FN>

</TABLE>

Employee Stock Purchase Plan

Under the Dollar Tree Stores, Inc. Employee Stock Purchase Plan (ESPP), the Company is authorized to issue up to 506,250 shares of Common Stock to eligible employees. Under the terms of the ESPP, employees can choose to have up to 10% of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the lower of the price at the beginning or the price at the end of the quarterly offering period. Under the ESPP, the Company has sold 97,449 shares as of December 31, 1999.

The fair value of the employees' purchase rights is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Expected term.....	3 months
Expected volatility.....	21% to 34%
Annual dividend yield.....	-
Risk-free interest rate.....	5.16% to 5.88% (annualized)

The weighted average per share fair value of those purchase rights granted in 1999, 1998 and 1997 was \$6.10, \$6.28, and \$3.97, respectively.

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NOTE 11 - SUBSEQUENT EVENT (Unaudited)

On January 13, 2000, the Company entered into a \$35,000 operating lease agreement to finance the construction of a new automated distribution center in Savannah, Georgia. Under this agreement the lessor purchases the property, pays for the construction costs and subsequently leases the facility to the Company. The initial lease term is five years with renewal options for two additional five-year periods. The lease provides for a residual value guarantee and includes a purchase option based on the initial cost of the property. When the assets are placed into service, the Company will estimate its liability, if any, under the residual value guarantee and record additional rent expense on a straight-line basis over the remaining lease term. The new facility is expected to be operational in early 2001.

NOTE 12 - QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following table sets forth certain unaudited results of operations for each quarter of 1999 and 1998. The unaudited information has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this report and includes all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair presentation of the financial data shown. The operating results for any quarter are not necessarily indicative of results for any future period.

<TABLE>

<CAPTION>

	First Quarter	Second Quarter(1)	Third Quarter	Fourth Quarter(2)
	-----	-----	-----	-----
	(In thousands, except store and per share data)			

1999:

	<C>	<C>	<C>	<C>
Net sales.....	\$227,044	\$253,216	\$265,372	\$452,329
Gross profit.....	\$ 80,865	\$ 93,248	\$ 98,047	\$178,894
Operating income.....	\$ 18,520	\$ 24,050	\$ 26,969	\$ 92,874
Net income.....	\$ 11,327	\$ 14,504	\$ 16,102	\$ 56,585
Pro forma net income (3).....	\$ 11,093	\$ 14,233	\$ 16,102	\$ 56,585
Diluted net income per share.....	\$ 0.17	\$ 0.21	\$ 0.24	\$ 0.83
Pro forma diluted net income per share..	\$ 0.16	\$ 0.21	\$ 0.24	\$ 0.83
Stores open at end of quarter.....	1,227	1,291	1,344	1,383
Comparable store net sales increase(4)..	5.2%	1.8%	5.6%	8.3%

1998:

Net sales.....	\$180,599	\$205,209	\$210,008	\$348,307
Gross profit.....	\$ 63,989	\$ 74,079	\$ 77,994	\$137,679
Operating income.....	\$ 13,578	\$ 19,727	\$ 21,508	\$ 65,604
Net income.....	\$ 7,980	\$ 11,806	\$ 12,422	\$ 39,345
Pro forma net income (3).....	\$ 7,884	\$ 11,507	\$ 12,311	\$ 38,826
Diluted net income per share.....	\$ 0.12	\$ 0.17	\$ 0.18	\$ 0.58
Pro forma diluted net income per share..	\$ 0.12	\$ 0.17	\$ 0.18	\$ 0.57
Stores open at end of quarter.....	1,003	1,063	1,139	1,179
Comparable store net sales increase(4)..	6.4%	11.9%	5.5%	5.2%

<FN>

- (1) Included in gross profit in 1999 is \$443 of merger related costs. Included in 1999 operating income is \$443 of merger related costs and \$607 of merger related expenses. Excluding the effects of these merger related items, for the second quarter 1999, gross profit would have been \$93,691, operating income would have been \$25,100, net income would have been \$15,296, diluted net income per share would have been \$0.22, pro forma net income would have been \$15,025, and pro forma diluted net income per share would have been \$0.22.
- (2) Included in gross profit in 1998 is \$1,301 of merger related costs. Included in 1998 operating income is \$1,301 of merger related costs and \$4,024 of merger related expenses. Excluding the effects of these merger related costs and expenses, for the fourth quarter 1998, gross profit would have been \$138,980, operating income would have been \$70,929, net income would have been \$43,546, diluted net income per share would have been \$0.64, pro forma net income would have been \$43,027, and pro forma diluted net income per share would have been \$0.63.
- (3) Amounts include a pro forma adjustment for C-corporation income taxes relating to Only \$One of \$271 for the second quarter 1999, \$234 for the first quarter 1999, \$519 for the fourth quarter 1998, \$111 for the third quarter 1998, \$299 for the second quarter 1998, and \$96 for the first quarter 1998.
- (4) Easter will be observed on April 23, 2000 and was observed on April 4, 1999, April 12, 1998, and March 30, 1997.

</FN>

</TABLE>

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning our Directors and Executive Officers required by this Item is incorporated by reference to Dollar Tree Stores, Inc.'s Proxy Statement relating to our Annual Meeting of Shareholders to be held on May 25, 2000, under the caption "Election of Directors."

Information set forth in the Proxy Statement under the caption "Compliance with Section 16(a) of the Securities and Exchange Act of 1934," with respect to director and executive officer compliance with Section 16(a), is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

Information set forth in the Proxy Statement under the caption "Compensation of Executive Officers," with respect to executive compensation, is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information set forth in the Proxy Statement under the caption "Ownership of the Common Stock of the Company," with respect to security ownership of certain beneficial owners and management, is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information set forth in the Proxy Statement under the caption "Certain Relationships and Related Transactions" is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

1. Financial Statements. Reference is made to the Index to the Consolidated Financial Statements set forth under Part II, Item 8, on page 23 of this Form 10-K.
2. Financial Statement Schedules. All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are not applicable, or the information is included in the Consolidated Financial Statements, and therefore have been omitted.
3. Exhibits. The exhibits listed on the accompanying Index to Exhibits, on page 43 of this Form 10-K, are filed as part of, or incorporated by reference into, this report.

(b) The following reports on Form 8-K were filed since September 30, 1999.

1. Report on Form 8-K, filed January 26, 2000, included a press release regarding earnings for the quarter and year ended December 31, 1999.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 STORES, INC.

DATE: February 29, 2000

By: /s/ Macon F. Brock, Jr.

Macon F. Brock, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ J. Douglas Perry ----- J. Douglas Perry	Chairman of the Board; Director	February 29, 2000
/s/ Macon F. Brock, Jr. ----- Macon F. Brock, Jr.	President and Chief Executive Officer; Director (principal executive officer)	February 29, 2000
/s/ H. Ray Compton ----- H. Ray Compton	Executive Vice President; Director	February 29, 2000
/s/ John F. Megrue ----- John F. Megrue	Vice Chairman; Director	February 29, 2000
/s/ Frederick C. Coble ----- Frederick C. Coble	Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	February 29, 2000

/s/ Richard G. Lesser

Richard G. Lesser Director February 29, 2000

/s/ Thomas A. Saunders, III

Thomas A. Saunders, III Director February 29, 2000

/s/ Alan L. Wurtzel

Alan L. Wurtzel Director February 29, 2000

/s/ Frank Doczi

Frank Doczi Director February 29, 2000

Index to Exhibits

3. Articles and Bylaws

- 3.1 Third Restated Articles of Incorporation of Dollar Tree Stores, Inc. (the Company), as amended (Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1996 incorporated herein by this reference)
- 3.2 Second Restated Bylaws of the Company (Exhibit 3.2 to the Company's Registration Statement on Form S-1, No. 33-88502, incorporated herein by this reference)

10. Material Contracts

(a) The following document(s) is/are filed herewith:

- 10.1 Seventh Amendment to Amended and Restated Revolving Credit Agreement (Amended and Restated Credit Agreement) dated September 15, 1999 by and among Dollar Tree Stores, Inc., Dollar Tree Distribution, Inc., Dollar Tree Management, Inc., BankBoston, N.A., Bank of America, N.A., Crestar Bank, First Union National Bank, Amsouth Bank of Alabama, Union Bank of California, N.A.
- 10.2 Master Lease Agreement between Atlantic Financial Group, LTD., as Lessor, and Dollar Tree Distribution, Inc. and Certain Other Subsidiaries of Dollar Tree Stores, Inc., as Lessee dated January 13, 2000
- 10.3 Appendix A to Master Agreement, Lease, Loan Agreement and Construction Agency Agreement
- 10.4 Master Agreement among Dollar Tree Stores, Inc., as a Guarantor, Dollar Tree Distribution, Inc. and Certain Other Subsidiaries of Dollar Tree Stores, Inc. That May Hereafter Become Party Hereto, as Lessees, Atlantic Financial Group, LTD., as Lessor, Certain Financial Institutions Parties Hereto, as Lenders and Crestar Bank, as Agent, dated January 13, 2000
- 10.5 Dollar Tree Stores, Inc. Supplemental Deferred Compensation Plan dated February 24, 2000.

(b) The following documents, filed as Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, and 10.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1999 are incorporated herein by this reference:

- 10.6 Merger Agreement by and among Dollar Tree Stores, Inc., Dollar Tree New York, Inc., Tehan's Merchandising, Inc., dated June 15, 1999
- 10.7 Credit Agreement among First Security Bank, National Association and First Union National Bank, dated June 2, 1999
- 10.8 Agency Agreement between Dollar Tree Distribution, Inc. and First

- 10.9 Trust Agreement between First Union National Bank and First Security Bank, National Association, dated June 2, 1999
- 10.10 Security Agreement between First Security Bank, National Association and First Union National Bank and accepted and agreed to by Dollar Tree Distribution, Inc., dated June 2, 1999
- 10.11 Lease Agreement between First Security Bank, National Association, and Dollar Tree Distribution, Inc., dated June 2, 1999
- 10.12 Participation Agreement among Dollar Tree Distribution, Inc. First Security Bank, National Association and First Union National Bank, dated June 2, 1999

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- (c) The following document, filed as Exhibit 2.2 to the Company's Form S-3 on August 18, 1999 is incorporated herein by this reference:

- 10.13 Amendment to Merger Agreement dated June 22, 1999 by and among Dollar Tree Stores, Inc., Dollar Tree New York, Inc., Tehan's and the Shareholders

- (d) The following documents, filed as Exhibits 10.1 and 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1999 are incorporated herein by this reference:

- 10.14 Master Lease Agreement between DTS Properties, Inc. and Dollar Tree Stores, Inc., dated September 30, 1999 (Confidential material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment)

- 10.15 Purchase and Sale Agreement by and between Dollar Tree Stores, Inc. and DTS Properties, Inc., dated September 30, 1999

21. Subsidiaries of the Registrant

- 21.1 Subsidiaries

23. Consents of Experts and Counsel

- 23.1 Consent of Independent Auditors

27. Financial Data Schedule

- 27.1 Financial Data Schedule as of and for the years ended December 31, 1999, December 31, 1998 and December 31, 1997. Years 1998 and 1997 have been restated to give effect to the pooling-of-interests merger with Only \$One

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SEVENTH AMENDMENT TO AMENDED AND
RESTATED REVOLVING CREDIT AGREEMENT

This Seventh Amendment to Amended and Restated Revolving Credit Agreement (the "Seventh Amendment") is made as of the 15th day of September, 1999 by and among

Dollar Tree Distribution, Inc. (the "Borrower"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

Dollar Tree Stores, Inc. ("DTS"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

Dollar Tree Management, Inc. ("DTM"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

BankBoston, N.A. (f/k/a The First National Bank of Boston), Bank of America, N.A. (f/k/a NationsBank, N.A.), Crestar Bank, First Union National Bank (f/k/a First Union National Bank of Virginia), Amsouth Bank of Alabama, Union Bank of California, N.A. and all other financial institutions which are now or may hereafter become parties to such Amended and Restated Revolving Credit Agreement (individually, a "Lender" and collectively, the "Lenders"); and

BankBoston, N.A. (f/k/a The First National Bank of Boston), a national banking association having its head office at 100 Federal Street, Boston, Massachusetts, as Agent for the Lenders (in such capacity, the "Agent").

in consideration of the mutual covenants herein contained and benefits to be derived herefrom,

W I T N E S S E T H:

WHEREAS, the Borrower, DTS, DTM, the Agent and the Lenders entered into an Amended and Restated Revolving Credit Agreement dated as of September 27, 1996, as amended by a First Amendment to Amended and Restated Revolving Credit Agreement dated January 25, 1997, as further amended by a Second Amendment to Amended and Restated Revolving Credit dated as of May 8, 1997, as further amended by a Third Amendment to Amended and Restated Revolving Credit dated as of September 2, 1997, as further amended by a Fourth Amendment to Amended and Restated Revolving Credit dated as of November 7, 1997, as further amended by a Fifth Amendment to Amended and Restated Revolving Credit Agreement dated as of September 30, 1998 and as further amended by a Sixth Amendment to Amended and Restated Revolving Credit Agreement dated as of December 31, 1998 (collectively, the "Agreement"); and

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WHEREAS, the Borrower, DTS, DTM, the Agent, and the Lenders desire to further modify and amend the Agreement, as provided herein.

NOW, THEREFORE, it is hereby agreed as follows:

1. Definitions. All capitalized terms used herein and not otherwise defined shall have the same meaning herein as in the Agreement.
2. Amendments to Section 8. The provisions of ss.8 of the Agreement are hereby amended as follows:
 - (a) The provisions of Section 8.1 of the Agreement are hereby amended by adding the following clauses at the end thereof:
 - (i) Indebtedness arising under Capitalized Leases.
 - (j) Other Indebtedness in an aggregate amount not to exceed ten percent (10%) of the Consolidated Total Assets of the Obligors (other than those properly classified as intangible assets under Generally Accepted Accounting Principles) at any one time.
 - (b) The provisions of Section 8.4 of the Agreement are

hereby amended by adding the following clause at the end thereof:

,or (iii) as long as no Default or Event of Default then exists or would arise therefrom, the merger of any other Person with any Obligor, provided that the Obligor is the surviving entity and provided further that the consideration paid by the Obligors in any such merger consists of any combination of (A) capital stock of DTS and/or (B) other consideration not to exceed ten percent (10%) of the Consolidated Total Assets of the Obligors (other than those properly classified as intangible assets under Generally Accepted Accounting Principles) immediately prior to giving effect to such merger.

- (c) The provisions of Section 8.7 of the Agreement are hereby amended by adding the following clause immediately after clause (c) thereof:

,or (d) as long as no Default or Event of Default then exists or would arise therefrom, (i) from and after the date of the Seventh Amendment to this Agreement, repurchases or redemptions of the

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capital stock of DTS in an aggregate amount not to exceed \$50,000,000.00, and (ii) other Distributions which in any fiscal year do not exceed in the aggregate twenty percent (20%) of Consolidated Net Income for the immediately preceding fiscal year,

- (d) The provisions of Section 8.8 of the Agreement are hereby amended by adding the following at the end of the first sentence thereof:

, provided however, that without limiting the provisions of the second sentence of this Section 8.8, the Obligors may maintain a Subsidiary established or acquired in connection with an acquisition or merger permitted pursuant to Section 8.4 hereof for a period of twelve months after consummation of such acquisition or merger.

- (e) The provisions of Section 8.10(c) of the Agreement are hereby deleted in their entirety, effective as of December 10, 1998.

3. Ratification of Loan Documents. Except as provided herein, all terms and conditions of the Agreement and the other Loan Documents remain in full force and effect. The Obligors each hereby ratify, confirm, and reaffirm all representations, warranties, and covenants contained therein and acknowledge and agree that none of them have any offsets, defenses, or counterclaims against the Agent or any Lender thereunder, and to the extent that any such offsets, defenses, or counterclaims may exist, each of the Obligors hereby waive and release the Agent and Lenders therefrom.

4. Miscellaneous.

- (a) This Seventh Amendment may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.
- (b) This Seventh Amendment expresses the entire understanding of the parties with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.

IN WITNESS WHEREOF, the undersigned have hereunto executed this Seventh Amendment as a sealed instrument as of the date first above written.

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DOLLAR TREE DISTRIBUTION, INC.

By:/s/ Frederick C.Coble

Name: Frederick C. Coble
Title: Senior Vice President, CFO

DOLLAR TREE STORES, INC.

By:/s/ Frederick C. Coble

Name: Frederick C. Coble
Title: Senior Vice President, CFO

DOLLAR TREE MANAGEMENT, INC.

By:/s/ Frederick C. Coble

Name: Frederick C. Coble
Title: Senior Vice President, CFO

BANKBOSTON, N.A. (f/k/a THE
FIRST NATIONAL BANK OF
BOSTON), individually and as
Agent

By:/s/ Kathleen a. Dimock

Name: Kathleen A. Dimock
Title: Vice President

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CRESTAR BANK

By:/s/ Bruce W. Nave

Name: Bruce W. Nave
Title: Senior Vice President

FIRST UNION NATIONAL BANK
f/k/a FIRST UNION NATIONAL
BANK OF VIRGINIA

By:/s/ Eileen McCrickard

Name: Eileen McCrickard
Title: Vice President

BANK OF AMERICA, N.A.
f/k/a NATIONSBANK, N.A.

By:/s/ Paula H. Smith

Name: Paula H. Smith
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A.

By:/s/ Sonja Sevcik

Name: sonja Sevcik
Title: Assist. Vice President

AMSOUTH BANK OF ALABAMA

By:/s/ Brock E. Fredette

Name: Brock E. Fredette
Title: Vice President

After recordation, this instrument should be returned to:

Mayer, Brown & Platt
190 South LaSalle Street
Chicago, Illinois 60603
Attention: Rex Palmer

MASTER LEASE AGREEMENT

Dated as of January 13, 2000

between

ATLANTIC FINANCIAL GROUP, LTD., as Lessor,

and

DOLLAR TREE DISTRIBUTION, INC. AND CERTAIN OTHER SUBSIDIARIES
OF DOLLAR TREE STORES, INC., as Lessees

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THIS MASTER LEASE AGREEMENT (as from time to time amended or supplemented, this "Lease"), dated as of January 13, 2000, is among ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (together with its successors and assigns hereunder, the "Lessor"), as Lessor, and DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation, and certain other Subsidiaries of Dollar Tree Stores, Inc. hereafter parties hereto (individually, with its successors and permitted assigns hereunder, each a "Lessee" and collectively, the "Lessees"), as Lessees.

PRELIMINARY STATEMENT

A. Lessor will purchase, or acquire a leasehold interest in, from one or more third parties designated by the Construction Agent, on a Closing Date, certain parcels of real property to be specified by the Construction Agent, together with any improvements thereon.

B. Lessor desires to lease to each Lessee, and each Lessee desires to lease from Lessor, certain of such properties as described on the Lease Supplement(s) to which such Lessee is a party.

C. If applicable, the Construction Agent will construct, or cause to be constructed, certain improvements on such parcels of real property which as constructed will be the property of Lessor and will become part of such property subject to the terms of this Lease.

In consideration of the mutual agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessees hereby agree as follows:

ARTICLE I. DEFINITIONS

Terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix A hereto for all purposes hereof.

ARTICLE II. LEASE OF LEASED PROPERTY

Section 2.1 Acceptance and Lease of Property. On each Closing Date for Land, Lessor, subject to the satisfaction or waiver of the conditions set forth in Section 3 of the Master Agreement, hereby agrees to accept delivery on such Closing Date of such Land pursuant to the terms of the Master Agreement, together with any Building or other improvements thereon, and simultaneously to lease to the related Lessee hereunder for the Lease Term, Lessor's interest in such Land and in such Building or other improvements,

together with any Building which thereafter may be constructed thereon pursuant to the Construction Agency Agreement, and such related Lessee hereby agrees, expressly for the direct benefit of Lessor, commencing on such Closing Date for the Lease Term, to lease from Lessor Lessor's interest in such Land to be delivered on such Closing Date, together with, in the case of Land, Lessor's interest in any Building and other improvements thereon or which thereafter may be constructed thereon pursuant to the Construction Agency Agreement.

Section 2.2 Acceptance Procedure. Lessor hereby authorizes one or more employees of the related Lessee, to be designated by such Lessee, as the authorized representative or representatives of Lessor to accept delivery on behalf of Lessor of that Leased Property identified on the applicable Funding Request. Each Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives and the execution and delivery by such Lessee on each Closing Date for property to be leased hereunder of a Lease Supplement in substantially the form of Exhibit A hereto (appropriately completed) shall, without further act, constitute the irrevocable acceptance by such Lessee of that Leased Property which is the subject thereof for all purposes of this Lease and the other Operative Documents on the terms set forth therein and herein, and that such Leased Property, together with, in the case of Land, any Building or other improvements thereon or to be constructed thereon pursuant to the Construction Agency Agreement, shall be deemed to be included in

the leasehold estate of this Lease and shall be subject to the terms and conditions of this Lease as of such Closing Date. The demise and lease of each Building pursuant to this Section 2.2 shall include any additional right, title or interest in such Building which may at any time be acquired by Lessor, the intent being that all right, title and interest of Lessor in and to such Building shall at all times be demised and leased to the related Lessee hereunder.

ARTICLE III.
RENT

Section 3.1 Basic Rent. Beginning with and including the first Payment Date occurring after the Initial Closing Date, each Lessee shall pay to the Agent the Basic Rent for the Leased Properties subject to a Lease Supplement to which such Lessee is a party, in installments, payable in arrears on each Payment Date during the Lease Term, subject to Section 2.3(c) of the Master Agreement.

Section 3.2 Supplemental Rent. Each Lessee shall pay to the Agent, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document, any and all Supplemental Rent on the date the same shall become due and payable and in the event of any failure on the part of such Lessee to pay any Supplemental Rent, the Agent shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. All Supplemental Rent to be paid pursuant to this Section 3.2 shall be payable in the type of funds and in the manner set forth in Section 3.3.

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Section 3.3 Method of Payment. Basic Rent shall be paid to the Agent, and Supplemental Rent (including amounts due under Article XIV hereof) shall be paid to the Agent (or to such Person as may be entitled thereto) or, in each case, to such Person as the Agent (or such other Person) shall specify in writing to the related Lessee, and at such place as the Agent (or such other Person) shall specify in writing to the related Lessee. Each payment of Rent (including payments under Article XIV hereof) shall be made by the Lessees prior to 12:00 p.m. (noon) Atlanta, Georgia time at the place of payment in funds consisting of lawful currency of the United States of America which shall be immediately available on the scheduled date when such payment shall be due, unless such scheduled date shall not be a Business Day, in which case such payment shall be made on the next succeeding Business Day. The Agent agrees, at a Lessee's request, to arrange for automated clearing house debits from such Lessee's accounts for payments due hereunder.

Section 3.4 Late Payment. If any Basic Rent shall not be paid on the date when due, the related Lessee shall pay to the Agent, as Supplemental Rent, interest (to the maximum extent permitted by law) on such overdue amount from and including the due date thereof to but excluding the Business Day of payment thereof at the Overdue Rate.

Section 3.5 Net Lease; No Setoff, Etc. This Lease is a net lease and notwithstanding any other provision of this Lease, each Lessee shall pay all Basic Rent and Supplemental Rent, and all costs, charges, assessments and other expenses foreseen or unforeseen, for which such Lessee or any Indemnitee is or shall become liable by reason of such Lessee's or such Indemnitee's estate, right, title or interest in the Leased Properties, or that are connected with or arise out of the acquisition (except the initial costs of purchase by Lessor of its interest in any Leased Property, which costs, subject to the terms of the Master Agreement, shall be funded by the Funding Parties pursuant to the Master Agreement), construction (except costs to be funded under the Construction Agency Agreement), installation, possession, use, occupancy, maintenance, ownership, leasing, repairs and rebuilding of, or addition to, the Leased Properties or any portion thereof, and any other amounts payable hereunder and under the other Operative Documents without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and each Lessee's obligation to pay all such amounts throughout the Lease Term, including the Construction Term, is absolute and unconditional. The obligations and liabilities of each Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation: (a) any defect in the condition, merchantability, design, quality or fitness for use of any Leased Property or any part thereof, or the failure of any Leased Property to comply with all Applicable Law, including any inability to occupy or use any Leased Property by reason of such non-compliance; (b) any damage to, removal, abandonment, salvage, loss, contamination of or Release from, scrapping or destruction of or any requisition or taking of any Leased Property or any part thereof; (c) any restriction, prevention or curtailment of or interference with any use of any Leased Property or any part thereof including eviction; (d) any

defect in title to or rights to any Leased Property or any Lien on such title or rights or on any Leased Property; (e) any change, waiver, extension,

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indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor, the Agent or any Lender; (f) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to any Lessee, Lessor, any Lender, the Agent or any other Person, or any action taken with respect to this Lease by any trustee or receiver of any Lessee, Lessor, any Lender, the Agent, any Ground Lessor or any other Person, or by any court, in any such proceeding; (g) any claim that any Lessee has or might have against any Person, including without limitation, Lessor, any vendor, manufacturer, contractor of or for any Leased Property or any part thereof, the Agent, any Ground Lessor, any Governmental Authority, or any Lender; (h) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document or of any other agreement; (i) any invalidity or unenforceability or illegality or disaffirmance of this Lease against or by any Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof whether or not related to the Transaction; (j) the impossibility or illegality of performance by any Lessee, Lessor or both; (k) any action by any court, administrative agency or other Governmental Authority; (l) any restriction, prevention or curtailment of or interference with the Construction or any use of any Leased Property or any part thereof; or (m) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not any Lessee shall have notice or knowledge of any of the foregoing. Except as specifically set forth in Articles XIV or X of this Lease, this Lease shall be noncancellable by each Lessee in any circumstance whatsoever and each Lessee, to the extent permitted by Applicable Law, waives all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease, or to any diminution, abatement or reduction of Rent payable by such Lessee hereunder. Each payment of Rent made by a Lessee hereunder shall be final and such Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, the Agent, any Lender or any party to any agreements related thereto for any reason whatsoever. Each Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Leased Properties leased by it and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of either any Lessee or any subtenant of any Lessee on any account or for any reason whatsoever, other than solely by reason of Lessor's willful misconduct or gross negligence.

Section 3.6 Certain Taxes. Without limiting the generality of Section 3.5, each Lessee agrees to pay when due all real estate taxes, personal property taxes, gross sales taxes, including any sales or lease tax imposed upon the rental payments hereunder or under a sublease, occupational license taxes, water charges, sewer charges, assessments of any nature and all other governmental impositions and charges of every kind and nature whatsoever (the "tax(es)"), when the same shall be due and payable without penalty or interest; provided, however, that this Section shall not apply to any of the taxes covered by the exclusion described in Section 7.4(b) of the Master Agreement. It is the intention of the parties hereto that, insofar as the same may lawfully be done, Lessor shall be, except as specifically provided for herein, free from all expenses in any way related to the Leased Properties and the use and occupancy thereof. Any tax relating to a fiscal period of any taxing authority

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falling partially within and partially outside the Lease Term, shall be apportioned and adjusted between Lessor and the related Lessee. Each Lessee covenants to furnish Lessor and the Agent, upon the Agent's written request, within forty-five (45) days after the last date when any tax must be paid by such Lessee as provided in this Section 3.6, official receipts of the appropriate taxing, authority or other proof satisfactory to Lessor, evidencing the payment thereof.

So long as no Event of Default has occurred and is continuing, the related Lessee may defer payment of a tax so long as the validity or the amount thereof is contested by such Lessee with diligence and in good faith; provided, however, that such Lessee shall pay the tax in sufficient time to prevent delivery of a tax deed. Such contest shall be at the related Lessee's sole cost and expense. Each Lessee covenants to indemnify and save harmless Lessor, which indemnification shall survive the termination of this Lease, the Agent and each Lender from any actual and reasonable costs or expenses incurred by Lessor, the Agent or any Lender as a result of such contest.

Section 3.7 Utility Charges. Each Lessee agrees to pay or cause to be paid as and when the same are due and payable all charges for gas, water, sewer, electricity, lights, heat, power, telephone or other communication service and all other utility services used, rendered or supplied to, upon or in connection with the Leased Properties leased by it.

ARTICLE IV.
WAIVERS

During the Lease Term, Lessor's interest in the Leased Properties, including the Equipment, the Building(s) (whether or not completed) and the Land, is demised and let by Lessor "AS IS" subject to (a) the rights of any parties in possession thereof, (b) the state of the title thereto existing at the time Lessor acquired its interest in the Leased Properties, (c) any state of facts which an accurate survey or physical inspection might show (including the survey delivered on the related Closing Date), (d) all Applicable Law, and (e) any violations of Applicable Law which may exist upon or subsequent to the commencement of the Lease Term. EACH LESSEE ACKNOWLEDGES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE LEASED PROPERTIES, LESSOR IS NOT A MANUFACTURER OF, OR DEALER IN ANY LEASED PROPERTY, AND IS NOT RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE BUILDING(S) OR ANY ALTERATIONS. NEITHER LESSOR, THE AGENT NOR ANY LENDER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE VALUE, MERCHANTABILITY, TITLE, HABITABILITY, CONDITION, DESIGN, OPERATION, OR FITNESS FOR USE OF THE LEASED PROPERTIES (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR

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IMPLIED, WITH RESPECT TO THE LEASED PROPERTIES (OR ANY PART THEREOF), ALL SUCH WARRANTIES BEING HEREBY DISCLAIMED, AND NEITHER LESSOR, THE AGENT NOR ANY LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF ANY LEASED PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW, except that Lessor hereby represents and warrants that each Leased Property is and shall be free of Lessor Liens. As between Lessor and the Lessees, each related Lessee has been afforded full opportunity to inspect each Leased Property, is satisfied with the results of its inspections of such Leased Property and is entering into this Lease solely on the basis of the results of its own inspections and all risks incident to the matters discussed in the two preceding sentences, as between Lessor, the Agent or the Lenders on the one hand, and the Lessees, on the other, are to be borne by the Lessees. The provisions of this Article IV have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by Lessor, the Agent or the Lenders, express or implied, with respect to the Leased Properties, that may arise pursuant to any law now or hereafter in effect, or otherwise.

ARTICLE V.
LIENS; EASEMENTS; PARTIAL CONVEYANCES

No Lessee shall directly or indirectly create, incur or assume, any Lien on or with respect to any Leased Property, the title thereto, or any interest therein, including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of any Leased Property or by reason of labor or materials furnished or claimed to have been furnished to a Lessee, or any of its contractors or agents or Alterations constructed by a Lessee, except, in all cases, Permitted Liens.

Notwithstanding the foregoing paragraph, at the request of a Lessee, Lessor shall, from time to time during the Lease Term and upon reasonable advance written notice from such Lessee, and receipt of the materials specified in the next succeeding sentence, consent to and join in any (i) grant of easements, licenses, rights of way and other rights in the nature of easements, including, without limitation, utility easements to facilitate Lessees' use, development and construction of the Leased Properties, (ii) release or termination of easements, licenses, rights of way or other rights in the nature of easements which are for the benefit of the Land or the Building(s) or any portion thereof, (iii) dedication or transfer of portions of the Land, not improved with a Building, for road, highway or other public purposes, (iv) execution of agreements for ingress and egress and amendments to any covenants and restrictions affecting the Land or the Building(s) or any portion thereof and (v) request to any Governmental Authority for platting or subdivision or replatting or resubdivision approval with respect to the Land or any portion thereof or any parcel of land of which the Land or any portion thereof forms a part or a request for rezoning or any

variance from zoning or other governmental requirements. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(a) any such action shall be at the sole cost and expense of the requesting Lessee and such Lessee shall pay all actual and reasonable out-of-pocket costs of Lessor, the Agent and any Lender in connection therewith (including, without limitation, the reasonable fees of attorneys, architects, engineers, planners, appraisers and other professionals reasonably retained by Lessor, the Agent or any Lender in connection with any such action),

(b) the requesting Lessee shall have delivered to Lessor and Agent a certificate of a Responsible Officer of such Lessee stating that

(i) such action will not cause any Leased Property, the Land or any Building or any portion thereof to fail to comply in any material respect with the provisions of this Lease or any other Operative Documents, or in any material respect with Applicable Law; and

(ii) such action will not materially reduce the Fair Market Sales Value, utility or useful life of any Leased Property, the Land or any Building nor Lessor's interest therein; and

(c) in the case of any release or conveyance, if Lessor, the Agent or any Lender so reasonably requests, the requesting Lessee will cause to be issued and delivered to Lessor and the Agent by the Title Insurance Company an endorsement to the Title Policy pursuant to which the Title Insurance Company agrees that its liability for the payment of any loss or damage under the terms and provisions of the Title Policy will not be affected by reason of the fact that a portion of the real property referred to in Schedule A of the Title Policy has been released or conveyed by Lessor.

ARTICLE VI.
MAINTENANCE AND REPAIR;
ALTERATIONS, MODIFICATIONS AND ADDITIONS

Section 6.1 Maintenance and Repair; Compliance With Law. Each Lessee, at its own expense, shall at all times (a) maintain each Leased Property leased by it in good repair and condition (subject to ordinary wear and tear), in accordance with prudent industry standards and, in any event, in no less a manner as other similar property owned or leased by such Lessee or its Affiliates, (b) make all Alterations in accordance with, and maintain (whether or not such maintenance requires structural modifications or Alterations) and operate and otherwise keep each Leased Property in compliance in all material respects with, all Applicable Laws and insurance requirements, and (c) make all material repairs, replacements and renewals of each Leased Property or any part thereof which may be required to keep such

Leased Property in the condition required by the preceding clauses (a) and (b). Each Lessee shall perform the foregoing maintenance obligations regardless of whether any Leased Property is occupied or unoccupied. Each Lessee waives any right that it may now have or hereafter acquire to (i) require Lessor, the Agent or any Lender to maintain, repair, replace, alter, remove or rebuild all or any part of any Leased Property or (ii) make repairs at the expense of Lessor, the Agent or any Lender pursuant to any Applicable Law or other agreements or otherwise. NEITHER LESSOR, THE AGENT NOR ANY LENDER SHALL BE LIABLE TO ANY LESSEE OR TO ANY CONTRACTORS, SUBCONTRACTORS, LABORERS, MATERIALMEN, SUPPLIERS OR VENDORS FOR SERVICES PERFORMED OR MATERIAL PROVIDED ON OR IN CONNECTION WITH ANY LEASED PROPERTY OR ANY PART THEREOF. Neither Lessor, the Agent nor any Lender shall be required to maintain, alter, repair, rebuild or replace any Leased Property in any way.

Section 6.2 Alterations. Each Lessee may, without the consent of Lessor, at such Lessee's own cost and expense, make Alterations which do not diminish the value, utility or useful life of any Leased Property.

Section 6.3 Title to Alterations. Title to all Alterations shall without further act vest in Lessor (subject to each Lessee's right to remove trade fixtures, personal property and equipment which do not constitute

Alterations and which were not acquired with funds advanced by Lessor or any Lender) and shall be deemed to constitute a part of the Leased Properties and be subject to this Lease.

ARTICLE VII.
USE

Each Lessee may use each Leased Property leased by it or any part thereof for any lawful purpose, and in a manner consistent with the standards applicable to properties of a similar nature in the geographic area in which such Leased Property is located, provided that such use does not materially adversely affect the Fair Market Sales Value, utility, remaining useful life or residual value of such Leased Property, and does not materially violate or conflict with, or constitute or result in a material default under, any Applicable Law or any insurance policy required hereunder. In the event that any use of any of the Leased Property changes the character or original intended use of such Leased Property and the Lessees do not purchase the Leased Properties at the end of the Lease Term, the related Lessee, upon request of Lessor, shall restore such Leased Property to its general character and intended use on the Closing Date or Completion Date therefor, ordinary wear and tear excepted. No Lessee shall commit or permit any waste of any Leased Property or any material part thereof.

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ARTICLE VIII.
INSURANCE

(a) At any time during which any part of any Building or any Alteration is under construction and as to any part of any Building or any Alteration under construction, the related Lessee shall maintain, or cause to be maintained, at its sole cost and expense, as a part of its blanket policies or otherwise, "all risks" non-reporting completed value form of builder's risk insurance.

(b) During the Lease Term, each Lessee shall maintain, at its sole cost and expense, as a part of its blanket policies or otherwise, insurance against loss or damage to any Building or any item of Equipment by fire and other risks, including comprehensive boiler and machinery coverage, on terms and in amounts no less favorable than insurance covering other similar properties or equipment owned or leased by a Lessee, but in no event less than the replacement cost of such Building or item of Equipment, as the case may be, from time to time.

(c) During the Lease Term, each Lessee shall maintain, at its sole cost and expense, commercial general liability insurance with respect to such Lessee's use, operation and occupancy of the Leased Properties. Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by a Lessee or its Affiliates with respect to similar properties or equipment that it owns or leases, but in no event less than \$1,000,000 general liability, plus \$2,000,000 liability umbrella coverage, per occurrence. Such insurance policies shall also provide that each Lessee's insurance shall be considered primary insurance. Nothing in this Article VIII shall prohibit Lessor, the Agent or any Lender from carrying at its own expense other insurance on or with respect to the Leased Properties, provided that any insurance carried by Lessor, the Agent or any Lender shall not prevent any Lessee from carrying the insurance required hereby.

(d) Each policy of insurance maintained by a Lessee pursuant to clauses (a) and (b) of this Article VIII shall provide that all insurance proceeds in respect of any loss or occurrence shall be adjusted by such Lessee, except if, and for so long as an Event of Default exists, all losses shall be adjusted solely by, and all insurance proceeds shall be paid solely to, the Agent (or Lessor if the Loans have been fully paid) for application pursuant to this Lease.

(e) On the Closing Date for each parcel of Land and on each anniversary of the related policy date each Lessee shall furnish Lessor with certificates showing the insurance required under this Article VIII to be in effect and naming Lessor, the Agent and the Lenders as additional insureds. Such certificates shall include a provision for thirty (30) days' advance written notice by the insurer to Lessor and the Agent in the event of cancellation or expiration or nonpayment of premium with respect to such insurance, and shall include a customary breach of warranty clause. Each Lessee shall provide evidence to Lessor and the Agent that

each insurance policy required by this Article VIII has been renewed or replaced prior to the scheduled expiration date therefor.

(f) Each policy of insurance maintained by a Lessee pursuant to this Article VIII shall provide that in respect of the interests of Lessor, the Agent and the Lenders, such policies shall not be invalidated by any fraud, action, inaction or misrepresentation of any Lessee or any other Person acting on behalf of any Lessee. Each of each Lessee, Lessor, the Agent and the Lenders agree to waive their rights of subrogation against the others to the extent of the losses paid under insurance policies.

(g) All insurance policies carried in accordance with this Article VIII shall be maintained with insurers rated at least A by A.M. Best & Company, and in all cases the insurer shall be qualified to insure risks in the State where each Leased Property is located.

ARTICLE IX. ASSIGNMENT AND SUBLEASING

No Lessee may assign any of its right, title or interest in, to or under this Lease, except as set forth in the following sentence. Each Lessee may sublease all or any portion of any Leased Property, provided that (a) all obligations of such Lessee shall continue in full effect as obligations of a principal and not of a guarantor or surety, as though no sublease had been made; (b) such assignment or sublease shall be expressly subject and subordinate to this Lease, the Loan Agreement and the other Operative Documents; and (c) each such sublease shall terminate on or before the Lease Termination Date. Each Lessee shall give the Agent and Lessor prompt written notice of any such sublease.

Except pursuant to an Operative Document, this Lease shall not be mortgaged or pledged by any Lessee, nor shall any Lessee mortgage or pledge any interest in any Leased Property or any portion thereof. Any such mortgage or pledge shall be void.

ARTICLE X. LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

Section 10.1 Event of Loss. Any event (i) which would otherwise constitute a Casualty during the Base Term, and (ii) which, in the good-faith judgment of the related Lessee, renders repair and restoration of a Leased Property impossible or impractical, or requires repairs to a Leased Property that would cost in excess of 50% of the original cost of such Leased Property, and (iii) as to which such Lessee, within sixty (60) days after the occurrence of such event, delivers to Lessor an Officer's Certificate notifying Lessor of such event and of such judgment, shall constitute an "Event of Loss". In the case of any other event which constitutes a Casualty, the related Lessee shall restore such Leased Property

pursuant to Section 10.3. If an Event of Loss other than an Event of Taking shall occur, the related Lessee shall pay to Lessor on the later of (i) the thirtieth day and (ii) the next Payment Date following delivery of the Officer's Certificate pursuant to clause (iii) above an amount equal to the related Leased Property Balance. Upon Lessor's receipt of such Leased Property Balance on such date, Lessor shall cause Lessor's interest in such Leased Property to be conveyed to the related Lessee in accordance with and subject to the provisions of Section 14.5 hereof; upon completion of such purchase, but not prior thereto, this Lease with respect to such Leased Property and all obligations hereunder with respect to such Leased Property shall terminate, except with respect to obligations and liabilities hereunder, actual or contingent, that have arisen or relate to events occurring on or prior to such date of purchase, or which are expressly stated herein to survive termination of this Lease.

Upon the consummation of the purchase of any Leased Property pursuant to this Section 10.1, any proceeds derived from insurance required to be maintained by the related Lessee pursuant to this Lease for any Leased Property remaining after payment of such purchase price shall be paid over to, or retained by, such Lessee or as it may direct, and Lessor shall assign to such Lessee, without warranty, all of Lessor's rights to and interest in such insurance required to be maintained by such Lessee pursuant to this Lease.

Section 10.2 Event of Taking. Any event (i) which constitutes a Condemnation of all of, or substantially all of, a Leased Property, or (ii) (A) which would otherwise constitute a Condemnation, (B) which, in the good-faith judgment of the related Lessee, renders restoration and rebuilding of a Leased Property impossible or impractical, or requires repairs to a Leased Property that would cost in excess of 50% of the original cost of such Leased Property, and (C) as to which such Lessee, within sixty (60) days after the occurrence of such event, delivers to Lessor an Officer's Certificate notifying Lessor of such event and of such judgment, shall constitute an "Event of Taking". In the case of any other event which constitutes a Condemnation, the related Lessee shall restore and rebuild such Leased Property pursuant to Section 10.4. If an Event of Taking shall occur, the related Lessee shall pay to Lessor (1) on the later of (A) the thirtieth day and (B) the next Payment Date following the occurrence of such Event of Taking, in the case of an Event of Taking described in clause (i) above, or (2) on the later of (A) the thirtieth day and (B) the next Payment Date following delivery of the Officer's Certificate pursuant to clause (ii) above, in the case of an Event of Taking described in clause (ii) above, an amount equal to the related Leased Property Balance. Upon Lessor's receipt of such Leased Property Balance on such date, Lessor shall cause Lessor's interest in such Leased Property to be conveyed to the related Lessee in accordance with and subject to the provisions of Section 14.5 hereof (provided that such conveyance shall be subject to all rights of the condemning authority); upon completion of such purchase, but not prior thereto, this Lease with respect to such Leased Property and all obligations hereunder with respect to such Leased Property shall terminate, except with respect to obligations and liabilities hereunder, actual or contingent, that have arisen or relate to events occurring on or prior to such date of purchase, or which are expressly stated herein to survive termination of this Lease.

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Upon the consummation of the purchase of such Leased Property pursuant to this Section 10.2, all Awards received by Lessor, after deducting any reasonable out-of-pocket costs incurred by Lessor in collecting such Awards, received or payable on account of an Event of Taking with respect to such Leased Property during the related Lease Term shall be promptly paid to the related Lessee, and all rights of Lessor in Awards not then received shall be assigned to Lessee by Lessor.

Section 10.3 Casualty. If a Casualty shall occur which is not an Event of Loss, the related Lessee shall rebuild and restore the affected Leased Property, will complete the same prior to the Lease Termination Date, and will cause the condition set forth in Section 3.5 (c) of the Master Agreement to be fulfilled with respect to such restoration and rebuilding prior to the Lease Termination Date, regardless of whether insurance proceeds received as a result of such Casualty are sufficient for such purpose.

Section 10.4 Condemnation. If a Condemnation shall occur which is not an Event of Taking, the related Lessee shall rebuild and restore the affected Leased Property, will complete the same prior to the Lease Termination Date, and will cause the condition set forth in Section 3.5 (c) of the Master Agreement to be fulfilled with respect to such restoration and rebuilding prior to the Lease Termination Date.

Section 10.5 Verification of Restoration and Rebuilding. In the event of Casualty or Condemnation that involves, or is reasonably expected to involve, repair or rebuilding costs in excess of \$1,000,000, to verify the related Lessee's compliance with the foregoing Section 10.3 or 10.4, as appropriate, Lessor, the Agent, the Lenders and their respective authorized representatives may, upon five (5) Business Days' notice to such Lessee, make a reasonable number of inspections of the affected Leased Property with respect to (i) the extent of the Casualty or Condemnation and (ii) the restoration and rebuilding of the related Building and the Land. All actual and reasonable out-of-pocket costs of such inspections incurred by Lessor, the Agent or any Lender will be paid by the related Lessee promptly after written request. No such inspection shall unreasonably interfere with the related Lessee's operations or the operations of any other occupant of such Leased Property. None of the inspecting parties shall have any duty to make any such inspection or inquiry and none of the inspecting parties shall incur any liability or obligation by reason of making or not making any such inspection or inquiry.

Section 10.6 Application of Payments. All proceeds (except for payments under insurance policies maintained other than pursuant to Article VIII of this Lease) received at any time by Lessor, any Lessee or the Agent from any Governmental Authority or other Person with respect to any Condemnation or Casualty to any Leased Property or any part thereof or with respect to an Event of Loss or an Event of Taking, plus the amount of any payment that would have been due from an insurer but for a Lessee's self-insurance or deductibles ("Loss Proceeds"), shall (except to the extent Section 10.9 applies) be applied as

follows:

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(a) In the event the related Lessee purchases such Leased Property pursuant to Section 10.1 or Section 10.2, such Loss Proceeds shall be applied as set forth in Section 10.1 or Section 10.2, as the case may be;

(b) In the event of a Casualty at such time when no Event of Default has occurred and is continuing and the related Lessee is obligated to repair and rebuild such Leased Property pursuant to Section 10.3, such Lessee may, in good faith and subsequent to the date of such Casualty, certify to Lessor and to the applicable insurer that no Event of Default has occurred and is continuing, in which event the applicable insurer shall pay the Loss Proceeds to such Lessee;

(c) In the event of a Condemnation at such time when no Event of Default has occurred and is continuing and the related Lessee is obligated to repair and rebuild such Leased Property pursuant to Section 10.4, such Lessee may, in good faith and subsequent to the date of such Condemnation, certify to Lessor and the Agent that no Event of Default has occurred and is continuing, in which event the applicable Award shall be paid over to such Lessee; and

(d) As provided in Section 10.8, if such section is applicable.

During any period of repair or rebuilding pursuant to this Article X, this Lease will remain in full force and effect and Basic Rent shall continue to accrue and be payable without abatement or reduction. Each Lessee shall maintain records setting forth information relating to the receipt and application of payments in accordance with this Section 10.6. Such records shall be kept on file by each Lessee at its offices and shall be made available to Lessor, the Lenders and the Agent upon request.

Section 10.7 Prosecution of Awards.

(a) If any Condemnation shall occur, the party receiving the notice of such Condemnation shall give to the other party and the Agent promptly, but in any event within thirty (30) days after the occurrence thereof, written notice of such occurrence and the date thereof, generally describing the nature and extent of such Condemnation. With respect to any Event of Taking or any Condemnation, the related Lessee shall control the negotiations with the relevant Governmental Authority as to any proceeding in respect of which Awards are required, under Section 10.6, to be assigned or released to such Lessee, unless an Event of Default shall have occurred and be continuing, in which case (i) the Agent (or Lessor if the Loans have been fully paid) shall control such negotiations; and (ii) such Lessee hereby irrevocably assigns, transfers and sets over to Lessor all rights of such Lessee to any Award on account of any Event of Taking or any Condemnation and, if there will not be separate Awards to Lessor and such Lessee on account of such Event of Taking or Condemnation, irrevocably authorizes and empowers the Agent (or Lessor if the Loans have been fully paid) during the continuance of an Event of Default, with full power of substitution, in the name of such Lessee or otherwise (but without limiting the obligations of such Lessee under this Article X), to file and prosecute what would otherwise be such

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Lessee's claim for any such Award and to collect, receipt for and retain the same. In any event Lessor and the Agent may participate in such negotiations, and no settlement will be made without the prior consent of the Agent (or Lessor if the Loans have been fully paid), not to be unreasonably withheld.

(b) Notwithstanding the foregoing, each Lessee may prosecute, and Lessor shall have no interest in, any claim with respect to such Lessee's personal property and equipment not financed by or otherwise property of Lessor, business interruption or similar award and such Lessee's relocation expenses.

Section 10.8 Application of Certain Payments Not Relating to an Event of Taking. In case of a requisition for temporary use of all or a portion of any Leased Property which is not an Event of Taking, this Lease shall remain in full force and effect with respect to such Leased Property, without any abatement or reduction of Basic Rent, and the Awards for such Leased Property shall, unless an Event of Default has occurred and is continuing, be paid to the related Lessee.

Section 10.9 Other Dispositions. Notwithstanding the foregoing provisions of this Article X, so long as an Event of Default shall have occurred and be continuing, any amount that would otherwise be payable to or for the account of, or that would otherwise be retained by, Lessee pursuant to this Article X shall be paid to the Agent (or Lessor if the Loans have been fully paid) as security for the obligations of the Lessees under this Lease and, at such time thereafter as no Event of Default shall be continuing, such amount shall be paid promptly to the related Lessee to the extent not previously applied by Lessor or the Agent in accordance with the terms of this Lease or the other Operative Documents.

Section 10.10 No Rent Abatement. Rent shall not abate hereunder by reason of any Casualty, any Event of Loss, any Event of Taking or any Condemnation of any Leased Property, and each Lessee shall continue to perform and fulfill all of such Lessee's obligations, covenants and agreements hereunder notwithstanding such Casualty, Event of Loss, Event of Taking or Condemnation until the Lease Termination Date.

ARTICLE XI.
INTEREST CONVEYED TO LESSEES

Each Lessee and Lessor intend that this Lease be treated, for accounting purposes, as an operating lease. For purposes of federal and state income taxes, and bankruptcy law, each Lessee and Lessor intend that the transaction represented by this Lease be treated as a financing transaction; for such purposes, it is the intention of the parties hereto (i) that this Lease be treated as a mortgage or deed of trust (whichever is applicable in the jurisdictions in which the Leased Properties are located) and security agreement, encumbering the Leased Properties, and that each Lessee, as grantor, hereby grants to Lessor, as mortgagee or

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beneficiary and secured party, or any successor thereto, a first and paramount Lien on each Leased Property in which such Lessee has an interest, (ii) that Lessor shall have, as a result of such determination, all of the rights, powers and remedies of a mortgagee, deed of trust beneficiary or secured party available under Applicable Law to take possession of and sell (whether by foreclosure or otherwise) any Leased Property, (iii) that the effective date of such mortgage, security deed or deed of trust shall be the effective date of this Lease, or the related Lease Supplement, if later, (iv) that the recording of this Lease or a Lease Supplement shall be deemed to be the recording of such mortgage, security deed or deed of trust, (v) that the obligations secured by such mortgage, security deed or deed of trust shall include the Funded Amounts and all Basic Rent and Supplemental Rent hereunder and all other obligations of and amounts due from each Lessee hereunder and under the Operative Documents and (vi) that the related Lessee will be treated as the owner of the Leased Properties leased by such Lessee for tax purposes.

ARTICLE XII.
EVENTS OF DEFAULT

The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) any Lessee shall fail to make any payment of Basic Rent within three (3) Business Days after written notice of such failure from Lessor or the Agent;

(b) any Lessee shall fail to make any payment of Rent (other than Basic Rent and other than as set forth in clause (c)) or any other amount payable hereunder or under any of the other Operative Documents (other than Basic Rent and other than as set forth in clause (c)), and such failure shall continue for a period of ten Business Days after written notice thereof from Lessor or the Agent is received by DTD;

(c) any Lessee shall fail to pay the Funded Amount or Lease Balance when due pursuant to Section 10.1, 10.2, 14.1 or 14.2, or any Lessee shall fail to pay the Recourse Deficiency Amount when required pursuant to Article XIV or the Construction Agent shall fail to make any payment when due under the Construction Agency Agreement;

(d) any Lessee shall fail to maintain insurance as required by Article VIII hereof, and such failure shall continue until the earlier of (i) fifteen (15) days after written notice thereof from Lessor and (ii) the day immediately

preceding the date on which any applicable insurance coverage would otherwise lapse or terminate;

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(e) any Obligor shall fail to pay at maturity, or within any applicable period of grace, any obligation for borrowed money or credit received or in respect of any Capitalized Leases in excess of \$500,000 in the aggregate, or fail to observe or perform any term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money or credit received or in respect of any Capitalized Leases in excess of \$500,000 in the aggregate for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof;

(f) any Obligor shall cease to be Solvent, or shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of any Obligor or of any substantial part of the assets of any Obligor or shall commence any case or other proceeding relating to any Obligor under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or shall take any action to authorize or in furtherance of any of the foregoing, or if any such petition or application shall be filed or any such case or other proceeding shall be commenced against any Obligor and such Obligor shall indicate its approval thereof, consent thereto or acquiescence therein; or the filing of any case or other proceeding against any obligor under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect and such case or proceeding is not discharged or dismissed within sixty (60) days of its commencement; a decree or order is entered appointing any such trustee, custodian, liquidator or receiver or adjudicating any Obligor bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any Obligor, in an involuntary case under federal bankruptcy laws as now or hereafter constituted;

(g) there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty days, whether or not consecutive, any uninsured final judgment against any Obligor that, with other outstanding uninsured final judgments, undischarged, against the Obligors exceeds \$2,000,000.00 in the aggregate;

(h) if any of the Operating Documents shall be cancelled, terminated, revoked or rescinded or any action at law, suit or in equity or other legal proceeding to cancel, revoke or rescind any of the Operating Documents shall be commenced by or on behalf of any Obligor, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Operating Documents is illegal, invalid or unenforceable in accordance with the terms thereof;

(i) with respect to any Guaranteed Pension Plan, an ERISA Reportable Event shall have occurred and the Required Funding Parties shall have determined in their reasonable

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discretion that such event reasonably could be expected to result in liability of any Obligor to the PBGC on such Guaranteed Pension Plan in an aggregate amount exceeding \$500,000.00 and (i) such event in the circumstances occurring reasonably could constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan; or (ii) a trustee shall have been appointed by the United States District Court to administer such Plan; or (iii) the PBGC shall have instituted proceedings to terminate such Guaranteed Pension Plan;

(j) any representation or warranty by DTS or any Lessee in any Operative Document or in any certificate or document delivered to Lessor, the Agent or any Lender pursuant to any Operative Document shall have been incorrect in any material respect when made;

(k) any Lessee or DTS shall fail in any material respect to timely, perform or observe any covenant or material agreement (not included in clause (a) through (j) of this Article XII) to be performed or observed by it hereunder or under any other Operative Document and such failure shall continue for a period of thirty (30) days (or 10 Business Days in the case of financial covenants) after such Lessee's or DTD's receipt of written notice thereof from Lessor, the Agent or any Lender or such Lessee or DTD shall have knowledge of such failure; provided, however, that if such failure is capable of cure, but is not capable of cure within such thirty day period, so long as such Lessee or DTD shall be diligently pursuing such cure, such failure shall not constitute an Event of Default unless it shall continue for a period of ninety (90) days after such Lessee's or DTD's receipt of notice or knowledge thereof.

ARTICLE XIII. ENFORCEMENT

Section 13.1 Remedies. Upon the occurrence and during the continuance of any Event of Default, Lessor may do one or more of the following as Lessor in its sole discretion shall determine, without limiting any other right or remedy Lessor may have on account of such Event of Default (including, without limitation, the obligation of the Lessees to purchase the Leased Properties as set forth in Section 14.3):

(a) Lessor may, by notice to DTD, rescind or terminate this Lease as of the date specified in such notice; however, (A) no reletting, reentry or taking of possession of any Leased Property by Lessor will be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention is given to DTD, (B) notwithstanding any reletting, reentry or taking of possession, Lessor may at any time thereafter elect to terminate this Lease for a continuing Event of Default, and (C) no act or thing done by Lessor or any

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of its agents, representatives or employees and no agreement accepting a surrender of any Leased Property shall be valid unless the same be made in writing and executed by Lessor;

(b) Lessor may (i) demand that the Lessees, and the Lessees shall upon the written demand of Lessor, return the Leased Properties promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, Articles VI and XIV hereof as if the Leased Properties were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of any Lessee for any costs and expenses incurred by such Lessee in connection therewith and (ii) without prejudice to any other remedy which Lessor may have for possession of the Leased Properties, and to the extent and in the manner permitted by Applicable Law, enter upon any Leased Property and take immediate possession of (to the exclusion of the related Lessee) any Leased Property or any part thereof and expel or remove the related Lessee and any other person who may be occupying such Leased Property, by summary proceedings or otherwise, all without liability to any Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise and, in addition to Lessor's other damages, the Lessees shall be responsible for the actual and reasonable costs and expenses of reletting, including brokers' fees and the reasonable out-of-pocket costs of any alterations or repairs made by Lessor;

(c) Lessor may (i) sell all or any part of any Leased Property at public or private sale, as Lessor may determine, free and clear of any rights of any Lessee and without any duty to account to any Lessee with respect to such action or inaction or any proceeds with respect thereto (except to the extent required by Applicable Law or clause (ii) below if Lessor shall elect to exercise its rights thereunder) in which event the related Lessee's obligation to pay Basic Rent for such Leased Property hereunder for periods commencing after the date of such sale shall be terminated or proportionately reduced, as the case may be; and (ii) if Lessor shall so elect, demand that the related Lessee pay to Lessor, and the related Lessee shall pay to Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (the parties agreeing that Lessor's actual damages would be difficult to predict, but the aforementioned liquidated damages represent a reasonable approximation of such amount) (in lieu of Basic Rent due for periods commencing on or after the Payment Date coinciding with such date of sale (or, if the sale date is not a Payment Date, the Payment Date next preceding the date of such sale)), an amount equal to (a) the excess, if any, of (1) the sum of (A) all Rent due and unpaid to and including such Payment Date and (B) the Funded Amounts with respect to such Leased Property, computed as of such date, over (2) the net proceeds of such sale (that is, after deducting all out-of-pocket costs and expenses incurred by Lessor, the Agent or any Lender incident to such conveyance (including, without limitation, all costs, expenses, fees, premiums and taxes

described in Section 14.5(b)); plus (b) interest at the Overdue Rate on the foregoing amount from such Payment Date until the date of payment;

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(d) Lessor may, at its option, not terminate this Lease, and continue to collect all Basic Rent, Supplemental Rent, and all other amounts (including, without limitation, the Funded Amount) due Lessor (together with all costs of collection) and enforce the Lessees' obligations under this Lease as and when the same become due, or are to be performed, and at the option of Lessor, upon any abandonment of any Leased Property by Lessee or re-entry of same by Lessor, Lessor may, in its sole and absolute discretion, elect not to terminate this Lease with respect thereto and may make such reasonable alterations and necessary repairs in order to relet such Leased Property, and relet such Leased Property or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its reasonable discretion may deem advisable; and upon each such reletting all rentals actually received by Lessor from such reletting shall be applied to the Lessees' obligations hereunder in such order, proportion and priority as Lessor may elect in Lessor's sole and absolute discretion. If such rentals received from such reletting during any Rent Period are less than the Rent to be paid during that Rent Period by the Lessees hereunder, the Lessees shall pay any deficiency, as calculated by Lessor, to Lessor on the Payment Date for such Rent Period;

(e) Lessor may, whether or not Lessor shall have exercised or shall thereafter at any time exercise any of its rights under paragraph (b), (c) or (d) of this Article XIII, demand, by written notice to DTD specifying a date (the "Final Rent Payment Date") not earlier than 30 days after the date of such notice, that Lessees purchase, on the Final Rent Payment Date, all of the remaining Leased Properties in accordance with the provisions of Sections 14.2, 14.4 and 14.5; provided, however, that (1) such purchase shall occur on the date set forth in such notice, notwithstanding the provision in Section 14.2 calling for such purchase to occur on the Lease Termination Date; and (2) Lessor's obligations under Section 14.5(a) shall be limited to delivery of a special warranty deed and quit claim bill of sale of such Leased Properties, without recourse or warranty, but free and clear of Lessor Liens;

(f) Lessor may exercise any other right or remedy that may be available to it under Applicable Law, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any Rent Period(s), and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Period(s), or Lessor may defer any such suit until after the expiration of the Lease Term, in which event such suit shall be deemed not to have accrued until the expiration of the Lease Term; or

(g) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Event of Default, be required to pay to, or turn over to, a Lessee pursuant to the terms of this Lease.

Section 13.2 Remedies Cumulative; No Waiver; Consents. To the extent permitted by, and subject to the mandatory requirements of, Applicable Law, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be

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cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. No delay or omission by Lessor in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of any Lessee or to be an acquiescence therein. Lessor's consent to any request made by any Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's consent, in the future, to all similar requests. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Potential Event of Default or Event of

Default. To the extent permitted by Applicable Law, each Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell, lease or otherwise use any Leased Property or part thereof in mitigation of Lessor's damages upon the occurrence of an Event of Default or that may otherwise limit or modify any of Lessor's rights or remedies under this Article XIII.

Section 13.3 Purchase Upon an Event of Default. Upon the occurrence of an Event of Default, until such time as Lessor commences material preparations for the sale or re-lease of the Leased Properties, the Lessees may purchase all, but not less than all, of the Leased Properties for the Lease Balance, plus any amounts due pursuant to Section 7.5 of the Master Agreement. Such purchase shall be made in accordance with Section 14.5, upon not less than five (5) Business Days' written notice (which shall be irrevocable) to Lessor, which notice shall set forth the date of purchase (which shall be a date no later than 30 Business Days from the date of such notice).

ARTICLE XIV.

SALE, RETURN OR PURCHASE OF LEASED PROPERTY; RENEWAL

Section 14.1 Lessee's Option to Purchase.

(a) Subject to the terms, conditions and provisions set forth in this Article XIV, each Lessee shall have the option (the "Purchase Option"), to be exercised as set forth below, to purchase from Lessor, Lessor's interest in all of the Leased Properties; provided that, except as set forth in paragraph (b) below, such option must be exercised with respect to all, but not less than all, of the Leased Properties under all of the Lease Supplements. Such option must be exercised by written notice to Lessor not later than six months prior to the Lease Termination Date which notice shall be irrevocable; such notice shall specify the date that such purchase shall take place, which date shall be a date occurring not less than thirty (30) days after such notice or the Lease Termination Date (whichever is earlier). If the Purchase Option is exercised pursuant to the foregoing, then, subject to the provisions set forth in this Article XIV, on the applicable

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purchase date or the Lease Termination Date, as the case may be, Lessor shall convey to each Lessee, by special warranty deed and bill of sale, without recourse or warranty (other than as to the absence of Lessor Liens) and each Lessee shall purchase from Lessor, Lessor's interest in the Leased Properties leased by such Lessee.

(b) Subject to the terms, conditions and provisions set forth in this Article XIV, each Lessee shall have the option (the "Partial Purchase Option"), to be exercised as set forth below, to purchase from Lessor Lessor's interest in any Leased Property leased by such Lessee, provided that the Partial Purchase Option shall only be available if, after giving effect thereto, at least one Leased Property remains subject to this Lease. Such option may be exercised by written notice to Lessor at any time prior to the last year of the term of this Lease, which notice shall be irrevocable; such notice shall specify the Leased Property to be purchased and the date that such purchase shall take place, which date shall be a date occurring not less than thirty (30) days after such notice. If a Partial Purchase Option is exercised pursuant to the foregoing, subject to the provisions set forth in this Article XIV, on the applicable purchase date, Lessor shall convey to the related Lessee, and such Lessee shall purchase from Lessor, Lessor's interest in the Leased Property that is the subject of such Partial Purchase Option pursuant to Section 14.5.

Section 14.2 Conveyance to Lessee. Unless (a) the Lessees shall have properly exercised the Purchase Option and purchased the Leased Properties pursuant to Section 14.1(a) or 14.1(b) hereof, or (b) the Lessees shall have properly exercised the Remarketing Option and shall have fulfilled all of the conditions of Section 14.6 hereof, then, subject to the terms, conditions and provisions set forth in this Article XIV, each Lessee shall purchase from Lessor, and Lessor shall convey to each Lessee, on the Lease Termination Date all of Lessor's interest in the Leased Properties leased to such Lessee. Any Lessee may designate, in a notice given to Lessor not less than ten (10) Business Days prior to the closing of such purchase, or any purchase pursuant to Section 14.1(a) or (b), (time being of the essence), the transferee to whom the conveyance shall be made (if other than to such Lessee), in which case such conveyance shall (subject to the terms and conditions set forth herein) be made to such designee; provided, however, that such designation of a transferee shall not cause any Lessee to be released, fully or partially, from any of its obligations under this Lease.

Section 14.3 Acceleration of Purchase Obligation. The Lessees shall be obligated to purchase Lessor's interest in the Leased Properties immediately,

automatically and without notice upon the occurrence of any Event of Default specified in clause (f) of Article XII, for the purchase price set forth in Section 14.4. Upon the occurrence and during the continuance of any other Event of Default, the Lessees shall be obligated to purchase Lessor's interest in the Leased Properties for the purchase price set forth in Section 14.4 upon notice of such obligation from Lessor.

Section 14.4 Determination of Purchase Price. Upon the purchase by the Lessees of Lessor's interest in the Leased Properties upon the exercise of the Purchase Option or

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pursuant to Section 14.2 or 14.3, the aggregate purchase price for all of the Leased Properties shall be an amount equal to the Lease Balance as of the closing date for such purchase, plus any amount due pursuant to Section 7.5(f) of the Master Agreement as a result of such purchase. Upon the purchase by a Lessee of Lessor's interest in a Leased Property upon the exercise of a Partial Purchase Option, the purchase price for such Leased Property shall be an amount equal to the Leased Property Balance for such Leased Property as of the closing date for such purchase, plus any amount due pursuant to Section 7.5(f) of the Master Agreement as the result of such purchase.

Section 14.5 Purchase Procedure.

(a) If a Lessee shall purchase Lessor's interest in a Leased Property pursuant to any provision of this Lease, (i) such Lessee shall accept from Lessor and Lessor shall convey such Leased Property by a duly executed and acknowledged special warranty deed and quit claim bill of sale of such a Leased Property in recordable form, (ii) upon the date fixed for any purchase of Lessor's interest in Leased Property hereunder, the related Lessee(s) shall pay to the order of the Agent (or Lessor if the Loans have been paid in full) the Lease Balance or Leased Property Balance, as applicable, plus any amount due pursuant to Section 7.5 of the Master Agreement as a result of such purchase by wire transfer of immediately available funds, (iii) Lessor will execute and deliver to the related Lessee such other documents, including releases, affidavits, termination agreements and termination statements, as may be legally required or as may be reasonably requested by Lessee in order to effect such conveyance, free and clear of Lessor Liens and the Liens of the Operative Documents and (iv) if such Leased Property is subject to a Ground Lease, Lessor will execute and deliver to the related Lessee an assignment or termination of such Ground Lease, as directed by such Lessee, in such form as may be reasonably requested by such Lessee, and such Lessee shall pay any amounts due with respect thereto under such Ground Lease.

(b) Each Lessee shall, at such Lessee's sole cost and expense, obtain all required governmental and regulatory approval and consents and in connection therewith shall make such filings as required by Applicable Law; in the event that Lessor is required by Applicable Law to take any action in connection with such purchase and sale, the Lessees shall pay prior to transfer all reasonable out-of-pocket costs incurred by Lessor in connection therewith. Without limiting the foregoing, all costs incident to such conveyance, including, without limitation, each Lessee's attorneys' fees, Lessor's attorneys' fees, commissions, each Lessee's and Lessor's escrow fees, recording fees, title insurance premiums and all applicable documentary transfer or other transfer taxes and other taxes required to be paid in order to record the transfer documents that might be imposed by reason of such conveyance and the delivery of such deed shall be borne entirely by and paid by the Lessees.

(c) Upon expiration or termination of this Lease resulting in conveyance of Lessor's interest in the title to the Leased Properties to the Lessees, there shall be no apportionment of rents (including, without limitation, water rents and sewer rents), taxes, insurance, utility charges or other charges payable with respect to the Leased Properties, all of

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such rents, taxes, insurance, utility or other charges due and payable with respect to the Leased Properties prior to termination being payable by the Lessees hereunder and all due after such time being payable by the Lessees as the then owners of the Leased Properties.

Section 14.6 Option to Remarket. Subject to the fulfillment of each of the conditions set forth in this Section 14.6, the Lessees shall have the option to market all of, but not less than all of, the Leased Properties for Lessor

(the "Remarketing Option").

The Lessees' effective exercise and consummation of the Remarketing Option shall be subject to the due and timely fulfillment of each of the following provisions, the failure of any of which, unless waived in writing by Lessor and the Lenders, shall render the Remarketing Option and the Lessees' exercise thereof null and void, in which event, each Lessee shall be obligated to perform its obligations under Section 14.2.

(a) Not later than twelve months prior to the Lease Termination Date, DTD shall give to Lessor and the Agent written notice of the Lessees' exercise of the Remarketing Option.

(b) Not later than ten (10) Business Days prior to the Lease Termination Date, each Lessee shall deliver to Lessor and the Agent an environmental assessment of each Leased Property leased by it dated not later than forty-five (45) days prior to the Lease Termination Date. Such environmental assessment shall be prepared by an environmental consultant selected by the related Lessee and reasonably satisfactory to the Required Funding Parties, shall be in form, detail and substance reasonably satisfactory to the Required Funding Parties, and shall otherwise indicate no degradation in environmental conditions beyond those described in the related Environmental Audit for which corrective action is required by Applicable Law and shall not include a recommendation for further investigation to make such determination.

(c) On the date of DTD's notice to Lessor and the Agent of the Lessees' exercise of the Remarketing Option, each of the Construction Conditions shall have been timely satisfied and no Event of Default or Potential Event of Default shall exist, and thereafter, no Event of Default or Potential Event of Default shall exist under this Lease.

(d) Each Lessee shall have completed in all material respects all Alterations, restoration and rebuilding of the Leased Properties leased by it pursuant to Sections 6.1, 6.2, 10.3 and 10.4 (as the case may be) and shall have fulfilled in all material respects all of the conditions and requirements in connection therewith pursuant to said Sections, in each case by the date on which Lessor and the Agent receive DTD's notice of the Lessees' exercise of the Remarketing Option (time being of the essence), regardless of whether the same shall be within such Lessee's control.

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(e) Upon request by the Agent, each Lessee shall promptly provide any maintenance records relating to each Leased Property leased by it to Lessor, the Agent and any potential purchaser, and shall otherwise do all things necessary to deliver possession of such Leased Property to the potential purchaser at the appropriate closing date. Each Lessee shall allow Lessor, the Agent and any potential purchaser reasonable access during normal business hours to any Leased Property for the purpose of inspecting the same.

(f) On the Lease Termination Date, each Lessee shall surrender the Leased Properties leased by it in accordance with Section 14.8 hereof.

(g) In connection with any such sale of the Leased Properties, each Lessee will provide to the purchaser all customary "seller's" indemnities requested by the potential purchaser (taking into account the location and nature of the Leased Properties), representations and warranties regarding title, absence of Liens (except Lessor Liens) and the condition of the Leased Properties. Each Lessee shall fulfill all of the requirements set forth in clause (b) of Section 14.5, and such requirements are incorporated herein by reference. As to Lessor, any such sale shall be made on an "as is, with all faults" basis without representation or warranty by Lessor, other than the absence of Lessor Liens.

(h) In connection with any such sale of Leased Properties, each Lessee shall pay directly, and not from the sale proceeds, all prorations, credits, costs and expenses of the sale of the Leased Properties leased by it, whether incurred by Lessor, any Lender, the Agent or such Lessee, including without limitation, to the extent not paid by the purchaser, the cost of all title insurance, surveys, environmental reports, appraisals, transfer taxes, Lessor's and the Agent's attorneys' fees, such Lessee's attorneys' fees, commissions, escrow fees, recording fees, and all applicable documentary and other transfer taxes.

(i) The Lessees, jointly and severally, shall pay to the Agent on the Lease Termination Date (or to such other Person as Agent shall notify Lessee in writing, or in the case of Supplemental Rent, to the Person entitled thereto) an amount equal to the Recourse Deficiency Amount, plus all accrued and unpaid Basic Rent and Supplemental Rent, and all other amounts hereunder which have accrued prior to or as of such date, in the type of funds specified in

Section 3.3 hereof.

If the Lessees have exercised the Remarketing Option, the following additional provisions shall apply: During the period commencing on the date twelve months prior to the scheduled expiration of the Lease Term, one or more of the Lessees shall, as nonexclusive agent for Lessor, use commercially reasonable efforts to sell Lessor's interest in the Leased Properties and will attempt to obtain the highest purchase price therefor. All such marketing of the Leased Properties shall be at the Lessees' sole expense. Lessee promptly shall submit all bids

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to Lessor and the Agent and Lessor and the Agent will have the right to review the same and the right to submit any one or more bids. All bids shall be on an all-cash basis. In no event shall such bidder be a Lessee or any Subsidiary or Affiliate of a Lessee. The written offer must specify the Lease Termination Date as the closing date. If, and only if, the aggregate selling price (net of closing costs and prorations, as reasonably estimated by the Agent) is less than the difference between the Lease Balance at such time minus the Recourse Deficiency Amount, then Lessor or the Agent may, in its sole and absolute discretion, by notice to DTD, reject such offer to purchase, in which event the parties will proceed according to the provisions of Section 14.7 hereof. If neither Lessor nor the Agent rejects such purchase offer as provided above, the closing of such purchase of the Leased Properties by such purchaser shall occur on the Lease Termination Date, contemporaneously with the Lessees' surrender of the Leased Properties in accordance with Section 14.8 hereof, and the gross proceeds of the sale (i.e., without deduction for any marketing, closing or other costs, prorations or commissions) shall be paid directly to the Agent (or Lessor if the Funded Amounts have been fully paid); provided, however, that if the sum of the gross proceeds from such sale plus the Recourse Deficiency Amount paid by the Lessees on the Lease Termination Date pursuant to Section 14.6(i), minus any and all reasonable costs and expenses (including broker fees, appraisal costs, reasonable legal fees and transfer taxes) incurred by the Agent or Lessor in connection with the marketing of the Leased Properties or the sale thereof exceeds the Lease Balance as of such date, then the excess shall be paid to DTD on the Lease Termination Date. No Lessee shall have the right, power or authority to bind Lessor in connection with any proposed sale of the Leased Properties.

Section 14.7 Rejection of Sale. Notwithstanding anything contained herein to the contrary, if Lessor or the Agent rejects the purchase offer for the Leased Properties as provided in (and subject to the conditions set forth in) Section 14.6, then (a) the Lessees, jointly and severally, shall pay to the Agent the Recourse Deficiency Amount pursuant to Section 14.6(i), and (b) Lessor shall retain title to the Leased Properties.

Section 14.8 Return of Leased Property. If Lessor retains title to any Leased Property pursuant to Section 14.7 hereof, then each Lessee shall, on the Lease Termination Date, and at its own expense, return possession of the Leased Properties leased by it to Lessor for retention by Lessor or, if the Lessees properly exercise the Remarketing Option and fulfill all of the conditions of Section 14.6 hereof and neither Lessor nor the Agent rejects such purchase offer pursuant to Section 14.6, then each Lessee shall, on such Lease Termination Date, and at its own cost, transfer possession of the Leased Properties leased by it to the independent purchaser thereof, in each case by surrendering the same into the possession of Lessor or such purchaser, as the case may be, free and clear of all Liens other than Lessor Liens, in as good condition as it was on the Completion Date therefor in the case of new Construction, or the Funding Date (as modified by Alterations permitted by this Lease), ordinary wear and tear excepted, and in compliance in all material respects with Applicable Law. Each Lessee shall, on and within a reasonable time before and after the Lease Termination Date, cooperate with Lessor and the independent purchaser of any Leased

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Property leased by such Lessee in order to facilitate the ownership and operation by such purchaser of such Leased Property after the Lease Termination Date, which cooperation shall include the following, all of which such Lessee shall do on or before the Lease Termination Date or as soon thereafter as is reasonably practicable: providing all books and records regarding the related Lessee's maintenance of such Leased Property and all know-how, data and technical information relating thereto, providing a copy of the Plans and Specifications within the possession of such Lessee or DTD, granting or

assigning all licenses (to the extent assignable) necessary for the operation and maintenance of such Leased Property, and cooperating in seeking and obtaining all necessary Governmental Action. Each Lessee shall have also paid the cost of all Alterations commenced prior to the Lease Termination Date. The obligations of such Lessee under this Article XIV shall survive the expiration or termination of this Lease.

Section 14.9 Renewal. Subject to the conditions set forth herein, DTD may, by written notice to Lessor and the Agent given not later than twelve months and not earlier than sixteen months, prior to the then scheduled Lease Termination Date, request to renew this Lease for five years, commencing on the date following such Lease Termination Date, provided that in no event shall the Lease Term exceed fifteen (15) years. No later than the date that is 45 days after the date the request to renew has been delivered to each of Lessor and the Agent, the Agent will notify DTD whether or not Lessor and the Lenders consent to such renewal request (which consent may be granted or denied in the Lessor's and each Lender's sole discretion and may be conditioned on such conditions precedent as may be specified by Lessor or such Lender). If the Agent fails to respond in such time frame, such failure shall be deemed to be a rejection of such request.

Section 14.10 Environmental Report. Upon termination of this Lease, unless the Lessees have exercised the Remarketing Option and complied with Section 14.6, each Lessee shall deliver, at the Lessees' expense, to Lessor and the Agent an environmental assessment of each Leased Property leased by it at any time during the Lease Term. Such environmental assessment shall be prepared by an environmental consultant, and shall be in a form, reasonably satisfactory to Lessor and the Agent.

ARTICLE XV. LESSEE'S EQUIPMENT

After any repossession of any Leased Property (whether or not this Lease has been terminated), the related Lessee, at its expense and so long as such removal of such trade fixture, personal property or equipment shall not result in a violation of Applicable Law, shall, within a reasonable time after such repossession or within ninety (90) days after such Lessee's receipt of Lessor's written request (whichever shall first occur), remove all of such Lessee's trade fixtures, personal property and equipment from such Leased Property (to the extent that the same can be readily removed from such Leased Property without causing

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material damage to such Leased Property); provided, however, that such Lessee shall not remove any such trade fixtures, personal property or equipment that has been financed by Lessor under the Operative Documents or otherwise constituting Leased Property (or that constitutes a replacement of such property). Any of a Lessee's trade fixtures, personal property and equipment not so removed by such Lessee within such period shall be considered abandoned by such Lessee, and title thereto shall without further act vest in Lessor, and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without notice to any Lessee and without obligation to account therefor and the related Lessee will pay Lessor, upon written demand, all reasonable costs and expenses incurred by Lessor in removing, storing or disposing of the same and all costs and expenses incurred by Lessor to repair any damage to such Leased Property caused by such removal. Each Lessee will immediately repair at its expense all damage to such Leased Property caused by any such removal (unless such removal is effected by Lessor, in which event such Lessee shall pay all reasonable costs and expenses incurred by Lessor for such repairs). Lessor shall have no liability in exercising Lessor's rights under this Article XV, nor shall Lessor be responsible for any loss of or damage to any Lessee's personal property and equipment.

ARTICLE XVI. RIGHT TO PERFORM FOR LESSEE

If any Lessee shall fail to perform or comply with any of its agreements contained herein, Lessor, upon notice to DTD or such Lessee, may perform or comply with such agreement, and Lessor shall not thereby be deemed to have waived any default caused by such failure, and the amount of such payment and the amount of the expenses of Lessor (including actual and reasonable attorneys' fees and expenses) incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, shall be deemed Supplemental Rent, payable by the related Lessee to Lessor within thirty (30) days after written demand therefor.

ARTICLE XVII.
MISCELLANEOUS

Section 17.1 Reports. To the extent required under Applicable Law and to the extent it is reasonably practical for a Lessee to do so, such Lessee shall prepare and file in timely fashion, or, where such filing is required to be made by Lessor or it is otherwise not reasonably practical for a Lessee to make such filing, Lessee shall prepare and deliver to Lessor (with a copy to the Agent) within a reasonable time prior to the date for filing and Lessor shall file, any material reports with respect to the condition or operation of such Leased Property that shall be required to be filed with any Governmental Authority.

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Section 17.2 Binding Effect; Successors and Assigns; Survival. The terms and provisions of this Lease, and the respective rights and obligations hereunder of Lessor and the Lessees, shall be binding upon their respective successors, legal representatives and assigns (including, in the case of Lessor, any Person to whom Lessor may transfer any Leased Property or any interest therein in accordance with the provisions of the Operative Documents), and inure to the benefit of their respective permitted successors and assigns, and the rights granted hereunder to the Agent and the Lenders shall inure (subject to such conditions as are contained herein) to the benefit of their respective permitted successors and assigns. Each Lessee hereby acknowledges that Lessor has assigned all of its right, title and interest to, in and under this Lease to the Agent and the Lenders pursuant to the Loan Agreement and related Operative Documents, and that all of Lessor's rights hereunder may be exercised by the Agent.

Section 17.3 Quiet Enjoyment. Lessor covenants that it will not interfere in the related Lessee's or any of its permitted sublessees' quiet enjoyment of the Leased Properties in accordance with this Lease during the Lease Term, so long as no Event of Default has occurred and is continuing. Such right of quiet enjoyment is independent of, and shall not affect, Lessor's rights otherwise to initiate legal action to enforce the obligations of the Lessees under this Lease.

Section 17.4 Notices. Unless otherwise specified herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be deemed to have been given as set forth in Section 8.2 of the Master Agreement. All such notices, offers, acceptances, rejections, consents, requests, demands or other communications shall be addressed as follows or to such other address as any of the parties hereto may designate by written notice:

If to Lessor: Atlantic Financial Group, Ltd.
c/o Grogan & Browner
2311 Cedar Springs Road, Suite 150
Dallas, Texas 75201
Attn: Stephen Brookshire

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If to DTD
or any other Lessee: Dollar Tree Stores, Inc.
500 Volvo Parkway
Chesapeake, VA 23320
Attn: Frederick C. Coble
Facsimile: 757-321-5111

with a copy to: Hofhemier Nusbaum, P.C.
1700 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510
Attn: William A. Old, Jr., Esq.
Facsimile: 757-629-0660

If to Agent: Crestar Bank
500 Main Street
Norfolk, Virginia 23510
Attn: Bruce W. Nave
Facsimile: 757-624-5457

with a copy to: SunTrust Equitable Securities Corporation
303 Peachtree Street, 24th Floor
MC 3951
Atlanta, Georgia 30308
Attn: Todd Shutley

If to a Lender, to the address provided in the Master Agreement.

Section 17.5 Severability. Any provision of this Lease that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction, and Lessee shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by Applicable Law, each Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 17.6 Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, except by an instrument in writing signed by Lessor and DTD in accordance with the provisions of Section 8.4 of the Master Agreement. This Lease, together with the applicable Lease Supplement and the other Operative Documents, is intended by the parties as a final expression of their lease agreement and as a complete and exclusive statement of the terms

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thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings, or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

Section 17.7 Construction. This Lease shall not be construed more strictly against any one party, it being recognized that both of the parties hereto have contributed substantially and materially to the preparation and negotiation of this Lease.

Section 17.8 Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

Section 17.9 Counterparts. This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 17.10 GOVERNING LAW. THIS LEASE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, EXCEPT AS TO MATTERS RELATING TO THE CREATION OF THE LEASEHOLD OR MORTGAGE ESTATES HEREUNDER, AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT THERETO, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATES IN WHICH SUCH ESTATES ARE LOCATED.

Section 17.11 Discharge of Lessee's Obligations by its Subsidiaries or Affiliates. Lessor agrees that performance of any Lessee's obligations hereunder by one or more of such Lessee's Subsidiaries or Affiliates shall constitute performance by Lessee of such obligations to the same extent and with the same effect hereunder as if such obligations were performed by such Lessee, but no such performance shall excuse any Lessee from any obligation not performed by it or on its behalf under the Operative Documents.

Section 17.12 Liability of Lessor Limited. Except as otherwise expressly provided below in this Section 17.12, it is expressly understood and agreed by and between each Lessee, Lessor and their respective successors and assigns that nothing herein contained shall be construed as creating any liability of Lessor or any of its Affiliates or any of their respective officers, directors, employees or agents, individually or personally, for any failure

to perform any covenant, either express or implied, contained herein, all such liability (other than that resulting from Lessor's gross negligence or willful misconduct, except to the extent imputed to Lessor by virtue of any Lessee's action or failure to act), if any, being expressly waived by each Lessee and by each and every Person now or hereafter claiming by, through or under any Lessee, and that, so far as Lessor or any of its Affiliates or any of their respective officers, directors, employees or agents, individually or personally, is concerned, each Lessee and any Person claiming by, through or under any Lessee shall look solely to the right, title and interest of Lessor in and to the Leased Properties and any proceeds from Lessor's sale or encumbrance thereof (provided, however, that no Lessee shall be entitled to any double recovery) for the performance of any obligation under this Lease and under the Operative Documents and the satisfaction of any liability arising therefrom (other than that resulting from Lessor's gross negligence or willful misconduct, except to the extent imputed to Lessor by virtue of any Lessee's action or failure to act).

Section 17.13 Estoppel Certificates. Each party hereto agrees that at any time and from time to time during the Lease Term, it will promptly, but in no event later than thirty (30) days after request by the other party hereto, execute, acknowledge and deliver to such other party or to any prospective purchaser (if such prospective purchaser has signed a commitment or letter of intent to purchase any Leased Property or any part thereof or any Note), assignee or mortgagee or third party designated by such other party, a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Basic Rent has been paid; (c) whether or not there is any existing default by any Lessee in the payment of Basic Rent or any other sum of money hereunder, and whether or not there is any other existing default by either party with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; (d) whether or not, to the knowledge of the signer, there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate and (e) other items that may be reasonably requested; provided that no such certificate may be requested unless the requesting party has a good faith reason for such request.

Section 17.14 No Joint Venture. Any intention to create a joint venture, partnership or other fiduciary relationship between Lessor and any Lessee is hereby expressly disclaimed.

Section 17.15 No Accord and Satisfaction. The acceptance by Lessor of any sums from any Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by the Lessees hereunder is not intended, nor shall be construed, to constitute an accord and satisfaction of any dispute between Lessor and any Lessee regarding sums due and payable by any Lessee hereunder, unless Lessor specifically deems it as such in writing.

Section 17.16 No Merger. In no event shall the leasehold interests, estates or rights of any Lessee hereunder, or of the holder of any Notes secured by a security interest in this Lease, merge with any interests, estates or rights of Lessor in or to the Leased Properties, it being understood that such leasehold interests, estates and rights of each Lessee hereunder, and of the holder of any Notes secured by a security interest in this Lease, shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Leased Properties, notwithstanding that any such interests, estates or rights shall at any time or times be held by or vested in the same person, corporation or other entity.

Section 17.17 Survival. The obligations of each Lessee to be performed under this Lease prior to the Lease Termination Date and the obligations of Lessee pursuant to Articles III, X, XI, XIII, Sections 14.2, 14.3, 14.4, 14.5, 14.8, Articles XV, and XVI, and Sections 17.10 and 17.12 shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, any Lessee, the Agent or any Indemnitee shall not affect such survival.

Section 17.18 Chattel Paper. To the extent that this Lease constitutes

chattel paper (as such term is defined in the Uniform Commercial Code in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart other than the sole original counterpart, which shall be identified as the original counterpart by the receipt of the Agent.

Section 17.19 Time of Essence. Time is of the essence of this Lease.

Section 17.20 Recordation of Lease. Each Lessee will, at its expense, cause this Lease or a memorandum of lease in form and substance reasonably satisfactory to Lessor and such Lessee (if permitted by Applicable Law) to be recorded in the proper office or offices in the States and the municipalities in which the Land is located.

Section 17.21 Investment of Security Funds. The parties hereto agree that any amounts not payable to a Lessee pursuant to any provision of Article VIII, X or XIV or this Section 17.21 shall be held by the Agent (or Lessor if the Loans have been fully paid) as security for the obligations of the Lessees under this Lease and the Master Agreement and of Lessor under the Loan Agreement. At such time as such amounts are payable to the Lessee, such amounts, net of any amounts previously applied to the Lessees' obligations hereunder or under the Master Agreement (which application is hereby agreed to by Lessee), shall be paid to the related Lessee. Any such amounts which are held by the Agent (or Lessor if the Loans have been fully paid) pending payment to a Lessee shall until paid to such Lessee, as provided hereunder or until applied against the Lessees' obligations herein and under the Master Agreement and distributed as provided in the Loan Agreement or herein (after the Loan Agreement is no longer in effect) in connection with any exercise of remedies hereunder, be invested by the Agent or Lessor, as the case may be, as directed from time to time in writing by Lessee (provided, however, if an Event of Default has occurred and is

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continuing it will be directed by the Agent or, if the Loans have been fully paid, Lessor) and at the expense and risk of the Lessees, in Permitted Investments. Any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) shall be applied in the same manner as the principal invested. Lessee upon demand shall pay to the Agent or Lessor, as appropriate, the amount of any loss incurred in connection with all such investments and the liquidation thereof.

Section 17.22 Ground Leases. Each Lessee will, at its expense, timely perform all of the obligations of Lessor, in its capacity as ground lessee, under each Ground Lease and, if requested by Lessor shall provide satisfactory evidence to Lessor of such performance.

Section 17.23 Land and Building. If any Building and the Land on which such Building is located are subject to separate Lease Supplements, at any time that the related Lessee exercises an option to purchase such Building or such Land, or to renew this Lease with respect to such Building or such Land, or is obligated to purchase such Building or such Land as a result of an Event of Loss, an Event of Taking or an Event of Default, such purchase or renewal shall be made simultaneously with respect to all of such Building and such Land.

Section 17.24 Joint and Several. Each obligation of each Lessee hereunder shall be a joint and several obligation of all of the Lessees.

Section 17.25 Construction Land Interests. Notwithstanding any other provision of this Lease or any of the Operative Documents, the following shall apply with respect to any Construction Land Interest and take priority over any other provision hereof or any of the Operative Documents from the date hereof until the earlier of the Completion Date for such Leased Property or the Construction Term Expiration Date:

(a) If the Completion Date for such Leased Property has not occurred prior to the Construction Term Expiration Date, which failure is not waived by the Lessor; or

(b) If the cost of the acquisition of Land and construction of the Buildings exceeds the Construction Budget for such Leased Property which is not accepted and waived by the Lessor; or

(c) Upon the occurrence of an Event of Default which is based upon the existence of any mechanics, materialmen or similar lien based upon goods or services provided to such Leased Property which is not a Permitted Lien; or

(d) Upon the occurrence of an Event of Default which is based

upon a casualty loss of all or substantially all of such Leased Property;

which, in any event, is both (i) unrelated to any breach by any Lessee, the Guarantor or the Construction Agent of any representation, warranty or obligation under any Operative Document, (ii) such event or circumstances are beyond the control of such Persons, and (iii) not caused by any fraud, misrepresentation, misapplication of funds or malfeasance of any Lessee, the Guarantor or the Construction Agent then, in any such event, the Construction Agent shall immediately, at its option, either pay to Lessor the Construction Failure Payment for such Leased Property or purchase such Leased Property pursuant to the Construction Agency Agreement, whereupon this Lease shall terminate with respect to such Leased Property.

Section 17.26 IDB Documentation. If any Leased Property is subject to an IDB Lease, this Lease shall be deemed to be a sublease. Each Lessee hereby agrees to perform all of its obligations and all obligations of Lessor under all IDB Documentation related to any Leased Property.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have each caused this Lease Agreement to be duly executed and delivered and attested by their respective officers thereunto duly authorized as of the day and year first above written.

Witnessed: DOLLAR TREE DISTRIBUTION, INC.,
as a Lessee

By: /s/ Karen L. Joyner
Name: Karen L. Joyner

By: /s/ Frederick C. Coble
Name: Frederick C. Coble
Title: Senior Vice President, CFO

By: /s/ Virginia Collins
Name: Virginia Collins

LEASE
AGREEMENT

ATLANTIC FINANCIAL GROUP, LTD.,
as Lessor

By: Atlantic Financial Managers,
Inc., its General Partner

Witnessed:

By: /s/ Pattie Keath
Name: Pattie Keath

By: /s/ Stephen Brookshire
Name: Stephen Brookshire
Title: President

By: /s/ Lori Decker
Name: Lori Decker

LEASE
AGREEMENT

Receipt of this original counterpart of the foregoing Lease is hereby acknowledged as of the date hereof.

CRESTAR BANK,
as the Agent

By: /s/ Bruce W. Nave
Name: Bruce W. Nave
Title: Sr. Vice President

LEASE
AGREEMENT

Recording requested by EXHIBIT A TO THE LEASE
and when recorded mail to:

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=====

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LEASE SUPPLEMENT NO. __ AND MEMORANDUM OF LEASE

THIS LEASE SUPPLEMENT NO. __ (this "Lease Supplement") dated as of [],
between ATLANTIC FINANCIAL GROUP, LTD., as lessor (the "Lessor"), and [DOLLAR
TREE DISTRIBUTION, INC., a Virginia corporation,] as lessee (the "Related
Lessee").

WHEREAS Lessor is the owner of the Land described on Schedule I hereto
and wishes to lease the Land together with any Building and other improvements
thereon or which thereafter may be constructed thereon pursuant to the Lease to
Lessee;

NOW, THEREFORE, in consideration of the premises and the mutual
agreements herein contained and other good and valuable consideration, the
receipt and sufficiency of which are hereby acknowledged, the parties hereto
agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Lease
Supplement, capitalized terms used herein and not otherwise defined herein shall
have the meanings assigned to them in Appendix A to the Master Lease Agreement,
dated as of January 13, 2000 (as amended and supplemented from time to time, the
"Lease"), among the Lessees named therein and Lessor; and the rules of
interpretation set forth in Appendix A to the Lease shall apply to this Lease
Supplement.

SECTION 2. The Properties. Attached hereto as Schedule I is the
description of certain Land (the "Subject Property"). Effective upon the
execution and delivery of this Lease Supplement by Lessor and Lessee, such Land,
together with any Building and other improvements thereon or which thereafter
may be constructed thereon shall be subject to the terms and provisions of the
Lease and Lessor hereby grants, conveys, transfers and assigns to the Related
Lessee those interests, rights, titles, estates, powers and privileges provided
for in the Lease with respect to the Subject Property.

SECTION 3. Amendments to Lease with Respect to Subject Property.
Effective upon the execution and delivery of this Lease Supplement by Lessor and

the Related Lessee, the following terms and provisions shall apply to the Lease with respect to the Subject Property:

[Insert Applicable Sections per Local Law as contemplated by the Master Agreement]

SECTION 4. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Lease (as amended by this Lease Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 5. Original Lease Supplement. The single executed original of this Lease Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Agent therefor on or following the signature page thereof shall be the original executed counterpart of this Lease Supplement (the "Original Executed Counterpart"). To the extent that this Lease Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 6. GOVERNING LAW. THIS LEASE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF GEORGIA, BUT EXCLUDING ALL OTHER CHOICE OF LAW AND CONFLICTS OF LAW RULES OF SUCH STATE, EXCEPT AS TO MATTERS RELATING TO THE CREATION OF THE LEASEHOLD AND MORTGAGE ESTATES HEREUNDER, AND THE EXERCISE OF RIGHTS AND REMEDIES WITH RESPECT THERETO, WHICH SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE IN WHICH SUCH ESTATES ARE LOCATED.

SECTION 7. Counterpart Execution. This Lease Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

Witnessed: ATLANTIC FINANCIAL GROUP, LTD., as the Lessor

By: Atlantic Financial Managers, Inc., its General Partner

By: Name: By: Name: Title:

Witnessed: [DOLLAR TREE DISTRIBUTION, INC.], as Related Lessee

By: Name: By: Name: Title:

By: Name:

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STATE OF _____)) ss.: COUNTY OF _____)

The foregoing Lease Supplement was acknowledged before me, the undersigned Notary Public, in the County of _____, _____, this _____ day of _____, _____, by _____, as _____ of Atlantic Financial Group, Ltd., on behalf of such partnership.

[Notarial Seal] _____
Notary Public

My commission expires: _____

STATE OF _____)
) ss.:
COUNTY OF _____)

The foregoing Lease Supplement was acknowledged before me, the undersigned Notary Public, in the County of _____, _____, this _____ day of _____, _____, by _____, as _____ of [Dollar Tree Distribution, Inc., a Virginia] corporation, on behalf of the corporation.

[Notarial Seal] _____
Notary Public

My commission expires: _____

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Receipt of this original counterpart of the foregoing Lease Supplement is hereby acknowledged as of the date hereof.

CRESTAR BANK,
as the Agent

By: _____
Name:
Title:

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APPENDIX A
to
Master Agreement, Lease,
Loan Agreement and Construction Agency Agreement

DEFINITIONS AND INTERPRETATION

A. Interpretation. In each Operative Document, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Operative Documents;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement (including any Operative Document), document or instrument means such agreement, document or instrument as amended, supplemented or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Operative Documents and reference to any promissory note includes any promissory note which is an extension or renewal thereof or a substitute or replacement therefor;

(v) reference to any Applicable Law or Requirement of Law means such Applicable Law or Requirement of Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law or Requirement of Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) reference in any Operative Document to any Article, Section, Appendix, Schedule or Exhibit means such Article or Section thereof or Appendix, Schedule or Exhibit thereto;

(vii) "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to an Operative Document as a whole and not to any particular Article, Section, paragraph or other provision of such Operative Document;

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(viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(ix) "or" is not exclusive; and

(x) relative to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding".

B. Accounting Terms. In each Operative Document, unless expressly otherwise provided, all terms of an accounting character used in the Operative Documents shall be interpreted, all accounting determinations under the Operative Documents shall be made, and all financial statements required to be delivered under the Master Agreement shall be prepared, in accordance with Generally Accepted Accounting Principles.

C. Conflict in Operative Documents. If there is any conflict between any Operative Documents, each such Operative Document shall be interpreted and construed, if possible, so as to avoid or minimize such conflict but, to the extent (and only to the extent) of such conflict, the Master Agreement shall prevail and control.

D. Legal Representation of the Parties. The Operative Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring any Operative Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

E. Defined Terms. Unless a clear contrary intention appears, terms defined herein have the respective indicated meanings when used in each Operative Document.

"A Loan" means the A Percentage of Fundings made pursuant to the Loan Agreement and the Master Agreement.

"A Note" is defined in Section 2.2 of the Loan Agreement.

"A Percentage" means 85%.

"Address" means with respect to any Person, its address set forth in Schedule 8.2 to the Master Agreement or such other address as it shall have identified to the parties to the Master Agreement in writing in the manner provided for the giving of notices thereunder.

"Adjusted LIBO Rate" means, with respect to each Rent Period for a LIBOR Advance, the rate obtained by dividing (A) LIBOR for such Rent Period by (B) a percentage equal to 1 minus the then stated maximum rate (stated as a decimal) of all reserves requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of

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Eurocurrency liabilities as defined in Regulation D (or against any successor category of liabilities as defined in Regulation D).

"Advance" means a LIBOR Advance or a Base Rate Advance.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by, or under common control with, such Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by", and "under common control with") as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person.

"After-Tax Basis" means (a) with respect to any payment to be received by an Indemnitee (which, for purposes of this definition, shall include any Tax Indemnitee), the amount of such payment supplemented by a further payment or payments so that, after deducting from such payments the amount of all Taxes (net of any current credits, deductions or other Tax benefits arising from the payment by the Indemnitee of any amount, including Taxes, for which the payment to be received is made) imposed currently on the Indemnitee by any Governmental Authority or taxing authority with respect to such payments, the balance of such payments shall be equal to the original payment to be received and (b) with respect to any payment to be made by any Indemnitee, the amount of such payment supplemented by a further payment or payments so that, after increasing such payment by the amount of any current credits or other Tax benefits realized by the Indemnitee under the laws of any Governmental Authority or taxing authority resulting from the making of such payments, the sum of such payments (net of such credits or benefits) shall be equal to the original payment to be made; provided, however, for the purposes of this definition, and for purposes of any payment to be made to either a Lessee or an Indemnitee on an after-tax basis, it shall be assumed that (i) federal, state and local taxes are payable at the highest combined marginal federal and state statutory income tax rate (taking into account the deductibility of state income taxes for federal income tax purposes) applicable to corporations from time to time and (ii) such Indemnitee or such Lessee has sufficient income to utilize any deductions, credits (other than foreign tax credits, the use of which shall be determined on an actual basis) and other Tax benefits arising from any payments described in clause (b) of this definition.

"Agent" means Crestar Bank, a Virginia state bank, in its capacity as agent under the Master Agreement and the Loan Agreement.

"Alterations" means, with respect to any Leased Property, fixtures, alterations, improvements, modifications and additions to such Leased Property.

"Applicable Law" means all applicable laws (including Environmental Laws), rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by, any Governmental Authority, and applicable judgments, decrees, injunctions, writs, orders or like

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action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment (including, without limitation, wetlands) and those pertaining to the construction, use or occupancy of any Leased Property).

"Applicable Margin" means initially, 0 for Base Rate Advances and 50 basis points LIBOR Advances:

The Applicable Margin shall be adjusted, based upon the following performance covenants:

Tier	Funded Debt/EBITDA	Applicable Margin-LIBOR Advances	Applicable Margin-Base Rate Advances
I	Less than or equal to 0.75:1	50 basis points	0 basis points
II	Less than 1.25:1 but greater than or equal to 0.75:1	60 basis points	0 basis points
III	Greater than or equal to 1.25:1	105 basis points	0 basis points

For purposes of determining the Applicable Margin, the foregoing performance measures shall be tested quarterly on a rolling four-quarter basis beginning with the quarter ending December 31, 1999. The Applicable Margin shall be adjusted based upon, and as of the fifth (5th) Business Day after the due date of, the financial statements required to be delivered to the Agent under Section 5.2(b) of the Master Agreement. The Applicable Margin shall be the Applicable Margin set forth in the Tier in which the performance measures are met.

"Appraisal" is defined in Section 3.1 of the Master Agreement.

"Appraiser" means an MAI appraiser reasonably satisfactory to the Agent.

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"Architect" means with respect to any Leased Property the architect engaged in connection with the construction of the related Building, if any, who may be an employee of the General Contractor for such Leased Property.

"Architect's Agreement" means, with respect to any Leased Property, the architectural services agreement, if any, between the Construction Agent (or a Lessee) and the related Architect.

"Assignment and Assumption" means an assignment and assumption agreement, substantially in the form of Exhibit F to the Master Agreement.

"Assignment of Lease and Rents" means, with respect to any Leased Property, the Assignment of Lease and Rents, dated as of the related Closing Date, from the Lessor to the Agent, substantially in the form of Exhibit B to the Master Agreement.

"Authority" means a development or similar authority of any state, county or municipality that is an issuer of Bonds.

"Award" means any award or payment received by or payable to the Lessor or a Lessee on account of any Condemnation or Event of Taking (less the actual costs, fees and expenses, including reasonable attorneys' fees, incurred in the collection thereof, for which the Person incurring the same shall be reimbursed from such award or payment).

"B Loan" means the B Percentage of Fundings made pursuant to the Loan Agreement and the Master Agreement.

"B Note" is defined in Section 2.2 of the Loan Agreement.

"B Percentage" means 11.5%.

"Balance Sheet Date" means December 31, 1998.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended.

"Base Rate" means (with any change in the Base Rate to be effective as of the date of change of either of the following rates) the higher of (i) the rate which the Agent publicly announces from time to time as its prime lending rate, as in effect from time to time, and (ii) the Federal Funds Rate, as in effect from time to time, plus one-half of one percent (0.50%) per annum. The Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to customers; the Agent may make commercial loans or other loans at rates of interest at, above or below the Agent's prime lending rate. The Base Rate is determined daily.

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"Base Rate Advance" means that portion of the Funded Amount bearing interest at the Base Rate.

"Base Term" means, with respect to any Leased Property, (a) the period commencing on the related Closing Date and ending on January 13, 2005 or (b) such shorter period as may result from earlier termination of the Lease as provided therein.

"Basic Rent" means the rent payable pursuant to Section 3.1 of the Lease, determined in accordance with the following: each installment of Basic Rent payable on any Payment Date shall be in an amount equal to the sum of (A) the aggregate amount of Lender Basic Rent payable on such Payment Date, plus (B) the aggregate amount of Lessor Basic Rent payable on such Payment Date, in each case for the Leased Property or Properties that are then subject to the Lease.

"Board" means the Board of Governors of the Federal Reserve System and any successor thereto or to the functions thereof.

"Board of Directors", with respect to a corporation, means either the Board of Directors or any duly authorized committee of that Board which pursuant to the by-laws of such corporation has the same authority as that Board as to the matter at issue.

"Bonds" means industrial revenue or development bonds issued by a state, county or municipal authority in connection with any Leased Property.

"Building" means, with respect to any Leased Property, the buildings, structures and improvements located or to be located on the related Land, along with all fixtures used or useful in connection with the operation of such Leased Property, including, without limitation, all furnaces, boilers, compressors, elevators, fittings, pipings, connectives, conduits, ducts, partitions, equipment and apparatus of every kind and description now or hereafter affixed or attached to the Building, equipment, if any, financed by the Lessor and/or the Lenders and all Alterations (including all restorations, repairs, replacements and rebuilding of such buildings, improvements and structures) thereto (but in each case excluding trade fixtures and equipment financed other than by the Lessor or the Lenders).

"Business Day" means any day other than a Saturday, Sunday or other day on which banks are required or authorized to be closed for business in Atlanta, Georgia and, if the applicable Business Day relates to a LIBOR Advance, on which trading is not carried on by and between banks in the London interbank market.

"Capital Expenditures" means all Capitalized Leases and all expenditures made by any Obligor which are capitalized or are required to be capitalized on the consolidated cash flow statement of the Obligors in accordance with Generally Accepted Accounting Principles.

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"Capitalized Leases" means leases under which any Obligor is the lessee or obligor, the discounted future rental payment obligations under which are capitalized or are required to be capitalized on the balance sheet of the lessee or obligor in accordance with Generally Accepted Accounting Principles.

"Casualty" means an event of damage or casualty relating to all or part

of any Leased Property that does not constitute an Event of Loss.

"Claims" means liabilities, obligations, damages, losses, demands, penalties, fines, claims, actions, suits, judgments, proceedings, settlements, utility charges, costs, expenses and disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever.

"Closing Date" means with respect to each parcel of Land, the date on which (i) such Land is acquired by the Lessor pursuant to a Purchase Agreement or such Land is leased to the Lessor pursuant to a Ground Lease and (ii) the initial Funding occurs with respect to such Land under the Master Agreement.

"Code" or "Tax Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means as to each Funding Party, its obligation to make Fundings as investments in each Leased Property, or to make Loans to the Lessor, in an aggregate amount not to exceed at any one time outstanding the amount set forth for such Funding Party on Schedule 2.2 to the Master Agreement (as it may be adjusted from time to time pursuant to Section 6 of the Master Agreement).

"Commitment Fee" is defined in Section 2.2(h) of the Master Agreement.

"Commitment Fee Percentage" means 0.125%.

"Commitment Percentage" means as to any Funding Party, at a particular time, the percentage of the aggregate Commitments in effect at such time represented by such Funding Party's Commitment, as such percentage is shown for such Funding Party on Schedule 2.2 to the Master Agreement (as it may be adjusted from time to time pursuant to Section 6 of the Master Agreement).

"Completion Date" with respect to any Leased Property means the Business Day on which the conditions specified in Section 3.5 of the Master Agreement have been satisfied or waived with respect to such Leased Property.

"Condemnation" means any condemnation, requisition, confiscation, seizure or other taking or sale of the use, occupancy or title to any Leased Property or any part thereof in, by or on account of any actual eminent domain proceeding or other action by any Governmental Authority or other Person under the power of eminent domain or any transfer in lieu of or in

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anticipation thereof, which in any case does not constitute an Event of Taking. A Condemnation shall be deemed to have "occurred" on the earliest of the dates that use is prevented or occupancy or title is taken.

"Consolidated or consolidated" means, with reference to any term defined herein, shall mean that term as applied to the accounts of DTS and its Subsidiaries, consolidated in accordance with Generally Accepted Accounting Principles.

"Consolidated Current Assets" means, at any time, all assets of DTS and its Subsidiaries which would, in accordance with Generally Accepted Accounting Principles, be classified as current assets, but excluding (i) Accounts with respect to products, goods, and/or services which were delivered or performed by Obligors more than ninety (90) days prior to such date, and (ii) the assets described in subparagraphs (a) through (f) of the definition of Consolidated Tangible Net Worth.

"Consolidated Current Liabilities" means at any time, all liabilities of DTS and its Subsidiaries (including, without limitation, the Revolving Credit Loans) which would, in accordance with Generally Accepted Accounting Principles, be classified as current liabilities.

"Consolidated EBITDA" means with respect to any fiscal period, the result (determined with respect to the same period and without duplication) of the following: (a) Consolidated Net Income (or Deficit); plus (b) all depreciation, amortization and other non-cash deductions included as an expense of DTS and its Subsidiaries in the determination of Consolidated Net Income (or Deficit); minus (c) extraordinary gains; plus (d) all taxes included as an expense of DTS and its Subsidiaries in the determination of Consolidated Net Income (or Deficit); plus (e) interest included as an expense of DTS and its Subsidiaries in the determination of Consolidated Net Income (or Deficit).

"Consolidated Net Income (Or Deficit)" means with respect to any fiscal period, the consolidated net income (or deficit) of DTS and its Subsidiaries, after deduction of all expenses, taxes, and other proper charges, determined in accordance with Generally Accepted Accounting Principles.

"Consolidated Operating Cash Flow" means with respect to any fiscal period, the result (determined with respect to the same period and without duplication) of (a) Consolidated EBITDA; minus (b) Capital Expenditures made or incurred during such period plus (c) Rents payable during such period.

"Consolidated Tangible Net Worth" means the difference between Consolidated Total Assets and Consolidated Total Liabilities, and less the sum of:

- (a) the total book value of all assets of DTS and its Subsidiaries properly classified as intangible assets under Generally Accepted Accounting principles, including

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such items as goodwill, the purchase price of acquired assets in excess of the fair market value thereof, unamortized debt discount and expense, trademarks, trade names, service marks, brand names, copyrights, patents and licenses, and rights with respect to the foregoing; plus

- (b) all amounts representing any write-up in the book value of any assets of DTS or its Subsidiaries resulting from a revaluation thereof subsequent to the Balance Sheet Date; plus
- (c) to the extent not already deducted, all reserves; plus
- (d) the value of any minority interests in Subsidiaries; plus
- (e) the aggregate amount of all loans made by DTS or any Subsidiary to any officer, employee, or shareholder of DTS or any Subsidiary; plus
- (f) assets located, and notes and receivables due from obligors domiciled, outside of the United States of America (excluding inventory in transit).

"Consolidated Total Assets" means at any date, all assets of DTS and its Subsidiaries that, in accordance with Generally Accepted Accounting Principles, should be classified as assets on a Consolidated balance sheet of DTS and its Subsidiaries.

"Consolidated Total Liabilities" means at any date, all liabilities of DTS and its Subsidiaries that, in accordance with Generally Accepted Accounting Principles, should be classified as liabilities on the Consolidated balance sheet of DTS and its Subsidiaries.

"Construction" means, with respect to any Leased Property, the construction of the related Building pursuant to the related Plans and Specifications.

"Construction Agency Agreement" means the Construction Agency Agreement, dated as of January 13, 2000, between DTD and the Lessor.

"Construction Agency Event of Default" is defined in Section 5.1 of the Construction Agency Agreement.

"Construction Agent" means DTD in its capacity as construction agent pursuant to the Construction Agency Agreement.

"Construction Budget" is defined in Section 2.4 of the Construction Agency Agreement.

"Construction Conditions" means the conditions set forth in Section 3.5 of the Master Agreement.

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"Construction Contract" means, with respect to any Leased Property, that certain construction contract, if any, between a Lessee or the Construction Agent and a General Contractor for the Construction of the related Building, provided that such contract shall be assigned to the Lessor, and such assignment shall be consented to by such General Contractor, pursuant to an assignment of

such construction contract substantially in the form of the Security Agreement and Assignment set forth as Exhibit D to the Master Agreement.

"Construction Failure Payment" with respect to any Leased Property means an amount equal to the sum of (i) 100% of the acquisition cost of the related Land, plus (ii) 89% of the Construction costs (including development and transaction costs, but excluding any upfront structuring fees) related to such Leased Property that have been incurred through the date of payment, plus (iii) any amounts owed with respect to such Leased Property pursuant to Section 3.3 of the Construction Agency Agreement or Section 7.2 or 7.5 of the Master Agreement, plus (iv) the cost of tenant improvements that were not part of the Construction Budget for such Leased Property.

"Construction Force Majeure Event" means, with respect to any Leased Property:

- (a) an act of God arising after the related Closing Date, or
- (b) any change in any state or local law, regulation or other legal requirement arising after such Closing Date and relating to the use of the Land or the construction of a building on the Land, or
- (c) strikes, lockouts, labor troubles, unavailability of materials, riots, insurrections or other causes beyond a Lessee's control

which prevents the Construction Agent from completing the Construction prior to the Scheduled Construction Termination Date and which could not have been avoided or which cannot be remedied by the Construction Agent through the exercise of all commercially reasonable efforts or the expenditure of funds and, in the case of (b) above, the existence or potentiality of which was not known to and could not have been discovered prior to such Closing Date through the exercise of reasonable due diligence by the Construction Agent.

"Construction Land Interest" means each parcel of Land for which the Completion Date has not yet occurred.

"Construction Term" means, with respect to any Leased Property, the period commencing on the related Closing Date and ending on the related Construction Term Expiration Date, or such shorter period as may result from earlier termination of the Lease as provided therein.

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"Construction Term Expiration Date" means, with respect to any Leased Property, the earliest of the following:

- (a) the related Completion Date,
- (b) the date on which the aggregate Funded Amounts equal the Commitments, and
- (c) the related Scheduled Construction Termination Date.

"Contractual Obligation", as applied to any Person, means any provision of any Securities issued by that Person or any indenture, mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject (including, without limitation, any restrictive covenant affecting any of the properties of such Person).

"Credit Agreement" means the Amended and Restated Revolving Credit Agreement, dated as of September 27, 1996, by and among DTD, DTS, DTM, the financial institutions party thereto as lenders and The First National Bank of Boston, as agent.

"Crestar Bank" means Crestar Bank, a Virginia state bank.

"Debt Service Charges" means for any fiscal period, the sum of (i) the expenses of DTS and its Subsidiaries for such period for interest payable with respect to Indebtedness (including, without limitation, the obligations under the Credit Agreement and imputed interest on Capitalized Leases) and all fees paid on account of or with respect thereto, plus (ii) principal payments made or required to be made on account of Indebtedness (including, without limitation, Capitalized Leases, but excluding payments on Intercompany Loans and other Intercompany Indebtedness) for such period, plus (iii) Distributions made during such period, plus (iv) Rents paid during such period, in each case determined in accordance with Generally Accepted Accounting Principles.

"Deed" means, with respect to any Land, a general warranty deed (or, if the related Title Policy is acceptable to the related Lessee and the Agent, a special, limited warranty or trustee's deed), dated the applicable Closing Date, from the applicable Seller to the Lessor, conveying such Land.

"Default" means any of the events specified in Article XII of the Lease, without giving effect to any requirement for the giving of notice, for the lapse of time, or both, or for the happening of any other condition, event or act.

"Distribution" means, with respect to any Person, the declaration or payment of any dividend on or in respect of any shares of any class of capital stock, other than (a) dividends payable solely in shares of common stock of such Person and (b) the payment of cash in lieu

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of the distribution of fractional shares in the event of any stock dividend or stock split; the purchase, redemption, or other retirement of any shares of any class of capital stock of such Person, directly or indirectly by such Person through a Subsidiary of such Person or otherwise, unless such capital stock shall be redeemed or reacquired through the exchange of such stock with stock of the same class, and except for the redemption, repurchase, or acquisition of stock of any Subsidiary by DTS; the return of capital by such Person to its shareholders as such; or any other distribution (whether of such or other property) on or in respect of any shares of any class of capital stock of such Person.

"Dollars" and the sign "\$" means lawful money of the United States of America.

"DTD" means Dollar Tree Distribution, Inc., a Virginia corporation.

"DTM" means Dollar Tree Management, Inc., a Virginia corporation.

"DTS" means Dollar Tree Stores, Inc., a Virginia corporation.

"Employee Benefit Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA maintained or contributed to by DTS or any ERISA Affiliate, other than a Multiemployer Plan.

"Environment" shall have the meaning set forth in 42 U.S.C. ss.9601(8) as defined on the date of the Master Agreement, and "Environmental" shall mean pertaining or relating to the Environment.

"Environmental Audit" means, with respect to each parcel of Land, a Phase I Environmental Assessment, dated no more than 90 days prior to the related Closing Date, by an environmental services firm satisfactory to the Funding Parties and DTD.

"Environmental Laws" means and include the Resource Conservation and Recovery Act of 1976, (RCRA) 42 U.S.C. ss.ss. 6901-6987, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. ss.ss. 9601-9657, (CERCLA), the Hazardous Materials Transportation Act of 1975, 49 U.S.C. ss.ss. 1801-1812, the Toxic Substances Control Act, 15 U.S.C. ss.ss. 2601-2671, the Clean Air Act, 42 U.S.C. ss.ss. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss.ss. 136 et seq., and all similar federal, state and local environmental laws, ordinances, rules, orders, statutes, decrees, judgments, injunctions, codes and regulations, and any other federal, state or local laws, ordinances, rules, codes and regulations, relating to the environment, human health or natural resources or the regulation or control of or imposing liability or standards of conduct concerning human health, the environment, Hazardous Materials or the clean-up or other remediation of any Leased Property, or any part thereof, as any of the foregoing may have been from time to time amended, supplemented or supplanted.

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"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time or any successor federal statute, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person which is treated as a single employer with DTS under Section 414 of the Code.

"ERISA Reportable Event" means a reportable event (other than a reportable event described in Subsections 4043(b)(2)-(4) and 4043(b)(6)-(9), which do not require a thirty (30) day notice to the PBGC) with respect to a Guaranteed Pension Plan within the meaning of Section 4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

"Event of Default" means any event or condition designated as an "Event of Default" in Article XII of the Lease.

"Event of Loss" is defined in Section 10.1 of the Lease.

"Event of Taking" is defined in Section 10.2 of the Lease.

"Executive Officer" means with respect to any Person, the Chief Executive Officer, President, Vice Presidents (if elected by the Board of Directors of such Person), Chief Financial Officer, Treasurer, Secretary and any Person holding comparable offices or duties (if elected by the Board of Directors of such Person).

"Fair Market Rental Value" means, with respect to any Leased Property, the fair market rent as determined by an independent appraiser chosen by the related Lessee and reasonably acceptable to the Lessor and the Agent (unless an Event of Default has occurred and is continuing, in which case the appraiser shall be chosen by the Agent) that would be obtained in an arm's-length lease between an informed and willing lessee and an informed and willing lessor, in either case under no compulsion to lease, and neither of which is related to or affiliated with the Lessor or any Lessee for the lease of such Leased Property on the terms (other than the amount of Basic Rent) set forth, or referred to, in the Lease. Such fair market rent shall be calculated as the value for the use of such Leased Property to be leased in place at the Land, assuming, in the determination of such fair market rental value, that such Leased Property is in the condition and repair required to be maintained by the terms of the Lease (unless such fair market rental value is being determined for the purposes of Section 13.1 of the Lease and except as otherwise specifically provided in the Lease, in which case this assumption shall not be made).

"Fair Market Sales Value" means, with respect to any Leased Property or any portion thereof, the fair market sales value as determined by an independent appraiser chosen by the related Lessee and reasonably acceptable to the Lessor and the Agent (unless an Event of Default has occurred and is continuing, in which case the appraiser shall be chosen by the

Agent), that would be obtained in an arm's-length transaction between an informed and willing buyer (other than a lessee currently in possession) and an informed and willing seller, under no compulsion, respectively, to buy or sell and neither of which is related to the Lessor or any Lessee, for the purchase of such Leased Property. Such fair market sales value shall be calculated as the value for such Leased Property, assuming, in the determination of such fair market sales value, that such Leased Property is in the condition and repair required to be maintained by the terms of the Lease (unless such fair market sales value is being determined for purposes of Section 13.1 of the Lease and except as otherwise specifically provided in the Lease or the Master Agreement, in which case this assumption shall not be made).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Final Rent Payment Date" with respect to any Leased Property is defined in Section 13.1(e) of the Lease.

"Funded Amount" means, as to the Lessor, the Lessor's Invested Amounts, and, as to each Lender, the outstanding principal amount of such Lender's Loans.

"Funded Debt" means at any time, an amount equal to the sum of the then outstanding balances of (a) the Revolving Credit Loans, plus (b) Capitalized Leases, plus (c) other Indebtedness for borrowed money or other extensions of

credit.

"Funding" means any funding by the Funding Parties pursuant to Section 2.2 of the Master Agreement.

"Funding Date" means each Closing Date and each other date on which a Funding occurs under Section 2 of the Master Agreement.

"Funding Parties" means the Lessor and the Lenders, collectively.

"Funding Party Balance" means, with respect to any Leased Property, (i) for the Lessor as of any date of determination, an amount equal to the sum of the outstanding related Lessor's Invested Amount, all accrued and unpaid Yield on such outstanding related Lessor's Invested Amount, all unpaid related fees owing to the Lessor under the Operative Documents, and all other related amounts owing to the Lessor by the Lessees under the Operative Documents, and (ii) for any Lender as of any date of determination, an amount equal to the sum of the outstanding related Loans of such Lender, all accrued and unpaid interest thereon,

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all unpaid related fees owing to such Lender under the Operative Documents, and all other related amounts owing to such Lender by the Lessees under the Operative Documents.

"Funding Request" is defined in Section 2.2 of the Master Agreement.

"Funding Termination Date" means the earlier of (i) July 13, 2001 and (ii) the termination of the Commitments pursuant to Section 5.2 of the Loan Agreement.

"General Partner" means Atlantic Financial Managers, Inc., a Texas corporation.

"General Permitted Liens" means Liens permitted by Section 5.11 of the Master Agreement.

"Generally Accepted Accounting Principles" means principles that are (i) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time and (ii) consistently applied with past financial statements of DTS adopting the same principles; provided that in each case referred to in this definition of "Generally Accepted Accounting Principles" a certified public accountant would, insofar as the use of such accounting principles impertinent, be in a position to deliver an unqualified opinion (other than qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been properly applied. In the event of a change in Generally Accepted Accounting Principles, the Funding Parties and the Obligors will thereafter revise any covenants set forth in Sections 5.22 through 5.28 of the Master Agreement affected thereby in order to make such covenants as now applied consistent with Generally Accepted Accounting Principles then in effect.

"Governmental Action" means all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Applicable Law and shall include, without limitation, all citings, environmental and operating permits and licenses that are required for the use, occupancy, zoning and operation of any Leased Property.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Ground Lease" means, with respect to any Land, the ground lease between the related Ground Lessor and the Lessor pursuant to which a leasehold estate is conveyed in the Land to the Lessor.

"Ground Lessor" means, as to any Land, the ground lessor of such Land.

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"Guaranteed Pension Plan" means any employee pension benefit plan within the meaning of Section 3(2) of ERISA maintained or contributed to by DTS or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

"Guarantor" means Dollar Tree Stores, Inc., a Virginia corporation.

"Guaranty Agreement" means the Guaranty Agreement, dated as of January 13, 2000, issued by DTS and DTD.

"Hazardous Material" or "Hazardous Substance" means any substance, waste or material which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, including petroleum, crude oil or any fraction thereof, petroleum derivatives, by products and other hydrocarbons, or which is or becomes regulated under any Environmental Law by any Governmental Authority, including any agency, department, commission, board or instrumentality of the United States, any jurisdiction in which a Leased Property is located or any political subdivision thereof and also including, without limitation, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls ("PCBs") and radon gas.

"IDB Documentation" means the Bonds, each IDB Lease and all other agreements, documents, contracts and instruments entered into in connection with any Bonds or IDB Property.

"IDB Lease" means a lease between the Lessor and an Authority with respect to a Leased Property.

"IDB Property" means each Leased Property that is the subject of Bonds.

"Indebtedness" means all obligations, contingent and otherwise, that in accordance with Generally Accepted Accounting Principles should be classified upon the consolidated balance sheet of DTS and its Subsidiaries as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) all obligations for borrowed money or other extensions of credit whether or not secured or unsecured, absolute or contingent, including, without limitation, unmatured reimbursement obligations with respect to letters of credit or guarantees issued for the account of or on behalf of DTS and its Subsidiaries, and all obligations representing the deferred purchase price of property, other than accounts payable arising in the ordinary course of business, (b) all obligations evidenced by bonds, notes, debentures or other similar instruments; (c) all liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (d) all guarantees, endorsements (other than endorsements in the ordinary course of business of negotiable instruments or documents for deposit or collection) and other contingent obligations whether direct or indirect in respect of indebtedness of others or

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otherwise, including any obligations with respect to puts, swaps, and other similar undertakings, any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies, or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer in respect of any letters of credit; (e) that portion of all obligations arising under Capital Leases that is required to be capitalized on the consolidated balance sheet of DTS and its Subsidiaries; and (f) all redeemable preferred stock of DTS or its Subsidiaries valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends.

"Indemnitee" means Crestar Bank, in its individual capacity and in its capacity as Agent, and each Lender (but only, with respect to any Leased Property, from and after the Completion Date for such Leased Property), and the Lessor, and their respective Affiliates, successors, permitted assigns, permitted transferees, employees, officers, directors and agents; provided, however, that in no event shall any Lessee be an Indemnitee.

"Indemnitee Group" means the respective Affiliates, employees, officers, directors and agents of the Agent (in its individual capacity), each Lender or the Lessor, as applicable; provided, however, that in no event shall any Lessee be a member of the Indemnitee Group.

"Initial Closing Date" means the Closing Date for the first Leased Property acquired by the Lessor.

"Insufficiency" means, with respect to any Plan, the amount, if any, by which the present value of the vested benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits.

"Intercompany Loans" means all amounts due or to become due from any Obligor or any other Affiliates for loans, and/or other advances by any Obligor of funds or property to another Obligor or other Affiliates.

"Investments" means all expenditures made and all liabilities and commitments incurred (contingently or otherwise) for the purchase or acquisition of capital stock, partnership interests, or equity interests or securities, or Indebtedness of, or for loans, advances, capital contributions or transfers of property to, or in respect of any guaranties (or other commitments as described under indebtedness), or obligations of, any Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) the amount of any Investment represented by a guaranty shall be taken at not less than the principal amount of the obligations guaranteed and still outstanding; (b) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (c) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (d) there

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shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (b) may be deducted when paid; and (e) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

"Joinder Agreement" means an agreement substantially in the form of Exhibit E to the Master Agreement pursuant to which a Subsidiary of DTS shall become a Lessee.

"Land" means the land described in the related Lease Supplement.

"Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs, treaties or decrees of any Governmental Authority, or of any court or similar entity established by any thereof.

"Lease" means the Master Lease Agreement, dated as of January 13, 2000 together with each Lease Supplement thereto, among the Lessees and the Lessor.

"Lease Balance" means, with respect to all of the Leased Properties, as of any date of determination, an amount equal to the aggregate sum of the outstanding Funded Amounts of all Funding Parties, all accrued and unpaid interest on the Loans, all accrued and unpaid Yield on the Lessor's Invested Amounts, all unpaid fees owing to the Funding Parties under the Operative Documents, including all other amounts owing to the Funding Parties by the Lessees under the Operative Documents.

"Lease Supplement" means a supplement to the Lease substantially in the form of Exhibit A thereto.

"Lease Term" means (a) the Base Term, as it may be renewed pursuant to Section 14.9 of the Lease or (b) such shorter period as may result from earlier termination of the Lease as provided therein.

"Lease Termination Date" means the last day of the Lease Term.

"Leased Property" means Land and the related Building(s). For purposes of the Lease, "Leased Property" means the Land identified in a Lease Supplement and the Buildings related thereto, unless the context provides otherwise. "Leased Property" shall not include any inventory of any Lessee.

"Leased Property Balance" means, with respect to any Leased Property, as of any date of determination, an amount equal to the aggregate sum of the outstanding related Funded Amounts of all Funding Parties, all accrued and unpaid interest on the related Loans, all accrued and unpaid Yield on the related Lessor Invested Amounts, all related unpaid fees owing to the Funding Parties under the Operative Documents, and all other amounts owing to

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the Funding Parties by any Lessee under the Operative Documents with respect to such Leased Property.

"Lender Basic Rent" means, for any Rent Period under the Lease, the aggregate amount of interest accrued on the Loans pursuant to Section 2.4 of the Loan Agreement during such Rent Period.

"Lenders" means such financial institutions as are, or who may hereafter become, parties to the Loan Agreement as lenders to the Lessor.

"Lending Office" for each Lender means the office such Lender designates in writing from time to time to DTD and the Agent.

"Lessee" is defined in the preamble to the Master Agreement. The "related" Lessee with respect to any Leased Property means the Lessee that is party to the Lease Supplement for such Leased Property.

"Lessor" is defined in the preamble to the Master Agreement.

"Lessor Basic Rent" means, for any Rent Period under the Lease, the aggregate amount of Yield accrued and unpaid on the Lessor's Invested Amounts pursuant to Section 2.3(a) of the Master Agreement during such Rent Period.

"Lessor Liens" means Liens on or against any Leased Property, the Lease, any other Operative Document or any payment of Rent (a) which result from any act or omission of, or any Claim against, the Lessor unrelated to the Transaction or from Lessor's failure to perform as required under the Operative Documents or (b) which result from any Tax owed by the Lessor, except any Tax for which a Lessee or DTS is obligated to indemnify (including, without limitation, in the foregoing exception, any assessments with respect to any Leased Property noted on the related Title Policy or assessed in connection with any construction or development by a Lessee or the Construction Agent).

"Lessor Rate" is defined in the Lessor Side Letter.

"Lessor Side Letter" means the letter agreement, dated as of January 13, 2000, between DTS and the Lessor.

"Lessor's Invested Amount" means the amounts funded by the Lessor pursuant to Section 2 of the Master Agreement that are not proceeds of Loans by a Lender, as such amount may be increased during the related Construction Term pursuant to Section 2.3(c) of the Master Agreement.

"LIBOR" means, for any Rent Period, with respect to LIBOR Advances the offered rate for deposits in U.S. Dollars, for a period comparable to the Rent Period and in an amount

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comparable to such Advances, appearing on the Telerate Screen Page 3750 as of 11:00 A.M. (London, England time) on the day that is two London Business Days prior to the first day of the Rent Period. If two or more of such rates appear on the Telerate Screen Page 3750, the rate for that Rent Period shall be the arithmetic mean of such rates. If the foregoing rate is unavailable from the Telerate Screen for any reason, then such rate shall be determined by the Agent from the Reuters Screen LIBO Page or, if such rate is also unavailable on such service, then on any other interest rate reporting service of recognized standing designated in writing by the Agent to DTD and the Funding Parties; in any such case rounded, if necessary, to the next higher 1/100 of 1.0%, if the rate is not such a multiple.

"LIBOR Advance" means that portion of the Funded Amount bearing interest at a rate based on the Adjusted LIBO Rate.

"Lien" means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of indebtedness, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing.

"Loan" shall have the meaning specified in Section 2.1 of the Loan Agreement.

"Loan Agreement" means the Loan Agreement, dated as of January 13, 2000, among the Lessor, the Agent and the Lenders.

"Loan Documents" means the Loan Agreement, the Notes, the Assignments of Lease and Rents, the Mortgages and all documents and instruments executed and

delivered in connection with each of the foregoing.

"Loan Event of Default" means any of the events specified in Section 5.1 of the Loan Agreement, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"Loan Potential Event of Default" means any event, condition or failure which, with notice or lapse of time or both, would become a Loan Event of Default.

"Loss Proceeds" is defined in Section 10.6 of the Lease.

"Margin Regulations" means Regulations T, U and X of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time.

"Margin Stock" means "margin stock" as defined in Regulation T, U or X.

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"Master Agreement" means the Master Agreement, dated as of January 13, 2000, among DTS, the Lessees, the Lessor, the Agent and the Lenders.

"Material Adverse Effect" means with respect to any event or occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding), (i) a materially adverse effect on the ability of Guarantor or any Lessee to perform its obligations under any Operative Document, (ii) a materially adverse effect on the financial condition, operations, business, prospects or assets of DTS and its subsidiaries, taken as a whole, (iii) a materially adverse effect on the value or useful life of any Leased Property, or the legality, validity or enforceability of any of the Operative Documents or (iv) a materially adverse effect on the status or priority of the Agent's or any Funding Party's interest in any Leased Property.

"Monthly Payment Date" means the last Business Day of each calendar month.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means, with respect to any Leased Property, that certain mortgage, deed of trust or security deed, dated as of the related Closing Date, by the Lessor to the Agent, in the form of Exhibit D-1 or D-2 attached to the Master Agreement, with such modifications as are satisfactory to the Lessor and the Agent in conformity with Applicable Law to assure customary remedies in favor of the Agent in the jurisdiction where the Leased Property is located.

"Multiemployer Plan" means any multiemployer plan within the meaning of Section 3(37) of ERISA maintained or contributed to by DTS or any ERISA Affiliate.

"Notes" means the A Note and the B Note issued by the Lessor under the Loan Agreement, and any and all notes issued in replacement or exchange therefor in accordance with the provisions thereof.

"Obligations" means all indebtedness (whether principal, interest, fees or otherwise), obligations and liabilities of the Guarantor and each Lessee to the Funding Parties (including without limitation all extensions, renewals, modifications, rearrangements, restructures, replacements and refinancings thereof, whether or not the same involve modifications to interest rates or other payment terms of such indebtedness, obligations and liabilities), whether arising under any of the Operative Documents or otherwise, and whether now existing or hereafter created, absolute or contingent, direct or indirect, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, or acquired by Funding Parties outright, conditionally or as collateral security from another, including but not limited to the obligation of the Guarantor and each Lessee to repay future advances by the Funding Parties, whether or not made pursuant to commitment and whether or not presently contemplated by the Guarantor or any Lessee and the Funding Parties under the Operative Documents.

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"Obligors" means the Guarantor and the Lessees, collectively.

"Officer's Certificate" of a Person means a certificate signed by the Chairman of the Board or the President or any Executive Vice President or any Senior Vice President or any other Vice President or the Treasurer or any Assistant Treasurer or the Controller or any Assistant Controller or the Secretary of such Person.

"Operative Documents" means the Master Agreement, the Purchase Agreements, the Deeds, the Lease, the Security Agreement and Assignment, the Notes, the Loan Agreement, the Guaranty Agreement, the Assignments of Lease and Rents, the Mortgages, the Ground Leases, the Construction Agency Agreement, the Joinder Agreements and the other documents delivered in connection with the transactions contemplated by the Master Agreement.

"Overdue Rate" means the lesser of (a) the highest interest rate permitted by Applicable Law and (b) an interest rate per annum (calculated on the basis of a 365-day (or 366-day, if appropriate) year equal to 2.0% above the Base Rate in effect from time to time or, in the case of Yield, 2% above the Lessor Rate.

"Partial Purchase Option" is defined in Section 14.1(b) of the Lease.

"Partnership Agreement" means the Agreement of Limited Partnership of AFG, dated as of February 28, 1996, among the General Partner and the persons listed on Schedule A thereto as limited partners.

"Payment Date" means the last day of each Rent Period (and if such Rent Period is longer than three months, the day that is 90 days after the first day of such Rent Period) or, if such day is not a Business Day, the next Business Day.

"Payment Date Notice" is defined in Section 2.3(d) of the Master Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor thereto.

"Permitted Intercompany Distributions" means distributions among DTS and its subsidiaries.

"Permitted Investments" means: (a) direct obligations of the United States of America, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States of America, or of any agency thereof, in either case maturing not more than 90 days from the date of acquisition thereof; (b) certificates of deposit issued by any Lender or by any bank or trust company organized under the laws of the United States of America or any state thereof and having capital, surplus and undivided profits of at least \$500,000,000, maturing not more than 90 days from the date of acquisition thereof; (c) commercial paper rated A-1 or better or P-1 by Standard & Poor's Corporation or Moody's Investors Services, Inc.,

respectively, maturing not more than six months from the date of acquisition thereof; (d) commercial paper of any Lender (or any Affiliate thereof located in the United States of America) that is rated A-1 or better or P-1 by Standard and Poor's Corporation or Moody's Investors Services, Inc., respectively, maturing not more than six months from the date of acquisition thereof; (e) repurchase agreements entered into with any Lender or with any bank or trust company satisfying the conditions of clause (b) hereof that is secured by any obligation of the type described in clauses (a) through (d) of this definition; and (f) money market funds acceptable to the Required Lenders.

"Permitted Liens" means the following with respect to any Leased Property: (a) the respective rights and interest of the related Lessee, the Lessor, the Agent and any Lender, as provided in the Operative Documents, (b) Liens for Taxes either not yet due or being contested in good faith and by appropriate proceedings, so long as enforcement thereof is stayed pending such proceedings, (c) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens arising after the related Closing Date in the ordinary course of business for amounts either not yet due or being contested in good faith and by appropriate proceedings, so long as enforcement thereof is stayed pending such proceedings, (d) Liens arising after such Closing Date out of judgments or awards with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith, so long as the enforcement thereof has been stayed pending such appeal or review, (e) easements, rights of way, reservations, servitudes and rights of others against the Land which do not materially and adversely affect the value or the utility of such Leased

Property, (f) other Liens incidental to the conduct of the related Lessee's business which were not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of such Leased Property or materially impair the use thereof, (g) assignments and subleases expressly permitted by the Operative Documents and (h) Liens in favor of municipalities agreed to by the related Lessee that do not affect the value or utility of the related Leased Property.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, nonincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" means with respect to any Building the final plans and specifications for such Building prepared by the Architect, and, if applicable, referred to by the Appraiser in the Appraisal, as such Plans and Specifications may be hereafter amended, supplemented or otherwise modified from time to time.

"Potential Event of Default" means any event, condition or failure which, with notice or lapse of time or both, would become an Event of Default.

"Purchase Agreement" means with respect to any Land, the purchase agreement with the Seller for the conveyance of such Land to the Lessor.

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"Purchase Option" is defined in Section 14.1(a) of the Lease.

"Quarterly Payment Date" means the last Business Day of each March, June, September and December of each year.

"Real Estate" means all real property at any time owned or leased (as lessee or sublessee) by DTS or any of its Subsidiaries.

"Recourse Deficiency Amount" means, as of any date of determination thereof, the sum of (i) the aggregate principal amount of the A Loans then outstanding, plus (ii) all accrued and unpaid interest on the A Loans.

"Release" means the release, deposit, disposal or leak of any Hazardous Material into or upon or under any land or water or air, or otherwise into the environment, including, without limitation, by means of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"Release Date" means, with respect to any Leased Property, the earlier of (i) the date that the Lease Balance has been paid in full, and (ii) the date on which the Agent gives notice to the Lessor that the Lenders release any and all interest they may have in such Leased Property, and all proceeds thereof, and any rights to direct, consent or deny consent to any action by the Lessor with respect to such Leased Property.

"Remarketing Option" is defined in Section 14.6 of the Lease.

"Rent" means Basic Rent and Supplemental Rent, collectively.

"Rents" means all consideration paid in the ordinary course of business by DTS and its Subsidiaries to any Person for the use or occupation of property under any operating lease to which DTS or any of its Subsidiaries is the lessee or obligor, determined in accordance with Generally Accepted Accounting Principles.

"Rent Period" means (i) in the case of Base Rate Advances, means the period from, and including, a Quarterly Payment Date to, but excluding, the next succeeding Quarterly Payment Date; and (ii) with respect to any LIBOR Advance:

- (1) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBOR Advance and ending one, two, three or six months thereafter, as selected by DTD in its Funding Notice or Payment Date Notice, as the case may be, given with respect thereto; and
- (2) thereafter, each period commencing on the last day of the next preceding Rent Period applicable to such LIBOR Advance and ending one, two, three or six

months thereafter, as selected by DTD by irrevocable notice to the Agent in its related Payment Date Notice;

provided, however that:

(a) The initial Rent Period for any Funding shall commence on the Funding Date of such Funding and each Rent Period occurring thereafter in respect of such Funding shall commence on the day on which the next preceding Rent Period expires;

(b) If any Rent Period would otherwise expire on a day which is not a Business Day, such Rent Period shall expire on the next succeeding Business Day, provided that if any Rent Period in respect of LIBOR Advances would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Rent Period shall expire on the next preceding Business Day;

(c) Any Rent Period in respect of LIBOR Advances which begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Rent Period shall, subject to paragraph (d) below, expire on the last Business Day of such calendar month;

(d) No Rent Period shall extend beyond the Lease Termination Date;

(e) At any one time, there shall be no more than six (6) Rent Periods;

"Report" is defined in Section 7.6 of the Master Agreement.

"Required Funding Parties" means, at any time, Funding Parties holding an aggregate outstanding principal amount of Funded Amounts equal to at least 66-2/3% of the aggregate outstanding principal amount of all Funded Amounts.

"Required Lenders" means, at any time, Lenders holding an aggregate outstanding principal amount of Loans equal to at least 66-2/3% of the aggregate outstanding principal amount of all Loans.

"Requirement of Law" for any Person means the articles or certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reuters Screen" means, when used in connection with any designated page and LIBOR, the display page so designated on the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to LIBOR).

"Revolving Credit Loans" means loans made to DTD pursuant to the Credit Agreement.

"Scheduled Construction Termination Date" means with respect to any Building the earlier of (i) two years after the Closing Date for the related Land and (ii) eighteen months after the commencement of the Construction of such Building.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Security Agreement and Assignment" means, with respect to any Leased Property, the Security Agreement and Assignment (Construction Contract, Architect's Agreement, Permits, Licenses and Governmental Approvals, and Plans, Specifications and Drawings) from the Construction Agent to the Lessor,

substantially in the form of Exhibit C to the Master Agreement.

"Solvent" means, with respect to any Person as of any date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at anytime, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Stock Option Plan" means any Stock Option Plans, Stock Incentive Plans, Employee Stock Purchase Plans, and any other plans of a similar nature of any of the Obligors in effect now or in the future.

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"Subsidiary" means any corporation, association, partnership, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority (by number of votes or controlling interests) of the outstanding Voting Interests.

"Supplemental Rent" means any and all amounts, liabilities and obligations other than Basic Rent which any Lessee assumes or agrees or is otherwise obligated to pay under the Lease or any other Operative Document (whether or not designated as Supplemental Rent) to the Lessor, the Agent, any Lender or any other party, including, without limitation, amounts under Article XVI of the Lease, and indemnities and damages for breach of any covenants, representations, warranties or agreements, and all overdue or late payment charges in respect of any Funded Amount.

"Tax Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time.

"Tax Indemnitee" means the Lessor, the Agent, any Lender and their respective Affiliates, successors, permitted assigns, permitted transferees, employees, officers, directors and agents thereof, provided, however, that in no event shall any Lessee be a Tax Indemnitee.

"Taxes" means any present or future taxes, levies, imposts, duties, fees, assessments, deductions, withholdings or other charges of whatever nature, including without limitation, income, receipts, excise, property, sales, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the United States, or any state, local or foreign government or by any department, agency or other political subdivision or taxing authority thereof or therein and all interest, penalties, additions to tax and similar liabilities with respect thereto.

"Telerate" means, when used in connection with any designated page and LIBOR, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to LIBOR).

"Title Insurance Company" means the company that has or will issue the title policies with respect to a Leased Property, which company shall be reasonably acceptable to the Funding Parties.

"Title Policy" is defined in Section 3.1 of the Master Agreement.

"Transaction" means all the transactions and activities referred to in or contemplated by the Operative Documents.

"UCC" means the Uniform Commercial Code of Georgia, as in effect from time to time.

"Voting Interests" means stock or similar ownership interests, of any class or classes (however designated), the holders of which are at the time entitled, as such holders, (a) to vote for the election of a majority of the directors (or persons performing similar functions) of the corporation, association, partnership, trust or other business entity involved, or (b) to control, manage, or conduct the business of the corporation, partnership, association, trust or other business entity involved.

"Withholding Taxes" is defined in Section 7.5(f) of the Master Agreement.

"Yield" is defined in Section 2.3 of the Master Agreement.

MASTER AGREEMENT

Dated as of January 13, 2000

among

DOLLAR TREE STORES, INC.,
as a Guarantor,

DOLLAR TREE DISTRIBUTION, INC. AND
CERTAIN OTHER SUBSIDIARIES OF
DOLLAR TREE STORES, INC.
THAT MAY HEREAFTER BECOME PARTY HERETO,
as Lessees

ATLANTIC FINANCIAL GROUP, LTD., as Lessor,
CERTAIN FINANCIAL INSTITUTIONS PARTIES HERETO,
as Lenders

and

CRESTAR BANK, as Agent

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MASTER AGREEMENT

THIS MASTER AGREEMENT, dated as of January 13, 2000 (as it may be amended or modified from time to time in accordance with the provisions hereof, this "Master Agreement"), is among DOLLAR TREE STORES, INC., a Virginia corporation ("DTS" or "Guarantor"), DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation ("DTD"), and certain other Subsidiaries of DTS that may hereafter become parties hereto as lessees pursuant to Section 3.6 (individually, together with DTD in its capacity as a lessee, a "Lessee" and collectively the "Lessees"), as Lessees, ATLANTIC FINANCIAL GROUP, LTD., a Texas limited partnership (the "Lessor"), certain financial institutions parties hereto as lenders (together with any other financial institution that becomes a party hereto as a lender, collectively referred to as "Lenders" and individually as a "Lender"), and CRESTAR BANK, a Virginia state bank, as agent for the Lenders (in such capacity, the "Agent").

PRELIMINARY STATEMENT

In accordance with the terms and provisions of this Master Agreement, the Lease, the Loan Agreement and the other Operative Documents, (i) the Lessor contemplates acquiring Land and, in certain cases, the Buildings on such Land identified by DTD from time to time, and leasing such Land and Buildings thereon to a Lessee, (ii) DTD, as Construction Agent for the Lessor, wishes, in certain instances, to construct Buildings on Land for the Lessor and, when completed, the related Lessee wishes to lease such Buildings from the Lessor as part of the Leased Properties under the Lease, (iii) DTD, as agent, wishes to obtain, and the Lessor is willing to provide, funding for the acquisition of the Land and

Buildings, or, in certain instances, the construction of Buildings, and (iv) the Lessor wishes to obtain, and Lenders are willing to provide, from time to time, financing of a portion of the funding of the acquisition of the Land and Buildings and, if applicable, the construction of the Buildings.

In consideration of the mutual agreements contained in this Master Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS; INTERPRETATION

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Appendix A hereto for all purposes hereof; and the rules of interpretation set forth in Appendix A hereto shall apply to this Master Agreement.

ARTICLE II.

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ACQUISITION, CONSTRUCTION AND LEASE; FUNDINGS;
NATURE OF TRANSACTION

SECTION 2.1 Agreement to Acquire, Construct, Fund and Lease.

(a) Land. Subject to the terms and conditions of this Master Agreement, with respect to each parcel of Land identified by DTD, on the related Closing Date (i) the Lessor agrees to acquire such interest in the related Land, and any Building thereon, from the applicable Seller as is transferred, sold, assigned and conveyed to the Lessor pursuant to the applicable Purchase Agreement or to lease such interest in the related Land, and any Building thereon, from the applicable Ground Lessor as is leased to the Lessor pursuant to the applicable Ground Lease, (ii) the Lessor hereby agrees to lease, or sublease, as the case may be, such Land and any Building thereon to the related Lessee pursuant to the Lease, and (iii) the related Lessee hereby agrees to lease, or sublease, as the case may be, such Land, and any Building thereon, from the Lessor pursuant to the Lease. With respect to each IDB Property, (i) the applicable Authority may acquire such interest in the related Land from the applicable Seller as is transferred, sold, assigned and conveyed to the Authority pursuant to the applicable Purchase Agreement, (ii) the applicable Authority will lease such Land to the Lessor pursuant to the related IDB Lease, and (iii) the related Lessee hereby agrees to sublease such Land from the Lessor pursuant to the Lease (it being understood that any reference in the Operative Documents to the lease by a Lessee of an IDB Property shall be deemed to refer to the sublease thereof pursuant to the Lease).

(b) Building. With respect to each parcel of Land on which a Building is to be constructed, subject to the terms and conditions of this Master Agreement, from and after the Closing Date relating to such Land (i) the Construction Agent agrees, pursuant to the terms of the Construction Agency Agreement, to construct and install the Building on such Land for the Lessor prior to the Scheduled Construction Termination Date, (ii) the Lenders and the Lessor agree to fund the costs of such construction and installation (and interest and yield thereon), (iii) the Lessor shall lease, or sublease, as the case may be, such Building as part of such Leased Property to the related Lessee pursuant to the Lease, and (iv) the related Lessee shall lease, or sublease, as the case may be, such Building from the Lessor pursuant to the Lease.

SECTION 2.2 Fundings of Purchase Price, Development Costs and Construction Costs.

(a) Initial Funding and Payment of Purchase Price for Land and Development Costs on Closing Date. Subject to the terms and conditions of this Master Agreement, on the Closing Date for any Land, and any Building thereon, each Lender shall make available to the Lessor its initial Loan with respect to such Land, and any Building thereon, in an amount equal to the product of such Lender's Commitment Percentage times the purchase price for such Land, and any Building thereon, and the development, transaction and closing costs incurred by the Construction Agent, as agent, through such Closing Date, which funds the Lessor shall use, together with the Lessor's own funds in an amount equal to the product of the Lessor's Commitment Percentage times the purchase price for the related Land and any Building thereon,

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and the development, transaction and closing costs incurred by the Construction Agent, as agent, through such Closing Date, to purchase such Land, and any Building thereon, from the applicable Seller pursuant to the applicable Purchase Agreement or lease the Land and any Building thereon, from the applicable Ground Lessor pursuant to the applicable Ground Lease, as the case may be, and to pay to the Construction Agent the amount of such development, transaction and closing costs, and the Lessor shall lease, or sublease, as the case may be, such Land to the related Lessee pursuant to the Lease.

(b) Subsequent Fundings and Payments of Construction Costs during Construction Term. Subject to the terms and conditions of this Master Agreement, if a Building is to be constructed on Land, on each Funding Date following the Closing Date for each such parcel of Land until the related Construction Term Expiration Date, (i) each Lender shall make available to the Lessor a Loan in an amount equal to the product of such Lender's Commitment Percentage times the amount of Funding requested by the Construction Agent for such Funding Date, which funds the Lessor hereby directs each Lender to pay over to the Agent, for distribution to the Construction Agent, as set forth in paragraph (d), and (ii) the Lessor shall pay over to the Agent, for distribution to the Construction Agent, its own funds (which shall constitute a part of, and an increase in, the Lessor's Invested Amount with respect to such Leased Property) in an amount equal to the product of the Lessor's Commitment Percentage times the amount of Funding requested by the Construction Agent for such Funding Date.

(c) Aggregate Limits on Funded Amounts. The aggregate amount that the Funding Parties shall be committed to provide as Funded Amounts under this Master Agreement and the Loan Agreement shall not exceed (x) with respect to each Leased Property the costs of purchase and construction of such Leased Property and the related development, transaction, closing and financing costs, or (y) \$35,000,000 in the aggregate for all Leased Properties. The aggregate amount that any Funding Party shall be committed to fund under this Master Agreement and the Loan Agreement shall not exceed the lesser of (i) such Funding Party's Commitment and (ii) such Funding Party's Commitment Percentage of the aggregate Fundings requested under this Master Agreement.

(d) Notice, Time and Place of Fundings. With respect to each Funding, a Lessee or the Construction Agent, as the case may be, shall give the Lessor and the Agent an irrevocable prior telephone (followed within one Business Day with written) or written notice not later than 11:00 a.m., Atlanta, Georgia time, at least three Business Days prior to the proposed Closing Date or other Funding Date, as the case may be, pursuant, in each case, to a Funding Request in the form of Exhibit A (a "Funding Request"), specifying the Closing Date or subsequent Funding Date, as the case may be, the amount of Funding requested, whether such Funding shall be a LIBOR Advance or a Base Rate Advance or a combination thereof and the Rent Period(s) therefor. All documents and instruments required to be delivered on such Closing Date pursuant to this Master Agreement shall be delivered at the offices of Mayer, Brown & Platt, 190 South LaSalle Street, Chicago, Illinois 60603, or at such other location as may be determined by the Lessor, the Construction Agent and the Agent. Each Funding shall occur on a Business Day and shall be in an amount equal to \$500,000 or an integral multiple of \$1,000 in

excess thereof. All remittances made by any Lender and the Lessor for any Funding shall be made in immediately available funds by wire transfer to or, as is directed by, the Construction Agent, with receipt by the Construction Agent not later than 12:00 noon, Atlanta, Georgia time, on the applicable Funding Date, upon satisfaction or waiver of the conditions precedent to such Funding set forth in Section 3; such funds shall (1) in the case of the initial Funding on a Closing Date, be used to pay the purchase price to the applicable Seller for the related Land and any Building thereon and pay development, transaction and closing costs related to such Land, and (2) in the case of each subsequent Funding be paid to the Construction Agent, for the payment or reimbursement of Construction costs incurred through such Funding Date and not previously paid or reimbursed.

(e) Lessee's Deemed Representation for Each Funding. Each Funding Request by a Lessee or the Construction Agent shall be deemed a reaffirmation of each Lessee's indemnity obligations in favor of the Indemnitees under the Operative Documents and a representation and warranty to the Lessor, the Agent and the Lenders that on the proposed Closing Date or Funding Date, as the case may be, (i) the amount of Funding requested represents amounts owing in respect of the purchase price of the related Land, and any Building thereon, and development, transaction and closing costs in respect of the Leased Property (in the case of the initial Funding on a Closing Date) or amounts that are then due

to third parties in respect of the Construction, or amounts paid by the Construction Agent to third parties or incurred by the Construction Agent as overhead expenses in respect of the Construction for which the Construction Agent has not previously been reimbursed by a Funding (in the case of any Funding), (ii) no Event of Default or Potential Event of Default exists, and (iii) the representations and warranties of the Guarantor, DTD and each other Lessee set forth in Section 4.1 are true and correct in all material respects as though made on and as of such Funding Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(f) Not Joint Obligations. Notwithstanding anything to the contrary set forth herein or in the other Operative Documents, each Lender's and the Lessor's commitments shall be several, and not joint. In no event shall any Funding Party be obligated to fund an amount in excess of such Funding Party's Commitment Percentage of any Funding, or to fund amounts in the aggregate in excess of such Funding Party's Commitment.

(g) Non-Pro Rata Fundings. Notwithstanding anything to the contrary set forth in this Master Agreement, but subject to Section 2.2(f) above, at the Agent's option, Fundings may be made by drawing on the Lessor's Commitment until such Commitment is fully funded before drawing on the Lenders' Commitments. In such event, when the Lessor's Commitment is fully funded, the Lenders will fund, on a pro rata basis as among themselves, 100% of the amount of the Fundings thereafter, provided that, in no event will the Lessor's Invested Amount be less than 3.5% of the aggregate Funded Amounts.

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(h) Commitment Fee. DTD shall pay to the Agent, for the ratable benefit of each Funding Party based upon its Commitment Percentage of the aggregate Commitments, a commitment fee (the "Commitment Fee") for the period commencing on the date hereof to and including the Lease Termination Date payable quarterly in arrears on each Quarterly Payment Date, and on the Lease Termination Date in an amount equal to (i) the Commitment Fee Percentage, times (ii) an amount equal to the aggregate Commitments, minus the aggregate Funded Amounts on such day times (iii) 1/360 times (iv) the number of days from and including the date hereof (in the case of the first Quarterly Payment Date) or the immediately preceding Quarterly Payment Date (in the case of each other Quarterly Payment Date) to, but excluding, such Quarterly Payment Date.

SECTION 2.3 Funded Amounts and Interest and Yield Thereon.

(a) The Lessor's Invested Amount for any Leased Property outstanding from time to time shall accrue yield ("Yield") at the Lessor Rate, computed using the actual number of days elapsed and a 360 day year. If all or a portion of the principal amount of or yield on the Lessor's Invested Amounts shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, without limiting the rights of the Lessor under the Lease, to the maximum extent permitted by law, accrue yield at the Overdue Rate, from the date of nonpayment until paid in full (both before and after judgment).

(b) Each Lender's Funded Amount for any Leased Property outstanding from time to time shall accrue interest as provided in the Loan Agreement.

(c) During the Construction Term, in lieu of the payment of accrued interest, on each Payment Date, each Lender's Funded Amount in respect of a Construction Land Interest shall automatically be increased by the amount of interest accrued and unpaid on the related Loans pursuant to the Loan Agreement during the Rent Period ending immediately prior to such Payment Date (except to the extent that at any time such increase would cause such Lender's Funded Amount to exceed such Lender's Commitment, in which event the related Lessee shall pay such excess amount to such Lender in immediately available funds on such Payment Date). Similarly, in lieu of the payment of accrued Yield, on each Payment Date, the Lessor's Invested Amount in respect of a Construction Land Interest shall automatically be increased by the amount of Yield accrued on the Lessor's Invested Amount in respect of such Leased Property during the Rent Period ending immediately prior to such Payment Date (except to the extent that at any time such increase would cause the Lessor's Invested Amount to exceed the Lessor's Commitment, in which event the related Lessee shall pay such excess amount to the Lessor in immediately available funds on such Payment Date). Such increases in Funded Amounts shall occur without any disbursement of funds by the Funding Parties.

(d) Three Business Days prior to the last day of each Rent Period, DTD shall deliver (which delivery may be by facsimile) to the Lessor and

the Agent a notice substantially in the form of Exhibit I (each, a "Payment Date Notice"), appropriately completed, specifying the allocation of the Funded Amounts related to such Rent Period to LIBOR Advances and Base

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Rate Advances and the Rent Periods therefor, provided that no such allocation to LIBOR Advances shall be in an amount less than \$1,000,000. Each such Payment Date Notice shall be irrevocable. If no such notice is given, the Funded Amounts shall be allocated to a LIBOR Advance with a Rent Period of three (3) months.

SECTION 2.4 Lessee Owner for Tax Purposes. With respect to each Leased Property, it is the intent of the Lessees and the Funding Parties that for federal, state and local tax purposes and bankruptcy law purposes the Lease shall be treated as the repayment and security provisions of a loan by the Lessor to the Lessees, and that the related Lessee shall be treated as the legal and beneficial owner entitled to any and all benefits of ownership of such Leased Property and all payments of Basic Rent during the Lease Term shall be treated as payments of interest and principal. Nevertheless, each of DTD and each Lessee acknowledges and agrees that neither the Agent, nor any Funding Party, nor any other Person has made any representations or warranties concerning the tax, financial, accounting or legal characteristics or treatment of the Operative Documents and that each of DTD and each Lessee has obtained and relied solely upon the advice of its own tax, accounting and legal advisors concerning the Operative Documents and the accounting, tax, financial and legal consequences of the transactions contemplated therein.

SECTION 2.5 Amounts Due Under Lease. With respect to each Leased Property, anything else herein or elsewhere to the contrary notwithstanding, it is the intention of the Lessees and the Funding Parties that: (i) subject to clauses (ii) and (iii) below, the amount and timing of Basic Rent due and payable from time to time from the related Lessee under the Lease shall be equal to the aggregate payments due and payable with respect to interest on the Loans in respect of such Leased Property and Yield on the Lessor's Invested Amounts in respect of such Leased Property on each Payment Date; (ii) if the related Lessee elects the Purchase Option with respect to a Leased Property or becomes obligated to purchase such Leased Property under the Lease, the Funded Amounts in respect of such Leased Property, all interest and Yield thereon and all other obligations of the related Lessee owing to the Funding Parties in respect of such Leased Property shall be paid in full by such Lessee, (iii) if the Lessees properly elect the Remarketing Option, the Lessees will only be required to pay the Recourse Deficiency Amount and the other amounts required to be paid pursuant to Section 14.6 of the Lease, which amounts shall be used to pay the principal of the A Loans, and the Lessees shall only be required to pay to the Lenders the principal amount of the B Loans and to the Lessor the Lessor's Invested Amounts, to the extent of the proceeds of the sale of the Leased Properties in accordance with Section 14.6 of the Lease; and (iv) upon an Event of Default resulting in an acceleration of the Lessees' obligation to purchase the Leased Properties under the Lease, the amounts then due and payable by the Lessees under the Lease shall include all amounts necessary to pay in full the Loans, and accrued interest thereon, the Lessor's Invested Amounts and accrued Yield thereon and all other obligations of the Lessees owing to the Funding Parties pursuant to the Operative Documents.

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ARTICLE III.
CONDITIONS PRECEDENT; DOCUMENTS

SECTION 3.1 Conditions to the Obligations of the Funding Parties on each Closing Date. The obligations of the Lessor and each Lender to carry out their respective obligations under Section 2 of this Master Agreement to be performed on the Closing Date with respect to any Land and any Building thereon shall be subject to the fulfillment to the satisfaction of, or waiver by, each such party hereto (acting directly or through its counsel) on or prior to such Closing Date of the following conditions precedent, provided that the obligations of any Funding Party shall not be subject to any conditions contained in this Section 3.1 which are required to be performed by such Funding Party:

(a) Documents. The following documents shall have been executed and delivered by the respective parties thereto:

(i) Deed and Purchase Agreement. The related original

Deed duly executed by the applicable Seller and in recordable form, and copies of the related Purchase Agreement, assigned to the Lessor, shall each have been delivered to the Agent by DTD or the related Lessee, with copies thereof to each other Funding Party or the related Ground Lease, duly assigned to the Lessor, shall have been delivered to the Agent, with copies thereof to each other Funding Party, as applicable (it being understood, that each Purchase Agreement and each Ground Lease shall be reasonably satisfactory in form and substance to the Lessor and the Lenders).

(ii) Lease Supplement. The original of the related Lease Supplement, duly executed by the related Lessee and the Lessor and in recordable form, shall have been delivered to the Agent by such Lessee.

(iii) Mortgage or Deed of Trust and Assignment of Lease and Rents. Counterparts of the Mortgage or Deed of Trust, as the case may be, (substantially in the form of Exhibit D-1 or D-2, as the case may be, attached hereto), duly executed by the Lessor and in recordable form, shall have been delivered to the Agent (which Mortgage or Deed of Trust, as the case may be, shall secure all of the debt to the Agent unless such mortgage is subject to a tax based on the amount of indebtedness secured thereby, in which case the amount secured will be limited to debt in an amount equal to 125% of the projected cost of acquisition and construction of such Leased Property); and the Assignment of Lease and Rents (substantially in the form of Exhibit B attached hereto) in recordable form, duly executed by the Lessor, shall have been delivered to the Agent by the Lessor.

(iv) Security Agreement and Assignment. If Buildings are to be constructed on the Land, counterparts of the Security Agreement and Assignment (substantially in the form of Exhibit C attached hereto), duly executed by the

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Construction Agent, with an acknowledgment and consent thereto satisfactory to the Lessor and the Agent duly executed by the related General Contractor and the related Architect, as applicable, and complete copies of the related Construction Contract and the related Architect's Agreement certified by the Construction Agent, shall have been delivered to the Lessor and the Agent (it being understood and agreed that if no related Construction Contract or Architect's Agreement exists on such Closing Date, such delivery shall not be a condition precedent to the Funding on such Closing Date, and in lieu thereof the Construction Agent shall deliver complete copies of such Security Agreement and Assignment and consents concurrently with the Construction Agent's entering into such contracts).

(v) Survey. The related Lessee shall have delivered, or shall have caused to be delivered, to the Lessor and the Agent, at such Lessee's expense, an accurate survey certified to the Lessor and the Agent in a form reasonably satisfactory to the Lessor and the Agent and showing no state of facts unsatisfactory to the Lessor or the Agent and prepared within ninety (90) days of such Closing Date (or such other time period agreed to by the Lessor and the Agent) by a Person reasonably satisfactory to the Lessor and the Agent. Such survey shall (1) be acceptable to the Title Insurance Company for the purpose of providing extended coverage to the Lessor and a lender's comprehensive endorsement to the Agent, (2) show no encroachments on such Land by structures owned by others, and no encroachments from any part of such Leased Property onto any land owned by others, and (3) disclose no state of facts reasonably objectionable to the Lessor, the Agent or the Title Insurance Company, and be reasonably acceptable to each such Person.

(vi) Title and Title Insurance. On such Closing Date, the Lessor shall receive from a title insurance company acceptable to the Lessor and the Agent an ALTA Owner's Policy of Title Insurance issued by such title insurance company and the Agent shall receive from such title insurance company an ALTA Mortgagee's Policy of Title Insurance issued by such title insurance company, in each case, in the amount of the

projected cost of acquisition and construction of such Leased Property, reasonably acceptable in form and substance to the Lessor and the Agent, respectively (collectively, the "Title Policy"). The Title Policy shall be dated as of such Closing Date, and, to the extent permitted under Applicable Law, shall include such affirmative endorsements as the Lessor or the Agent shall reasonably request.

(vii) Appraisal. Each Funding Party shall have received a report of the Appraiser (an "Appraisal"), paid for by DTD or the related Lessee, which shall meet the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, shall be satisfactory to such Funding Party and shall state in a manner satisfactory to such Funding Party the estimated "as vacant" value of such Land and existing Buildings or any Building to be constructed

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thereon. Such Appraisal must show that the "as vacant" value of such Leased Property (if a Building is to be constructed on the Land, determined as if the Building had already been completed in accordance with the related Plans and Specifications and by excluding from such value the amount of assessments on such Leased Property) is at least 45% of the total cost of such Leased Property.

(viii) Environmental Audit and related Reliance Letter. The Lessor and the Agent shall have received an Environmental Audit for such Leased Property, which shall be conducted in accordance with ASTM standards and shall not include a recommendation for further investigation and is otherwise satisfactory to the Lessor and the Agent; and the firm that prepared the Environmental Audit for such Leased Property shall have delivered to the Lessor and the Agent a letter stating that the Lessor, the Agent and the Lenders may rely upon such firm's Environmental Audit of such Land, it being understood that the Lessor's and the Agent's acceptance of any such Environmental Audit shall not release or impair any Lessee's obligations under the Operative Documents with respect to any environmental liabilities relating to such Leased Property.

(ix) Evidence of Insurance. The Lessor and the Agent shall have received from the related Lessee certificates of insurance evidencing compliance with the provisions of Article VIII of the Lease (including the naming of the Lessor, the Agent and the Lenders as additional insured or loss payee with respect to such insurance, as their interests may appear), in form and substance reasonably satisfactory to the Lessor and the Agent.

(x) UCC Financing Statement; Recording Fees; Transfer Taxes. Each Funding Party shall have received satisfactory evidence of (i) the execution and delivery to Agent of a UCC-1 and, if required by applicable law, UCC-2 financing statement to be filed with the Secretary of State of the applicable State (or other appropriate filing office) and the county where the related Land is located, respectively, and such other Uniform Commercial Code financing statements as any Funding Party deems necessary or desirable in order to perfect such Funding Party's interests and (ii) the payment of all recording and filing fees and taxes with respect to any recordings or filings made of the related Deed, the Lease, the related Lease Supplement, the related Mortgage and the related Assignment of Lease and Rents.

(xi) Opinions. An opinion of local counsel for the related Lessee qualified in the jurisdiction in which such Leased Property is located, substantially in the form set forth in Exhibit G-2 attached hereto, and containing such other matters as the parties to whom they are addressed shall reasonably request, shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders. To the extent requested by the Agent, opinions supplemental to those delivered under

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Section 3.2(vi) and reasonably satisfactory to the Agent shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders.

(xii) Good Standing Certificates. The Agent shall have received good standing certificates for the Lessor and the related Lessee from the appropriate offices of the state where the related Land is located.

(xiii) IDB Property. If such Leased Property is an IDB Property or is otherwise subject to industrial development or revenue bonds, the IDB Documentation shall have been executed by the parties thereto, and shall be in form and substance reasonably acceptable to the Agent, the Lessor and the Lenders.

(b) Litigation. No action or proceeding shall have been instituted or, to the knowledge of any Funding Party, threatened nor shall any governmental action, suit, proceeding or investigation be instituted or threatened before any Governmental Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Governmental Authority, to set aside, restrain, enjoin or prevent the performance of this Master Agreement or any transaction contemplated hereby or by any other Operative Document or which is reasonably likely to materially adversely affect any Leased Property or any transaction contemplated by the Operative Documents or which would reasonably be expected to result in a Material Adverse Effect.

(c) Legality. In the opinion of such Funding Party or its counsel, the transactions contemplated by the Operative Documents shall not violate any Applicable Law, and no change shall have occurred or been proposed in Applicable Law that would make it illegal for such Funding Party to participate in any of the transactions contemplated by the Operative Documents.

(d) No Events. (i) No Event of Default, Potential Event of Default, Event of Loss or Event of Taking relating to such Leased Property shall have occurred and be continuing, (ii) no action shall be pending or threatened by a Governmental Authority to initiate a Condemnation or an Event of Taking, and (iii) there shall not have occurred any event that would reasonably be expected to have a Material Adverse Effect since December 31, 1998.

(e) Representations. Each representation and warranty of the parties hereto or to any other Operative Document contained herein or in any other Operative Document shall be true and correct in all material respects as though made on and as of such Closing Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(f) Cutoff Date. No Closing Date shall occur after the Funding Termination Date.

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(g) Transaction Expenses. The related Lessee shall have paid, or made arrangements to pay, the transaction costs then accrued and invoiced which the Lessees have agreed to pay pursuant to Section 8.8.

(h) Approval. The Agent shall not have rejected such Leased Property for inclusion in the Lease by written notice to DTD.

SECTION 3.2 Additional Conditions for the Initial Closing Date. The obligations of the Lessor and each Lender to carry out their respective obligations under Section 2 of this Master Agreement to be performed on the Initial Closing Date shall be subject to the satisfaction of, or waiver by, each such party hereto (acting directly or through its counsel) on or prior to the Initial Closing Date of the following conditions precedent in addition to those set forth in Section 3.1, provided that the obligations of any Funding Party shall not be subject to any conditions contained in this Section 3.2 which are required to be performed by such Funding Party:

(i) Loan Agreement; Guaranty Agreement. Counterparts of the Loan Agreement, duly executed by the Lessor, the Agent and each Lender shall have been delivered to each of the Lessor and the Agent. An A Note and a B Note, duly executed by the Lessor, shall have been delivered to the Agent. The Guaranty Agreement, duly executed by DTS and DTD, shall have

been delivered to the Agent.

(ii) Master Agreement. Counterparts of this Master Agreement, duly executed by the parties hereto, shall have been delivered to each of the parties hereto.

(iii) Construction Agency Agreement. Counterparts of the Construction Agency Agreement, duly executed by the parties thereto shall have been delivered to each of the parties hereto.

(iv) Lease. Counterparts of the Lease, duly executed by the Lessees party to this Master Agreement on the Initial Closing Date, and the Lessor, shall have been delivered to each Funding Party and the original, chattel paper copy of the Lease shall have been delivered to the Agent.

(v) Lessee's Resolutions and Incumbency Certificate, etc. Each of the Agent and the Lessor shall have received (x) a certificate of the Secretary or an Assistant Secretary of each of Guarantor and each Lessee party hereto on the Initial Closing Date, attaching and certifying as to (i) the Board of Directors' (or appropriate committee's) resolution duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, (iii) its articles or certificate of incorporation, certified as of a recent date by the Secretary of State of the state of its

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incorporation and (iv) its by-laws, and (y) good standing certificates for each of Guarantor and each Lessee party hereto on the Initial Closing Date from the appropriate offices of the States of Guarantor's or such Lessee's incorporation and principal place of business.

(vi) Opinions of Counsel. The opinion of Hofheimer Nusbaum, P.C. dated the Initial Closing Date, substantially in the form set forth in Exhibit G-1, attached hereto, and containing such other matters as the parties to whom it is addressed shall reasonably request, shall have been delivered and addressed to each of the Lessor, the Agent and the Lenders. The opinion of Brown McCarroll & Oaks Hartline, LLP, dated the Initial Closing Date, substantially in the form set forth in Exhibit G-3 attached hereto, and containing such other matters as the parties to whom it is addressed shall reasonably request, shall have been delivered to each of the Agent, the Lenders and DTD.

(vii) Good Standing Certificate. The Agent and DTD shall have received a good standing certificate for the Lessor from the appropriate office of the State of Texas.

(viii) Lessor's Consents and Incumbency Certificate, etc. The Agent and DTD shall have received a certificate of the Secretary or an Assistant Secretary of the General Partner of the Lessor attaching and certifying as to (i) the consents of the partners of the Lessor duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, and (iii) the Partnership Agreement.

SECTION 3.3 Conditions to the Obligations of Lessee. The obligations of any Lessee to lease a Leased Property from the Lessor are subject to the fulfillment on the related Closing Date to the satisfaction of, or waiver by, such Lessee, of the following conditions precedent:

(a) General Conditions. The conditions set forth in Sections 3.1 and 3.2 that require fulfillment by the Lessor or the Lenders shall have been satisfied, including the delivery of good standing certificates by the Lessor pursuant to Sections 3.1(a)(xiv) and 3.2(vii) and the delivery of an opinion of counsel for the Lessor pursuant to Section 3.2(vi) and the execution and delivery of the Operative Documents to be executed by the Lessor or the Lenders in connection with such Leased Property.

(b) Legality. In the opinion of such Lessee or its counsel, the transactions contemplated by the Operative Documents shall not violate any

Applicable Law, and no change shall have occurred or been proposed in Applicable Law that would make it illegal for such Lessee to participate in any of the transactions contemplated by the Operative Documents.

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(c) Purchase Agreement; Ground Lease. The Purchase Agreement and, if applicable, the Ground Lease and all documents to be delivered under the Purchase Agreement or Ground Lease, including title insurance, survey and environmental audit, shall be reasonably satisfactory to such Lessee.

SECTION 3.4 Conditions to the Obligations of the Funding Parties on each Funding Date. The obligations of the Lessor and each Lender to carry out their respective obligations under Section 2 of this Master Agreement to be performed on each Funding Date shall be subject to the fulfillment to the satisfaction of, or waiver by, each such party hereto (acting directly or through their respective counsel) on or prior to each such Funding Date of the following conditions precedent, provided that the obligations of any Funding Party shall not be subject to any conditions contained in this Section 3.4 which are required to be performed by such Funding Party:

(a) Funding Request. The Lessor and the Agent shall have received from the Construction Agent or a Lessee the Funding Request therefor pursuant to Section 2.2(d).

(b) Condition Fulfilled. As of such Funding Date, the condition set forth in Section 3.1A(d) (i) shall have been satisfied.

(c) Representations. As of such Funding Date, both before and after giving effect to the Funding requested by the Construction Agent or a Lessee on such date, the representations and warranties that the Construction Agent or such Lessee is deemed to make pursuant to Section 2.2(e) shall be true and correct in all material respects on and as of such Funding Date as though made on and as of such Funding Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(d) No Bonded Stop Notice or Filed Mechanics Lien. As of such Funding Date, and as to any Funded Amount requested for any Leased Property on such Funding Date, (i) none of the Lessor, the Agent or any Lender has received (with respect to such Leased Property) a bonded notice to withhold Loan funds that has not been discharged by the related Lessee or the Construction Agent, and (ii) no mechanic's liens or materialman's liens have been filed against such Leased Property that have not been discharged by the related Lessee, bonded over in a manner reasonably satisfactory to the Agent or insured over by the Title Insurance Company.

(e) Lease Supplement. If the Funding relates to a Building that will be leased under a Lease Supplement separate from the Lease Supplement for the related Land, the original of such separate Lease Supplement, duly executed by the related Lessee and the Lessor and in recordable form, shall have been delivered to the Agent.

SECTION 3.5 Completion Date Conditions. The occurrence of the Completion Date with respect to any Leased Property shall be subject to the fulfillment to the satisfaction of, or

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waiver by, each party hereto (acting directly or through its counsel) of the following conditions precedent:

(a) Title Policy Endorsements; Architect's Certificate. The Construction Agent shall have furnished to each Funding Party (1) the following endorsements to the related Title Policy (each of which shall be subject to no exceptions other than those reasonably acceptable to the Agent): a date-down endorsement (redating and confirming the coverage provided under the Title Policy and each endorsement thereto) and a "Form 9" endorsement (if available in the applicable jurisdiction), in each case, effective as of a date not earlier than the date of completion of the Construction, and (2) a certificate of the Architect dated at or about the Completion Date, in form and substance reasonably satisfactory to the Agent, the Lessor and the Lenders, and stating that (i) the related Building has been completed substantially in accordance

with the Plans and Specifications therefor, and such Leased Property is ready for occupancy, (ii) such Plans and Specifications comply in all material respects with all Applicable Laws in effect at such time, and (iii) to the best of the Architect's knowledge, such Leased Property, as so completed, complies in all material respects with all Applicable Laws in effect at such time. The Construction Agent shall also deliver to the Agent true and complete copies of: (A) an "as built" or "record" set of the Plans and Specifications, (B) a plat of survey of such Leased Property "as built" to a standard reasonably acceptable to the Agent showing all easements, paving, driveways, fences and exterior improvements, and (C) copies of a certificate or certificates of occupancy for such Leased Property or other legally equivalent permission to occupy such Leased Property.

(b) Construction Completion. Any related Construction shall have been completed substantially in accordance with the related Plans and Specifications (subject to minor punch list requirements), the related Deed and all Applicable Laws, and such Leased Property shall be ready for occupancy and operation. All fixtures, equipment and other property contemplated under the Plans and Specifications to be incorporated into or installed in such Leased Property shall have been substantially incorporated or installed, free and clear of all Liens except for Permitted Liens.

(c) Construction Agent Certification. The Construction Agent shall have furnished the Lessor, the Agent and each Lender with a certification of the Construction Agent (substantially in the form of Exhibit H) that:

(i) all amounts owing to third parties for the related Construction have been paid in full (other than contingent obligations for which the Construction Agent has made adequate reserves), and no litigation or proceedings are pending, or to the best of the Construction Agent's knowledge, are threatened, against such Leased Property or the Construction Agent or the related Lessee which could reasonably be expected to have a Material Adverse Effect;

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(ii) all material consents, licenses and permits and other governmental authorizations or approvals required for such Construction and operation of such Leased Property have been obtained and are in full force and effect;

(iii) such Leased Property has available all services of public facilities and other utilities necessary for use and operation of such Leased Property for its intended purposes including, without limitation, adequate water, gas and electrical supply, storm and sanitary sewerage facilities, telephone, other required public utilities and means of access between the related Building and public highways for pedestrians and motor vehicles;

(iv) all material agreements, easements and other rights, public or private, which are necessary to permit the lawful use and operation of such Leased Property as the related Lessee intends to use such Leased Property under the Lease and which are necessary to permit the lawful intended use and operation of all then intended utilities, driveways, roads and other means of egress and ingress to and from the same have been obtained and are in full force and effect and neither the Construction Agent nor the related Lessee has any knowledge of any pending modification or cancellation of any of the same; and the use of such Leased Property does not depend on any variance, special exception or other municipal approval, permit or consent that has not been obtained and is in full force and effect for its continuing legal use;

(v) all of the requirements and conditions set forth in Section 3.5(b) hereof have been completed and fulfilled with respect to such Leased Property and the related Construction; and

(vi) to the best of the Construction Agent's knowledge, such Leased Property is in compliance in all material respects with all applicable zoning laws and regulations.

SECTION 3.6 Addition of Lessees. After the date hereof, additional Subsidiaries of DTS may become Lessees hereunder and under the other Operative Documents upon satisfaction of the following conditions precedent:

(a) such Subsidiary and the Guarantor shall have executed and delivered to the Agent and the Lessor a Joinder Agreement, substantially in the form of Exhibit E;

(b) such Subsidiary shall have delivered to each of the Agent and the Lessor (x) a certificate of the Secretary or an Assistant Secretary of such Subsidiary, attaching and certifying as to (i) the Board of Directors' resolution duly authorizing the execution, delivery and performance by it of each Operative Document to which it is or will be a party, (ii) the incumbency and signatures of persons authorized to execute and deliver such documents on its behalf, (iii) its certificate of incorporation, certified as of a recent date by the Secretary of State of its incorporation and (iv) its by-laws, and (y) good

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standing certificates from the appropriate offices of the States of such Subsidiary's incorporation and principal place of business;

(c) such Subsidiary shall have delivered an opinion of Hofheimer Nusbaum, P.C., addressed to each of the Lessor, the Agent and the Lenders, substantially in the form set forth in Exhibit G-1; and

(d) the Agent, the Lessor and the Lenders shall have received such other documents, certificates and information as any of them shall have reasonably requested.

ARTICLE IV. REPRESENTATIONS

SECTION 4.1 Representations of DTS, DTD and other Lessees. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, each of DTS, DTD and each other Lessee represents and warrants to each of the other parties hereto as follows:

(a) Corporate Authority; Etc.

(1) Incorporation; Good Standing. Each of the DTD and DTS (i) is a Virginia corporation, validly existing and in good standing under the laws of the State of Virginia, (ii) has all requisite power to own its property and conduct its business as now conducted and as presently contemplated, and (iii) is in good standing as a foreign corporation and is duly authorized to do business in each jurisdiction where a Leased Property is located and in each other jurisdiction where such qualification is necessary except where a failure to be so qualified in such other jurisdiction would not have a Materially Adverse Effect.

(2) Authorization. The execution, delivery and performance of this Master Agreement and the other Operative Documents to which any Obligor or the Founders is to become a party and the transactions contemplated hereby and thereby (i) are within the authority of each Obligor, (ii) have been duly authorized by all necessary proceedings, (iii) do not and will not conflict with or result in any breach or contravention of any provision of law, statute, rule, regulation or agreement to which any Obligor is subject or any judgment, order, writ, injunction, license or permit applicable to any Obligor, and (iv) do not and will not conflict with any provision of any Obligor's organization documents or other charter documents or bylaws of, or any agreement or other instrument binding upon, any Obligor.

(3) Enforceability. The execution and delivery of this Master Agreement and the other Operative Documents to which each Obligor is or is to become a party will result in valid and legally binding obligations of each Obligor enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other

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laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(b) Governmental Approvals. The execution, delivery and performance by each Obligor of this Master Agreement and the other Operative Documents to which any Obligor is or is to become a party and the transactions contemplated hereby and thereby do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained and the filing of related Mortgages, Assignments of Lease and Rents, Lease Supplements and financing statements in the appropriate records office with respect thereto.

(c) Title to Properties; Leases. DTS and its Subsidiaries own, or possess under Capitalized Leases, all of the assets reflected in the consolidated balance sheet of DTS and its Subsidiaries as at the Balance Sheet Date or acquired since that date (except property and assets sold or otherwise disposed of in the ordinary course of business since that date), and such assets are not subject to any mortgages, leases (other than Capitalized Leases), conditional sales agreements, title retention agreements, liens or other encumbrances except General Permitted Liens.

(d) Solvency; Financial Statements. Each of the Obligors is Solvent. The following financial statements have been furnished to the Agent and each of the Funding Parties:

(1) A consolidated balance sheet of DTS and its Subsidiaries as of December 31, 1998, and a consolidated statement of income for the fiscal year then ended, accompanied by an auditor's report prepared without qualification by KPMG Peat Marwick or another independent certified public accountant selected by DTS and satisfactory to the Agent. Such balance sheet and statement of income have been prepared in accordance with Generally Accepted Accounting Principles and fairly present the financial condition of DTS and its Subsidiaries as at the close of business on the date thereof and the results of operations for the fiscal year then ended. There are no contingent liabilities of DTS or any of its Subsidiaries as of such date involving material amounts, known to the officers of DTS or any of its Subsidiaries not disclosed in said balance sheet and the related notes thereto.

(2) A consolidated balance sheet, a consolidated statement of income and a consolidated statement of cash flow of DTS and its Subsidiaries for each of the fiscal quarters of DTS ended since December 31, 1998 certified by the chief financial officer of DTS to have been prepared in accordance with Generally Accepted Accounting Principles consistent with those used in the preparation of the annual audited statements delivered pursuant to paragraph (a) above and to fairly present the financial condition of DTS and its Subsidiaries as at the close of business on the dates thereof and the results of operations for the fiscal quarters then ended (subject to year-end adjustments). There are no contingent liabilities of DTS or any of its Subsidiaries as of such dates involving

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material amounts, known to the officers of DTS or any of its Subsidiaries, not disclosed in such balance sheets and the related notes thereto.

(e) No Material Changes, Etc. From the Balance Sheet Date to the date of this Master Agreement, there has occurred no materially adverse change in the financial condition or business of DTD, DTS or its Subsidiaries as shown on or reflected in the consolidated balance sheet of DTS and its Subsidiaries as of the Balance Sheet Date, or the consolidated statement of income for the fiscal year then ended, other than changes in the ordinary course of business that have not had any materially adverse effect either individually or in the aggregate on the business or financial condition of DTD, DTS or its Subsidiaries.

(f) Franchises, Patents, Copyrights, Etc. The Obligors possess all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted without known conflict with any rights of others, except where failure to possess such rights has not had, and would

not have, a Material Adverse Effect..

(g) Litigation. Except as stated on Schedule 4.1(g), there are no actions, suits, proceedings or investigations of any kind pending or, to the knowledge of DTD, threatened against any Obligor before any court, tribunal or administrative agency or board that, if adversely determined, might, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of any Obligor or materially impair the right of any Obligor to carry on business substantially as now conducted by it, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained on the consolidated balance sheet of DTS and its Subsidiaries, or which question the validity of this Master Agreement or any of the other Operative Documents, or any action taken or to be taken pursuant hereto or thereto.

(h) No Materially Adverse Contracts, Etc. None of the Obligor is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation that has or is expected in the future to have a materially adverse effect on the business, assets or financial condition of any Obligor. None of the Obligor is a party to any contract or agreement that has or is expected, in the judgment of DTD's officers, to have any materially adverse effect on the business of any Obligor.

(i) Compliance with Other Instruments, Laws, Etc. None of the Obligor is in violation of any provision of its charter or other organization documents, by-laws, or any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, statute, license, rule or regulation, in any of the foregoing cases in a manner that could result in the imposition of substantial penalties or materially and adversely affect the financial condition, properties or business of any Obligor.

(j) Tax Status. Each Obligor (a) has made or filed, or placed under lawful extension, all federal and state income and all other tax returns, reports and declarations required

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by any jurisdiction to which it is subject, except where the failure to so make or file such tax returns, reports or declarations has not had, and would not have, a Material Adverse Effect, (b) has paid all taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and by appropriate proceedings and except where the failure to pay such taxes and other amounts has not had, and would not have, a Material Adverse Effect, and (c) has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of DTD know of no basis for any such claim.

(k) No Event of Default. No Potential Event of Default or Event of Default has occurred and is continuing.

(l) Holding Company and Investment Company Acts. None of the Obligor is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940.

(m) Certain Transactions. Except as set forth on Schedule 4.1(m), none of the officers, directors, or employees of any Obligor is presently a party to any transaction with any Obligor (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, trustee, director or such employee or, to the knowledge of DTD, any corporation, partnership, trust or other entity in which any officer, trustee, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

(n) Employee Benefit Plans; Multiemployer Plans; Guaranteed Pension Plans.

(1) No ERISA Reportable Event has occurred and is continuing with respect to any such Plan; (ii) PBGC has not instituted proceedings to terminate any such Plan; (iii) none of the Obligor has (A) incurred any liability to PBGC with

respect to any such Plan other than for premiums not yet due or payable, or (B) instituted or does not intend to institute proceedings to terminate any such Plan under Sections 4041 or 4041A of ERISA or withdraw from any Multi-Employer Pension Plan (as that term is defined in Section 3(37) of ERISA); (iv) each such Plan of the Obligors has been maintained and funded in all material respects in accordance with its terms and with all provisions of ERISA and the Code applicable thereto; (v) where applicable, each of the Obligors has complied with all applicable minimum funding requirements of ERISA and the Code with respect to each Plan; (vi) there are no unfunded benefit liabilities (as defined in Section 4001(a)(18) of ERISA) with respect to any such Plan of any of the Obligors which pose a risk of causing a lien to be created in its assets; and (vii) no material

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prohibited transaction under the Code or ERISA has occurred with respect to any such Plan of any of the Obligors.

(o) Regulations U and X. No portion of any Advance is to be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

(p) Environmental Compliance. Except as disclosed on Schedule 4.1(p),

(1) the operations of the Obligors comply in all material respects with all applicable Environmental Laws;

(2) none of the operations of any Obligor is the subject of any judicial or administrative proceeding alleging the violation of any Environmental Laws;

(3) none of the operations of any Obligor is the subject of any federal or state investigation evaluating whether DTD or any of the Subsidiaries disposed of any hazardous or toxic waste, substance or constituent at any site that may require remedial action, or any federal or state investigation evaluating whether any remedial action is needed to respond to or prevent release of any hazardous or toxic waste, substance or constituent into the environment;

(4) none of the Obligors has filed any notice under any federal or state law indicating past or present treatment, storage or disposal of a hazardous waste or reporting a spill or release of a hazardous or toxic waste, substance or constituent into the environment;

(5) none of the Obligors has any contingent liability of which DTD has knowledge or reasonably should have knowledge in connection with any release of any hazardous or toxic waste, substance or constituent into the environment, nor has any Obligor received any notice, letter or other indication of potential liability arising from the disposal of any hazardous or toxic waste, substance or constituent into the environment.

(q) Subsidiaries. Schedule 4.1(q) sets forth all of the Subsidiaries of DTD and DTS. Except as set forth in Schedule 4.1(q), DTD or DTS, as applicable, is the owner, free and clear of all liens and encumbrances, of all of the issued and outstanding capital stock of each Subsidiary. Except as set forth in Schedule 4.1(q), all shares of such stock have been validly issued and are fully paid and nonassessable and no rights to subscribe to any additional shares have been granted, and no options, warrants, or similar rights are outstanding.

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(r) Trade Names. The Obligors do not transact or engage, and have not transacted or engaged, in business under any names other than those set forth in Schedule 4.1(r) hereto.

(s) Hazardous Materials - Leased Properties.

(i) To the best knowledge of the related Lessee, except as described in the related Environmental Audit, on the Closing Date for each Leased Property, there are no Hazardous Materials present at, upon, under or within such Leased Property or released or transported to or from such Leased Property (except in compliance in all material respects with all Applicable Law).

(ii) To the best knowledge of the related Lessee, on the related Closing Date, no Governmental Actions have been taken or are in process or have been threatened, which could reasonably be expected to subject such Leased Property, any Lender or the Lessor to any Material Claims or Liens with respect to such Leased Property under any Environmental Law or would otherwise have a Material Adverse Effect.

(iii) The related Lessee has, or will obtain on or before the date required by Applicable Law, all Environmental Permits necessary to operate each Leased Property, if any, in accordance with Environmental Laws and is complying with and has at all times complied with all such Environmental Permits, except to the extent the failure to obtain such Environmental Permits or to so comply would not have a Material Adverse Effect.

(iv) Except as set forth in the related Environmental Audit or in any notice subsequently furnished by the related Lessee to the Agent and approved by the Agent in writing prior to the respective times that the representations and warranties contained herein are made or deemed made hereunder, no notice, notification, demand, request for information, citations, summons, complaint or order has been issued or filed to or with respect to the related Lessee, no penalty has been assessed on the related Lessee and no investigation or review is pending or, to its best knowledge, threatened by any Governmental Authority or other Person in each case relating to any Leased Property with respect to any alleged material violation or liability of the related Lessee under any Environmental Law. To the best knowledge of the related Lessee, no material notice, notification, demand, request for information, citations, summons, complaint or order has been issued or filed to or with respect to any other Person, no material penalty has been assessed on any other Person and no investigation or review is pending or threatened by any Governmental Authority or other Person relating to any Leased Property with respect to any alleged material violation or liability under any Environmental Law by any other Person.

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(v) Each Leased Property and each portion thereof are presently in compliance in all material respects with all Environmental Laws, and, to the best knowledge of the related Lessee, there are no present or past facts, circumstances, activities, events, conditions or occurrences regarding such Leased Property (including without limitation the release or presence of Hazardous Materials) that would reasonably be anticipated to (A) form the basis of a material Claim against such Leased Property, any Funding Party or the related Lessee, (B) cause such Leased Property to be subject to any material restrictions on ownership, occupancy, use or transferability under any Environmental Law, (C) require the filing or recording of any notice or restriction relating to the presence of Hazardous Materials in the real estate records in the county or other appropriate municipality in which such Leased Property is located, other than notices filed in the ordinary course of business, or (D) prevent or materially interfere with the continued operation and maintenance of such Leased Property as contemplated by the Operative Documents.

For purposes of this Section 4.1(s), the term "material" with respect to any event or circumstance means that such event or circumstance would reasonably be anticipated to result in criminal or material liability on the part of any Funding Party, or to have a material adverse effect on the value of any Leased Property or to otherwise have a Material Adverse Effect.

(t) Leased Property. The present condition of each Leased

Property conforms in all material respects with all conditions or requirements of all existing material permits and approvals issued with respect to such Leased Property, and the related Lessee's future intended use of such Leased Property under the Lease does not, in any material respect, violate any Applicable Law. To the best knowledge of the related Lessee, no material notices, complaints or orders of violation or non-compliance have been issued or threatened or contemplated by any Governmental Authority with respect to any Leased Property or any present or intended future use thereof. All material agreements, easements and other rights, public or private, which are necessary to permit the lawful use and operation of each Leased Property as the related Lessee intends to use such Leased Property under the Lease and which are necessary to permit the lawful intended use and operation of all presently intended utilities, driveways, roads and other means of egress and ingress to and from the same have been, or to the related Lessee's best knowledge will be, obtained and are or will be in full force and effect, and the related Lessee has no knowledge of any pending material modification or cancellation of any of the same.

(u) Flood Hazard Areas. No portion of any Leased Property is located in an area identified as a special flood hazard area by the Federal Emergency Management Agency or other applicable agency, or if any such Leased Property is located in an area identified as a special flood hazard area by the Federal Emergency Management Agency or other applicable agency, then flood insurance has been obtained for such Leased Property in accordance with the Lease and in accordance with the National Flood Insurance Act of 1968, as amended.

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SECTION 4.2 Survival of Representations and Effect of Fundings.

(a) Survival of Representations and Warranties. All representations and warranties made in Section 4.1 shall survive delivery of the Operative Documents and every Funding, and shall remain in effect until all of the Obligations are fully and irrevocably paid.

(b) Each Funding a Representation. Each Funding accepted by a Lessee or the Construction Agent shall be deemed to constitute a representation and warranty by DTS, DTD and each other Lessee to the effect of Section 4.1.

SECTION 4.3 Representations of the Lessor. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, in each case, with respect to each of the Leased Properties, the Lessor represents and warrants to the Agent, the Lenders and the Lessees as follows:

(a) Securities Act. The interest being acquired or to be acquired by the Lessor in such Leased Property is being acquired for its own account, without any view to the distribution thereof or any interest therein, provided that the Lessor shall be entitled to assign, convey or transfer its interest in accordance with Section 6.1.

(b) Due Organization, etc. The Lessor is a limited partnership duly organized and validly existing in good standing under the laws of Texas and each state in which a Leased Property is located and has full power, authority and legal right to execute, deliver and perform its obligations under the Lease, this Master Agreement and each other Operative Document to which it is or will be a party.

(c) Due Authorization; Enforceability, etc. This Master Agreement and each other Operative Document to which the Lessor is or will be a party have been or will be duly authorized, executed and delivered by or on behalf of the Lessor and are, or upon execution and delivery will be, legal, valid and binding obligations of the Lessor enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by general equitable principles.

(d) No Conflict. The execution and delivery by the Lessor of the Lease, this Master Agreement and each other Operative Document to which the Lessor is or will be a party, are not or will not be, and the performance by the Lessor of its obligations under each will not be, inconsistent with its Partnership Agreement, do not and will not contravene any Applicable Law applicable generally to parties providing financing and do not and will not contravene any provision of, or constitute a default under, any Contractual Obligation of Lessor, do not and will not require the consent or approval of, the giving of notice to, the registration with or taking of any action in respect of or by, any Governmental Authority applicable generally to parties providing financing, except such as have been obtained, given or accomplished, and the Lessor

possesses all requisite regulatory authority to undertake and perform its obligations under the Operative Documents.

(e) Litigation. There are no pending or, to the knowledge of the Lessor, threatened actions or proceedings against the Lessor before any court, arbitrator or administrative agency with respect to any Operative Document or that would have a material adverse effect upon the ability of the Lessor to perform its obligations under this Master Agreement or any other Operative Documents to which it is or will be a party.

(f) Lessor Liens. No Lessor Liens (other than those created by the Operative Documents) exist on any Closing Date on the Leased Property, or any portion thereof, and the execution, delivery and performance by the Lessor of this Master Agreement or any other Operative Document to which it is or will be a party will not subject any Leased Property, or any portion thereof, to any Lessor Liens (other than those created by the Operative Documents).

(g) Employee Benefit Plans. The Lessor is not and will not be making its investment hereunder, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1) of the Code).

(h) General Partner. The sole general partner of the Lessor is Atlantic Financial Managers, Inc.

(i) Financial Information. (A) The unaudited balance sheet of the Lessor as of December 31, 1998 and the related statements of income, partners' capital and cash flows for the year then ended, copies of which have been delivered to the Agent, fairly present, in conformity with sound accounting principles, consistent with the income tax basis reports provided to DTS for the period ended on December 31, 1998, the financial condition of the Lessor as of such date and the results of operations and cash flows for such period.

(B) Since December 31, 1998, there has been no event, act, condition or occurrence having a material adverse effect upon the financial condition, operations, performance or properties of the Lessor, or the ability of the Lessor to perform in any material respect its obligations under the Operative Documents.

(C) The Lessor has no recourse indebtedness, and the Lessor has not entered into any other transactions, purchases, leases or other agreements, other than immaterial transactions, purchases, leases and other agreements entered into by the Lessor in the ordinary course of its business, in which the Lessor has any liability to the other parties to such transactions, purchases, leases or other agreements that is in excess of the Lessor's ownership or other interest in the property subject to such transactions, purchases, leases or other agreements other than liability for required fundings, breach of contract, misrepresentation, gross negligence, willful misconduct, fraud, failure to turn over funds and similar exceptions to limitations on recourse.

(j) No Offering. The Lessor has not offered the Notes to any Person in any manner that would subject the issuance thereof to registration under the Securities Act or any applicable state securities laws.

(k) Investment Company. The Lessor is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.4 Representations of each Lender. Effective as of the date of execution hereof, as of each Closing Date and as of each Funding Date, each Lender represents and warrants to the Lessor and to the Lessees as follows:

(a) Securities Act. The interest being acquired or to be acquired by such Lender in the Funded Amounts is being acquired for its own account, without any view to the distribution thereof or any interest therein, provided that such Lender shall be entitled to assign, convey or transfer its interest in accordance with Section 6.2.

(b) Employee Benefit Plans. Such Lender is not and will not be making its investment hereunder, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1)) of the Code.

ARTICLE V.
COVENANTS OF OBLIGORS AND THE LESSOR

SECTION 5.1 Records and Accounts. Each Obligor will (a) keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with Generally Accepted Accounting Principles and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization of its properties, contingencies, and other reserves.

SECTION 5.2 Financial Statements, Certificates and Information. DTS will deliver to each of the Agent and each of the Funding Parties:

(a) As soon as practicable, but in any event not later than one hundred twenty (120) days after the end of each fiscal year of DTS, the audited consolidated balance sheet of DTS and its Subsidiaries at the end of such year, and the related audited consolidated statements of earnings and cash flows for such year, each setting forth in comparative form the figures for the previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with Generally Accepted Accounting Principles, and accompanied by an auditor's report prepared without qualification by KPMG Peat Marwick or by another independent certified public accountant acceptable to the Agent), together with the notes accompanying the financial statements.

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(b) As soon as practicable, but in any event not later than forty-five (45) days after the end of each fiscal quarter of DTS, copies of the unaudited consolidated balance sheet of DTS and its Subsidiaries as of the end of such quarter, and the related unaudited consolidated statements of income and cash flow for such quarter and that portion of the fiscal year of DTS then elapsed, all in reasonable detail and prepared in accordance with Generally Accepted Accounting Principles, in each case setting forth in comparative form the figures for the corresponding period of the prior fiscal year, together with a certification by the principal financial or accounting officer, or Corporate Controller, of DTS that the information contained in such financial statements fairly presents the financial position of DTS and its Subsidiaries on the date thereof (subject to year-end adjustments). In addition, DTD shall include an analysis of gross margins and of "same store sales", as applicable for each Obligor, in form satisfactory to the Agent and each of the Funding Parties.

(c) Simultaneously with the delivery of the financial statements referred to in subsections (a) and (b), above, a statement in the form of Exhibit J hereto signed by the principal financial or accounting officer, or Corporate Controller, of DTD and setting forth in reasonable detail computations evidencing compliance with the covenants contained in Section 5.23 through 5.29 and (if applicable) reconciliations to reflect changes in Generally Accepted Accounting Principles since the Balance Sheet Date.

(d) As soon as available and in any event within ninety (90) days after the close of each Fiscal Year, (i) copies of internally prepared unaudited consolidated and consolidating balance sheets and statements of income of Obligors for such Fiscal Year prepared in a manner consistent with past practice and in form and substance satisfactory to the Funding Parties and (ii) internally prepared reports reflecting gross margin results and providing such "same store" analysis of financial performance as the Funding Parties may request, all of which shall be in form satisfactory to the Funding Parties.

(e) As soon as practicable, but in any event not later than sixty (60) days after the close of each Fiscal Year, monthly projections of the financial condition and results of operations of the Obligors for the current fiscal year and annual projections thereof for each fiscal year thereafter through and including the Fiscal Year of the Lease Termination Date, including, but not limited to, a projected Consolidated balance sheet, statement of operations, and statement of cash flows for each of such Fiscal Years.

(f) Promptly after the filing of any report on Form 8-K with the Securities and Exchange Commission by any Obligor, notice of such filing.

(g) From time to time such other financial data and information as the Agent or any Funding Party may reasonably request.

SECTION 5.3 Notices.

(a) Defaults. DTD will, and shall cause each other Obligor to, promptly notify the Agent and each of the Funding Parties in writing of the occurrence of any Potential Event of Default or Event of Default. If any Person shall give any notice or take any other action in respect of a claimed default (whether or not constituting an Event of Default) under any Operative Document or under any note, evidence of indebtedness, indenture or other obligation to which or with respect to which any Obligor is a party or obligor, whether as principal or surety, and such default would permit the holder of such note or obligation or other evidence of indebtedness to accelerate the maturity thereof, which acceleration would have a material adverse effect on any Obligor, DTD shall, and shall cause each other Obligor to, forthwith give written notice thereof to the Agent and each of the Funding Parties, describing the notice or action and the nature of the claimed default.

(b) Environmental Events. DTD will, and will cause each other Obligor to, promptly give notice to the Agent (i) of any violation of any Environmental Law that any Obligor reports in writing or is reportable by such Person in writing to any federal, state or local environmental agency and (ii) upon becoming aware thereof, of any inquiry, proceeding, investigation, or other action, including a notice from any agency of potential environmental liability, or any federal, state or local environmental agency or board, that in either case involves any Real Estate or has the potential to have a Material Adverse Effect.

(c) Notice of Litigation and Judgments. DTD will, and will cause each other Obligor to, give notice to the Agent and each of the Funding Parties in writing within fifteen (15) days of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings affecting any Obligor or to which any Obligor is or is to become a party involving an uninsured claim against any Obligor that could reasonably be expected to have a materially adverse effect on any Obligor and stating the nature and status of such litigation or proceedings. DTD will, and will cause each other Obligor to, give notice to the Agent and each of the Funding Parties, in writing, in form and detail satisfactory to the Agent and each of the Funding Parties, within ten (10) days of any judgment in excess of \$100,000.00, not covered by insurance, final or otherwise, against any Obligor.

SECTION 5.4 Existence; Maintenance of Properties. Each Obligor will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a Virginia corporation. DTD will do or cause to be done all things necessary to preserve and keep in full force all of its rights and franchises and those of the other Obligors. Each Obligor (a) will cause all of its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment, (b) will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of such Obligor may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and (c) will each continue to engage primarily in the businesses now conducted by it and in related businesses.

SECTION 5.5 Insurance. The Obligors will maintain insurance on all Leased Properties as required by the Lease and will maintain with respect to its other properties, with financially sound and reputable insurers, insurance with respect to such properties and its business against such casualties and contingencies as shall be in accordance with the general practices of businesses engaged in similar activities in similar geographic areas and in amounts, containing such terms, in such forms and for such periods as may be reasonable and prudent.

SECTION 5.6 Taxes. Each Obligor will duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real properties, sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, except where the failure to so pay has not had, and would not have, a Material Adverse Effect; provided, however, that Obligors shall not be required to pay any such tax, assessment, charge or levy if and so long as the amount, applicability or validity thereof shall currently be contested in good faith by

appropriate proceedings, appropriate accruals and cash reserves therefor have been established in accordance with Generally Accepted Accounting Principles and no lien with respect thereto has been filed against such Obligor or any of its assets.

SECTION 5.7 Inspection of Properties and Books. Each Obligor shall permit the Agent or any of the Agent's designated representatives upon twenty-four (24) hours prior notice to DTD (at DTD's expense), to visit and inspect any of the properties of any Obligor to examine the books of account of any Obligor (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of any Obligor with, and to be advised as to the same by, its officers, all at such reasonable times and intervals as the Agent may reasonably request (but in no event in excess of once in any fiscal year if no Potential Event of Default or Event of Default has arisen).

SECTION 5.8 Compliance with Laws, Contracts, Licenses, and Permits. Each Obligor will comply with (a) all material applicable laws and regulations now or hereafter in effect wherever its business is conducted, including all Environmental Laws, (b) the provisions of its corporate charter and other charter documents and by-laws, (c) all agreements and instruments to which it is a party or by which it or any of its properties may be bound, except where the failure to so comply has not had, and would not have, a Material Adverse Effect, and (d) all applicable decrees, orders, and judgments except for violations which, in the aggregate, do not have a material adverse effect on the business, operations, properties, assets, or financial condition of such Obligor. If at any time while any Obligation is Outstanding or the Funding Parties have any obligation to make Advances hereunder, any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government shall become necessary or required in order that any Obligor may fulfill any of its obligations hereunder, each Obligor will promptly take or cause to be taken all reasonable steps to obtain such authorization, consent, approval, permit or license and furnish the Agent and the Funding Parties with evidence thereof.

SECTION 5.9 ERISA Compliance. Each of the Obligors shall at all times make prompt payment of all contributions required under all Employee Benefit Plans, Multiemployer Plans

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and Guaranteed Pension Plans and required to meet the minimum funding standard set forth in ERISA with respect to all such Plans.

SECTION 5.10 Restrictions on Indebtedness. No Obligor will create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(a) Indebtedness arising under any of the Operative Documents or under the Credit Agreement;

(b) current liabilities of any Obligor incurred in the ordinary course of business but not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(c) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of Section 5.6;

(d) Indebtedness in respect of judgments or awards not in excess of \$2,000,000.00 in the aggregate that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Obligor shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(e) endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(f) the Intercompany Loans;

(g) Indebtedness incurred for the construction of the new distribution and office center for the Obligors, the terms of which Indebtedness are approved by the Agent in its discretion, which approval shall not be unreasonably withheld;

(h) Indebtedness existing on the date of this Master Agreement and listed and described on Schedule 5.10 hereto;

(i) Indebtedness arising under Capitalized Leases; and

(j) other Indebtedness in an aggregate amount not to exceed ten percent (10%) of the Consolidated Total Assets of the Obligor (other than those properly classified as intangible assets under Generally Accepted Accounting Principles) at any one time.

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SECTION 5.11 Restrictions on Liens, Etc. No Obligor will (a) create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, charge, restriction or other security interest of any kind upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (b) transfer any of its property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (c) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; (d) suffer to exist for a period of more than thirty (30) days after the same shall have been incurred any Indebtedness or claim or demand against it that if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or (e) sell, assign, pledge or otherwise transfer any accounts, contract rights, general intangibles, chattel paper or instruments, with or without recourse; provided that any Obligor may create or incur or suffer to be created or incurred or to exist:

- (i) liens in favor of any Obligor on all or part of the assets of another Obligor securing Indebtedness owing by such other Obligor;
- (ii) liens on properties to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue;
- (iii) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pensions or other social security obligations;
- (iv) liens on properties in respect of judgments or awards, the Indebtedness with respect to which is permitted by Section 5.10(d);
- (v) liens of carriers, warehousemen, mechanics and materialmen, and other like liens on properties in existence less than 40 days from the date of creation thereof in respect of obligations not overdue;
- (vi) encumbrances on properties consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which any Obligor is a party, and other minor liens or encumbrances none of which interferes materially with the use of the property affected in the ordinary conduct of the business of any Obligor, which defects do not individually or in the aggregate have a materially adverse effect on the business of any Obligor individually or of DTS and its Subsidiaries on a consolidated basis;
- (vii) presently outstanding liens listed on Schedule 5.11 hereto; and

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- (viii) liens in favor of the Agent and the Lenders under the Operative Documents.

SECTION 5.12 Restrictions on Investments. No Obligor will make or permit to exist or to remain outstanding any Investment, except Investments which constitute:

(a) short term Investments (determined in accordance with Generally Accepted Accounting Principles), including, without limitation, marketable direct or guaranteed obligations of the United States of America; demand deposits, certificates of deposit, bankers acceptances and time deposits of United States banks; securities commonly known as "commercial paper" issued by a corporation organized and existing under the laws of the United States of America or any state thereof; and repurchase agreements secured by any of the foregoing;

(b) Investments existing on the date hereof and listed on Schedule 5.12 hereto; and

(c) Investments otherwise permitted pursuant to the Credit Agreement.

SECTION 5.13 Merger, Consolidation. Without the prior written consent of the Agent, no Obligor will become a party to any merger or consolidation, or agree to or effect any asset acquisition or disposition or stock acquisition or disposition (other than the acquisition or disposition of assets in the ordinary course of business for fair consideration and consistent with past practices) except (i) the merger or consolidation of one or more of the Subsidiaries of DTS with and into DTS, (ii) the merger or consolidation of two or more Subsidiaries of DTS, or (iii) as long as no Potential Event of Default or Event of Default then exists or would arise therefrom, the merger of any other Person with any Obligor, provided that the Obligor is the surviving entity and provided further that the consideration paid by the Obligors in any such merger consists of any combination of (A) capital stock of DTS and/or (B) other consideration not to exceed ten percent (10%) of the Consolidated Total Assets of the Obligors (other than those properly classified as intangible assets under Generally Accepted Accounting Principles) immediately prior to giving effect to such merger.

SECTION 5.14 Sale and Leaseback. Without the prior written consent of the Agent (which shall not be unreasonably withheld), no Obligor will enter into any arrangement, directly or indirectly, whereby any Obligor shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that such Obligor intends to use for substantially the same purpose as the property being sold or transferred.

SECTION 5.15 Compliance With Environmental Laws. No Obligor will do any of the following: (a) use any of the Real Estate or any portion thereof as a facility for the handling, processing, storage or disposal of Hazardous Substances, except in full compliance with Environmental Laws, (b) cause or permit to be located on any of the Real Estate any underground tank or other underground storage receptacle for Hazardous Substances except in full compliance with Environmental Laws, (c) generate or dispose of any Hazardous Substances

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on any of the Real Estate except in full compliance with Environmental Laws, or (d) conduct any activity at any Real Estate or use any Real Estate in any manner so as to cause a Release.

SECTION 5.16 Distributions. Except for (a) Permitted Intercompany Distributions or (b) as otherwise specifically permitted hereunder or (c) as to which the Agent shall hereafter consent in writing, no Obligor will make any Distributions, or (d) as long as no Potential Event of Default or Event of Default then exists or would arise therefrom, (i) repurchases or redemptions of the capital stock of DTS in an aggregate amount not to exceed \$50,000,000.00, and (ii) other Distributions which in any fiscal year do not exceed in the aggregate twenty percent (20%) of Consolidated Net Income for the immediately preceding fiscal year.

SECTION 5.17 Subsidiaries. Without limiting the provisions of Section 5.11, no Obligor shall acquire, form, or otherwise invest in any Subsidiary, without the prior written consent of the Agent, which consent shall not be unreasonably withheld, provided, however, that the Obligors may maintain a Subsidiary established or acquired in connection with an acquisition or merger permitted pursuant to Section 5.13 for a period of twelve months after consummation of such acquisition or merger.

SECTION 5.18 Fiscal Year. The fiscal year of DTS and its Subsidiaries presently ends on December 31 of each year. The Obligors shall not change their fiscal year end without furnishing prior written notice thereof to, and first obtaining the consent of, the Funding Parties, which consent shall not be unreasonably withheld or delayed.

SECTION 5.19 Loans and Advances. The Obligors will not make any loans or advances to any Person other than:

(a) Loans and advances existing on the date hereof and listed on Schedule 5.19 hereof; and

(b) Loans and advances to and among the Obligors for working capital purposes pursuant and subject to the terms of the Intercompany Operative Documents.

SECTION 5.20 Transactions With Affiliates. Each of the Obligors may enter into transactions with (except for making loans to) Affiliates or shareholders upon terms not less favorable to any such Obligor than would be obtainable at the time in comparable transactions of such Obligor in arms' length dealings with Persons other than Affiliates or shareholders and shall immediately disclose in writing any of said transactions to the Agent and the Funding Parties.

SECTION 5.21 Amendments to Organizational Documents. The Obligors shall not amend their articles of incorporation or bylaws, and shall not designate, issue, create, or authorize additional classes of stock (common or preferred) without the prior written consent of the Funding Parties.

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SECTION 5.22 Financial Covenants. DTS and its Subsidiaries shall comply with the financial covenants set forth in the Credit Agreement as in effect from time to time, which financial covenants are hereby incorporated by reference, provided that, if the Credit Agreement is terminated or expires, the financial covenants in the Credit Agreement on the date of such termination or expiration shall be incorporated herein and shall continue.

SECTION 5.23 Solvency. Each of the Obligors shall remain Solvent at all times.

SECTION 5.24 Use of Proceeds. DTD will not, and will not permit any other Obligor to, use any proceeds of any Advance for any purpose other than the acquisition and Construction of Leased Properties or use any such proceeds in any manner which violates or results in a violation of law.

SECTION 5.25 Further Assurances. Upon the written request of the Lessor or the Agent, each Lessee, at its own cost and expense, will cause all financing statements (including precautionary financing statements), fixture filings and other similar documents, to be recorded or filed at such places and times in such manner, as may be necessary to preserve, protect and perfect the interest of the Lessor, the Agent and the Lenders in the Leased Properties as contemplated by the Operative Documents.

SECTION 5.26 Additional Required Appraisals. If, as a result of any change in Applicable Law after the date hereof, an appraisal of all or any of the Leased Properties is required during the Lease Term under Applicable Law with respect to any Funding Party's interest therein, such Funding Party's Funded Amount with respect thereto or the Operative Documents, then the related Lessee shall pay the reasonable cost of such appraisal.

SECTION 5.27 Lessor's Covenants. The Lessor covenants and agrees that, unless the Agent, DTD and the Lenders shall have otherwise consented in writing:

(a) the proceeds of the Loans received from the Lenders will be used by the Lessor solely to acquire the related Leased Property and to pay the Construction Agent or the related Lessee for certain closing, development and transaction costs associated therewith and, if applicable, for the costs of Construction. No portion of the proceeds of the Loans will be used by the Lessor (i) in connection with, whether directly or indirectly, any tender offer for, or other acquisition of, stock of any corporation with a view towards obtaining control of such other corporation or (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock;

(b) it shall not engage in any business or activity, or invest in any Person, except for activities similar to its activities conducted on the date hereof, the Transaction and lease transactions similar to the Transaction;

(c) it will maintain tangible net worth in an amount no less than the sum of (i) \$100,000 plus (ii) 3% of its total assets (calculated assuming no reduction in the value of any

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leased property from its original cost to the Lessor) and will at all times be solvent (as defined in the Bankruptcy Code);

(d) it will deliver to the Agent and DTD, as soon as available and in any event within 90 days after the end of each fiscal year, a balance sheet of the Lessor as of the end of such fiscal year and the related statements of income, partners' capital and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, prepared in accordance with sound accounting principles consistent with the income tax basis reports provided to DTD for the period ended on December 31, 1998, together with copies of its tax returns, all certified by an officer of the General Partner (and if the Lessor ever prepares audited financial statements, it shall deliver copies thereof to the Agent and DTD);

(e) it will permit the Agent and DTD and its representatives to examine, and make copies from, the Lessor's books and records, and to visit the offices and properties of the Lessor for the purpose of examining such materials, and to discuss the Lessor's performance hereunder with any of its, or its general partner's, officers and employees, in each case during normal business hours and upon reasonable notice;

(f) it shall not consent to or permit the creation of any easement or other restriction against any Leased Property other than as permitted pursuant to Article VI of the Lease;

(g) it shall not incur or permit to exist, and will promptly discharge each Lessor Lien and shall indemnify the Lenders and the Lessees for any loss, cost, expense or diminution in value of any Leased Property resulting from, or incurred as a result of, such Lessor Liens;

(h) it shall not enter into any other transactions, leases, purchases or other agreements, other than immaterial transactions, purchases, leases and other agreements entered into by the Lessor in the ordinary course of its business, in which the other parties to said transactions, leases, purchases or other agreements will have any recourse against Lessor other than recourse to Lessor's ownership or other interest in the property subject to such transactions, purchases, leases or other agreements, other than liability for required fundings, breach of contract, misrepresentation, gross negligence, willful misconduct, fraud, failure to turn over funds and similar exceptions to limitations on recourse;

(i) it shall not guaranty the liabilities of any other Person;

(j) it shall pay its debts as such debts become due unless such debts are the subject of a bona fide dispute; and

(k) it shall promptly notify DTD and the Agent of any claim against the Lessor that would reasonably be expected to result in a material liability of the Lessor for which it is not indemnified.

ARTICLE VI.
TRANSFERS BY LESSOR AND LENDERS

SECTION 6.1 Lessor Transfers. The Lessor shall not assign, convey or otherwise transfer all or any portion of its right, title or interest in, to or under any Leased Property or any of the Operative Documents without the prior written consent of the Lenders and, unless an Event of Default has occurred and is continuing, DTD. Any proposed transferee of the Lessor shall make the representation set forth in Section 4.3 to the other parties hereto.

SECTION 6.2 Lender Transfers.

(a) Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch offices or the office of an Affiliate of such Lender.

(b) Each Lender may assign all or a portion of its interests, rights and obligations under this Master Agreement and the Loan Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) to any Person; provided, however, that (i) the Agent and, except during the continuance of a Potential Event of Default or Event of Default, DTD must give its prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed) unless such assignment is to another Lender or Affiliate of the assigning Lender, (ii) unless such Lender is assigning all of its Commitment, after giving effect to such assignment, the Commitment of both

the assignor and the assignee is at least \$1,000,000 and (iii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance, and, unless such assignment is to an Affiliate of such Lender, a processing and recordation fee of \$2,500. Any such assignment of the Loans shall include both the A Loans and the B Loans of such assigning Lender, on a pro rata basis. No Lessee shall be responsible for such processing and recordation fee or any costs or expenses incurred by any Lender or the Agent in connection with such assignment. From and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, the assignee thereunder shall be a party hereto and to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Master Agreement and the Loan Agreement.

(c) Each Lender may, without the consent of DTD or any Lessee, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Master Agreement and the Loan Agreement (including all or a portion of its Commitments in the Loans owing to it), provided, however, that (i) no Lender may sell a participation in its Commitment (after giving effect to any permitted assignment hereunder) in an amount in excess of fifty percent (50%) of such Commitment (provided that (1) sales of participations to an Affiliate of Lender shall not be included in such calculation and (2) no such maximum amount shall be applicable to any participation sold at any time there exists an Event of Default), (ii) such Lender's obligations under this Master Agreement and the Loan Agreement shall remain unchanged, (iii) such Lender shall remain solely responsible to the other parties

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hereto for the performance of such obligations, (iv) the participating bank or other entity shall not be entitled to any greater benefit than its selling Lender under the cost protection provisions contained in Section 7.5 of this Master Agreement, and (v) DTD, each Lessee, the Agent and the other Lenders shall continue to deal solely and directly with each Lender in connection with such Lender's rights and obligations under this Master Agreement and the other Operative Documents, and such Lender shall retain the sole right to enforce the obligations of Lessor relating to the Loans and to approve any amendment, modification or waiver of any provisions of this Master Agreement and the Loan Agreement (except that such Lender may permit the participant to approve any amendment, modification or waiver which would reduce the principal of or the interest rate on its Loan, extend the term of such Lender's Commitment, reduce the amount of any fees to which such participant is entitled or extend the final scheduled payment date of any Loan). Any Lender selling a participation hereunder shall provide prompt written notice to the Agent of the name of such participant.

(d) Any Lender or participant may, in connection with the assignment or participation or proposed assignment or participation, pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating DTD or its Subsidiaries furnished to such Lender by or on behalf of DTD. With respect to any disclosure of confidential, non-public, proprietary information, such proposed assignee or participant shall agree to use the information only for the purpose of making any necessary credit judgments with respect to this facility and not to use the information in any manner prohibited by any law, including without limitation, the securities laws of the United States. The proposed participant or assignee shall agree not to disclose any of such information except as permitted by this Master Agreement. The proposed participant or assignee shall further agree to return all documents or other written material and copies thereof received from any Lender, the Agent or any Lessee relating to such confidential information unless otherwise properly disposed of by such entity.

(e) Any Lender may at any time assign all or any portion of its rights under this Master Agreement and the Notes to a Federal Reserve Bank without complying with the requirements of paragraph (a) above; provided that no such assignment shall release such Lender from any of its obligations hereunder.

(f) The Lenders hereby acknowledge and agree that the Lessees shall have the right to the quiet enjoyment of the Leased Properties pursuant to the Lease, whether or not a Loan Event of Default that is not an Event of Default has occurred and is continuing, so long as no Event of Default has occurred and is continuing.

ARTICLE VII. INDEMNIFICATION

SECTION 7.1 General Indemnification. Each of DTD and each Lessee, jointly and severally, agrees, whether or not any of the transactions

contemplated hereby shall be consummated, to assume liability for, and to indemnify, protect, defend, save and hold harmless

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each Indemnitee, on an After-Tax Basis, from and against, any and all Claims that may be imposed on, incurred by or asserted, or threatened to be asserted, against such Indemnitee, whether or not such Indemnitee shall also be indemnified as to any such Claim by any other Person (provided that no Indemnitee shall have the right to double recovery with respect to any Claim) and whether or not such Claim arises or accrues prior to any Closing Date or after the Lease Termination Date, or results from such Indemnitee's negligence, in any way relating to or arising out of:

(a) any of the Operative Documents or any of the transactions contemplated thereby, and any amendment, modification or waiver in respect thereof; or

(b) the purchase, design, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, ownership, management, possession, operation, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition, substitution, storage, transfer of title, redelivery, use, financing, refinancing, disposition, operation, condition, sale (including, without limitation, any sale pursuant to the Lease), return or other disposition of all or any part of any interest in any Leased Property or the imposition of any Lien, other than a Lessor Lien (or incurring of any liability to refund or pay over any amount as a result of any Lien, other than a Lessor Lien) thereon, including, without limitation: (i) Claims or penalties arising from any violation or alleged violation of law or in tort (strict liability or otherwise), (ii) latent or other defects, whether or not discoverable, (iii) any Claim based upon a violation or alleged violation of the terms of any restriction, easement, condition or covenant or other matter affecting title to any Leased Property or any part thereof, (iv) the making of any Alterations in violation of any standards imposed by any insurance policies required to be maintained by any Lessee pursuant to the Lease which are in effect at any time with respect to any Leased Property or any part thereof, (v) any Claim for patent, trademark or copyright infringement, (vi) Claims arising from any public improvements with respect to any Leased Property resulting in any charge or special assessments being levied against any Leased Property or any Claim for utility "tap-in" fees, and (vii) Claims for personal injury or real or personal property damage occurring, or allegedly occurring, on any Land, Building or Leased Property;

(c) the breach or alleged breach (other than a breach wrongfully alleged by such Indemnitee) by DTD or any Lessee of any representation or warranty made by it or deemed made by it in any Operative Document or any certificate required to be delivered by any Operative Document (without giving effect to any exception in any representation based on the absence of a Material Adverse Effect);

(d) the retaining or employment of any broker, finder or financial advisor by DTD or any Lessee to act on its behalf in connection with this Master Agreement, or the incurring of any fees or commissions to which the Lessor, the Agent or any Lender might be subjected by virtue of their entering into the transactions contemplated by this Master Agreement (other than fees or commissions due to any broker, finder or financial advisor retained by the Lessor, the Agent or any Lender);

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(e) the existence of any Lien on or with respect to any Leased Property, the Construction, any Basic Rent or Supplemental Rent, title thereto, or any interest therein, including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of any Leased Property or by reason of labor or materials furnished or claimed to have been furnished to the Construction Agent, any Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by any Lessee or Alterations constructed by any Lessee;

(f) the transactions contemplated hereby or by any other Operative Document, in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code;

(g) any act or omission by DTD or any Lessee under any Purchase Agreement or any other Operative Document, or any breach by DTD or any Lessee of any requirement, condition, restriction or limitation in any Deed, Purchase Agreement, IDB Documentation or Ground Lease; or

(h) any IDB Documentation;

provided, however, no Lessee shall be required to indemnify any Indemnitee under this Section 7.1 for any Claim to the extent that such Claim results from (i) the willful misconduct or gross negligence of such Indemnitee or (ii) actions or events occurring after the Lease has terminated and possession of the Leased Properties has been turned over to a Person other than the Agent, any Funding Party, DTS or any Affiliate thereof; and, provided, further, that with respect to each Construction Land Interest, each Lessee's indemnity obligations with respect to such Leased Property shall be governed by Section 3.3 of the Construction Agency Agreement during the Construction Term therefor. It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of, and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

SECTION 7.2 Environmental Indemnity. In addition to and without limitation of Section 7.1 or Section 3.3 of the Construction Agency Agreement, each of DTD and each Lessee, jointly and severally, agrees to indemnify, hold harmless and defend each Indemnitee, on an After-Tax Basis, from and against any and all claims (including without limitation third party claims for personal injury or real or personal property damage), losses (including but not limited to any loss of value of any Leased Property), damages, liabilities, fines, penalties, charges, suits, settlements, demands, administrative and judicial proceedings (including informal proceedings and investigations) and orders, judgments, remedial action, requirements, enforcement actions of any kind, and all reasonable costs and expenses actually incurred in connection therewith (including, but not limited to, reasonable attorneys' and/or paralegals' fees and expenses), including, but not limited to, all costs incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work by any federal, state or local government agency, arising directly or indirectly, in whole or in part, out of

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(i) the presence on or under any Land of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under, from or onto any Land,

(ii) any activity, including, without limitation, construction, carried on or undertaken on or off any Land, and whether by a Lessee or any predecessor in title or any employees, agents, contractors or subcontractors of a Lessee or any predecessor in title, or any other Person, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials that at any time are located or present on or under or that at any time migrate, flow, percolate, diffuse or in any way move onto or under any Land,

(iii) loss of or damage to any property or the environment (including, without limitation, clean-up costs, response costs, remediation and removal costs, cost of corrective action, costs of financial assurance, fines and penalties and natural resource damages), or death or injury to any Person, and all expenses associated with the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required by or under Environmental Laws, in each case to the extent related to any Leased Property,

(iv) any claim concerning any Leased Property's lack of compliance with Environmental Laws, or any act or omission causing an environmental condition on or with respect to any Leased Property that requires remediation or would allow any governmental agency to record a lien or encumbrance on the land records, or

(v) any residual contamination on or under any Land, or affecting any natural resources on any Land, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials on or from any Leased Property; in each case irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances;

in any case with respect to the matters described in the foregoing clauses (i) through (v) that arise or occur

(w) prior to or during the Lease Term,

(x) at any time during which a Lessee or any Affiliate thereof owns any interest in or otherwise occupies or possesses any Leased Property or any portion thereof, or

(y) during any period after and during the continuance of any Event of Default until such time as possession of the Leased Properties has been turned over to a Person other than the Agent, any Funding Party, DTS or any Affiliate thereof;

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provided, however, no Lessee shall be required to indemnify any Indemnitee under this Section 7.2 for any Claim to the extent that such Claim results from the willful misconduct or gross negligence of such Indemnitee. It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of, and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

SECTION 7.3 Proceedings in Respect of Claims. With respect to any amount that a Lessee is requested by an Indemnitee to pay by reason of Section 7.1 or 7.2, such Indemnitee shall, if so requested by such Lessee and prior to any payment, submit such additional information to such Lessee as such Lessee may reasonably request and which is in the possession of, or under the control of, such Indemnitee to substantiate properly the requested payment. In case any action, suit or proceeding shall be brought against any Indemnitee, such Indemnitee promptly shall notify DTD of the commencement thereof (provided that the failure of such Indemnitee to promptly notify DTD shall not affect DTD's or any Lessee's obligation to indemnify hereunder except to the extent that a Lessee's rights to contest or defenses otherwise available to such Lessee are materially prejudiced by such failure), and such Lessee shall be entitled, at its expense, to participate in, and, to the extent that such Lessee desires to, assume and control the defense thereof with counsel reasonably satisfactory to such Indemnitee; provided, however, that such Indemnitee may pursue a motion to dismiss such Indemnitee from such action, suit or proceeding with counsel of such Indemnitee's choice at the Lessees' expense; and provided further that a Lessee may assume and control the defense of such proceeding only if DTD shall have acknowledged in writing its and each Lessee's obligations to fully indemnify such Indemnitee in respect of such action, suit or proceeding, Lessees shall pay all reasonable costs and expenses related to such action, suit or proceeding as and when incurred and the related Lessee shall keep such Indemnitee fully apprised of the status of such action suit or proceeding and shall provide such Indemnitee with all information with respect to such action suit or proceeding as such Indemnitee shall reasonably request; and, provided further, that no Lessee shall be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, (A) in the reasonable opinion of such Indemnitee, (x) such action, suit or proceeding involves any possibility of imposition of criminal liability or any material risk of civil liability on such Indemnitee in excess of \$5,000,000 or (y) such action, suit or proceeding will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on any Leased Property or any part thereof unless the related Lessee or DTD shall have posted a bond or other security satisfactory to the relevant Indemnitees in respect to such risk or (z) the control of such action, suit or proceeding would involve an actual or potential conflict of interest, (B) such proceeding involves Claims not fully indemnified by the Lessees which the related Lessee and the Indemnitee have been unable to sever from the indemnified claim(s), or (C) an Event of Default has occurred and is continuing. The Indemnitee may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by a Lessee in accordance with the foregoing.

If a Lessee fails to fulfill the conditions to such Lessee's assuming the defense of any claim after receiving notice thereof on or prior to the date that is fifteen (15) days prior to the

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date that an answer or response is required, the Indemnitee may undertake such defense, at the Lessees' expense. No Lessee shall enter into any settlement or other compromise with respect to any Claim in excess of \$1,000,000 which is entitled to be indemnified under Section 7.1 or 7.2 without the prior written

consent of the related Indemnitee, which consent shall not be unreasonably withheld. Unless an Event of Default shall have occurred and be continuing, no Indemnitee shall enter into any settlement or other compromise with respect to any claim which is entitled to be indemnified under Section 7.1 or 7.2 without the prior written consent of DTD, which consent shall not be unreasonably withheld, unless such Indemnitee waives its right to be indemnified under Section 7.1 or 7.2 with respect to such Claim.

Upon payment in full of any Claim by the Lessees pursuant to Section 7.1 or 7.2 to or on behalf of an Indemnitee, the Lessees, without any further action, shall be subrogated to any and all claims that such Indemnitee may have relating thereto (other than claims in respect of insurance policies maintained by such Indemnitee at its own expense), and such Indemnitee shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be reasonably necessary to preserve any such claims and otherwise cooperate with the Lessees and give such further assurances as are reasonably necessary or advisable to enable the Lessees vigorously to pursue such claims.

Any amount payable to an Indemnitee pursuant to Section 7.1 or 7.2 shall be paid to such Indemnitee promptly upon, but in no event later than thirty (30) days after, receipt of a written demand therefor from such Indemnitee, accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable.

If for any reason the indemnification provided for in Section 7.1 or 7.2 is unavailable to an Indemnitee or is insufficient to hold an Indemnitee harmless, then each of DTD and each Lessee agrees to contribute to the amount paid or payable by such Indemnitee as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnitee on the one hand and by DTD and the Lessees on the other hand but also the relative fault of such Indemnitee as well as any other relevant equitable considerations. It is expressly understood and agreed that the right to contribution provided for herein shall survive the expiration or termination of and shall be separate and independent from any other remedy under this Master Agreement, the Lease or any other Operative Document.

SECTION 7.4 General Tax Indemnity. (a) Tax Indemnity. Except as otherwise provided in this Section 7.4, each of DTD and each Lessee, jointly and severally, shall pay on an After-Tax Basis, and on written demand shall indemnify and hold each Tax Indemnitee harmless from and against, any and all fees (including, without limitation, documentation, recording, license and registration fees), taxes (including, without limitation, income, gross receipts, sales, rental, use, turnover, value-added, property, excise and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon or additions thereto (any of the foregoing being referred to herein as "Taxes" and individually as a "Tax" (for the purposes of this Section 7.4, the definition of "Taxes" includes amounts imposed on, incurred by, or asserted against each Tax Indemnitee as the result of any

prohibited transaction, within the meaning of Section 406 or 407 of ERISA or Section 4975(c) of the Code, arising out of the transactions contemplated hereby or by any other Operative Document) imposed on or with respect to any Tax Indemnitee, any Lessee, DTD, any Leased Property or any portion thereof or any Land, or any sublessee or user thereof, by the United States or by any state or local government or other taxing authority in the United States in connection with or in any way relating to (i) the acquisition, financing, mortgaging, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, maintenance, repair, storage, transfer of title, redelivery, use, operation, condition, sale, return or other application or disposition of all or any part of any Leased Property or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) thereon, (ii) Basic Rent or Supplemental Rent or the receipts or earnings arising from or received with respect to any Leased Property or any part thereof, or any interest therein or any applications or dispositions thereof, (iii) any other amount paid or payable pursuant to the Notes or any other Operative Documents, (iv) any Leased Property, any Land or any part thereof or any interest therein (including, without limitation, all assessments payable in respect thereof, including, without limitation, all assessments noted on the related Title Policy), (v) all or any of the Operative Documents, any other documents contemplated thereby, any amendments and supplements thereto, and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

(b) Exclusions from General Tax Indemnity. Section 7.4(a) shall not apply to:

(i) Taxes on, based on, or measured by or with respect to net income of the Lessor, the Agent and the Lenders (including, without limitation, minimum Taxes, capital gains Taxes, Taxes on or measured by items of tax preference or alternative minimum Taxes) other than (A) any such Taxes that are, or are in the nature of, sales, use, license, rental or property Taxes, and (B) withholding Taxes imposed by the United States or any state in which Leased Property is located (i) on payments with respect to the Notes, to the extent imposed by reason of a change in Applicable Law occurring after the Initial Closing Date or (ii) on Rent, to the extent the net payment of Rent after deduction of such withholding Taxes would be less than amounts currently payable with respect to the Funded Amounts;

(ii) Taxes on doing business and business privilege, franchise, capital, capital stock, net worth, gross receipts or similar Taxes, other than (A) any increase in such Taxes imposed on such Tax Indemnitee by any state in which Leased Property is located, net of any decrease in such taxes realized by such Tax Indemnitee, to the extent that such tax increase would not have occurred if on each Funding Date the Lessor and the Lenders had advanced funds to a Lessee or the Construction Agent in the form of loans secured by the Leased Property in an amount equal to the Funded Amounts funded on such Funding Date, with debt service for such loans equal to the Basic Rent payable on each Payment Date and a principal balance at the maturity of such loans in a total amount equal to the Funded Amounts at the end of the Lease Term, or (B) any Taxes that

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are or are in the nature of sales, use, rental, license or property Taxes relating to any Leased Property;

(iii) Taxes that are based on, or measured by, the fees or other compensation received by a Person acting as Agent (in its individual capacities) or any Affiliate of any thereof for acting as trustee under the Loan Agreement;

(iv) Taxes that result from any act, event or omission, or are attributable to any period of time, that occurs after the earlier of (A) the expiration of the Lease Term with respect to any Leased Property and, if such Leased Property is required to be returned to the Lessor in accordance with the Lease, such return and (B) the discharge in full of the Lessees' obligations to pay the Lease Balance, or any amount determined by reference thereto, with respect to any Leased Property and all other amounts due under the Lease, unless such Taxes relate to acts, events or matters occurring prior to the earlier of such times or are imposed on or with respect to any payments due under the Operative Documents after such expiration or discharge;

(v) Taxes imposed on a Tax Indemnitee that result from any voluntary sale, assignment, transfer or other disposition or bankruptcy by such Tax Indemnitee or any related Tax Indemnitee of any interest in any Leased Property or any part thereof, or any interest therein or any interest or obligation arising under the Operative Documents, or from any sale, assignment, transfer or other disposition of any interest in such Tax Indemnitee or any related Tax Indemnitee, it being understood that each of the following shall not be considered a voluntary sale: (A) any substitution, replacement or removal of any of the Leased Property by any Lessee, (B) any sale or transfer resulting from the exercise by any Lessee of any termination option, any purchase option or sale option, (C) any sale or transfer while an Event of Default shall have occurred and be continuing under the Lease, and (D) any sale or transfer resulting from the Lessor's exercise of remedies under the Lease;

(vi) any Tax which is being contested in accordance with the provisions of Section 7.4(c), during the pendency of such contest;

(vii) any Tax that is imposed on a Tax Indemnitee as a result of such Tax Indemnitee's gross negligence or willful misconduct (other than gross negligence or willful misconduct

imputed to such Tax Indemnitee solely by reason of its interest in any Leased Property);

(viii) to the extent any interest, penalties or additions to tax result in whole or in part from the failure of a Tax Indemnitee to file a return or pay a Tax that it is required to file or pay in a proper and timely manner, unless such failure (A) results from the transactions contemplated by the Operative Documents in circumstances where Lessee did not give timely notice to such Tax Indemnitee of such filing or payment requirement that would have permitted a proper and timely filing of such return or

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payment of such Tax, as the case may be, or (B) results from the failure of Lessee to supply information necessary for the proper and timely filing of such return or payment of such Tax, as the case may be, that was not in the possession of such Tax Indemnitee; and

(ix) as to Lessor, any Tax that results from the breach by the Lessor of its representation and warranty made in Section 4.3(g) or as to any Lender the breach of such Lender of its representation and warranty made in Section 4.4(b).

(c) Contests. If any claim shall be made against any Tax Indemnitee or if any proceeding shall be commenced against any Tax Indemnitee (including a written notice of such proceeding) for any Taxes as to which the Lessees may have an indemnity obligation pursuant to Section 7.4, or if any Tax Indemnitee shall determine that any Taxes as to which the Lessees may have an indemnity obligation pursuant to Section 7.4 may be payable, such Tax Indemnitee shall promptly notify DTD. DTD shall be entitled, at its expense, to participate in, and, to the extent that DTD desires to, assume and control the defense thereof; provided, however, that DTD shall have acknowledged in writing its and each Lessee's obligation to fully indemnify such Tax Indemnitee in respect of such action, suit or proceeding if the contest is unsuccessful; and, provided further, that DTD shall not be entitled to assume and control the defense of any such action, suit or proceeding (but the Tax Indemnitee shall then contest, at the sole cost and expense of DTD and the Lessees, on behalf of DTD with representatives reasonably satisfactory to DTD or a Lessee) if and to the extent that, (A) in the reasonable opinion of such Tax Indemnitee, such action, suit or proceeding (x) involves any meaningful risk of imposition of criminal liability or any material risk of material civil liability on such Tax Indemnitee or (y) will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on any Leased Property or any part thereof unless DTD or a Lessee shall have posted a bond or other security satisfactory to the relevant Tax Indemnitees in respect to such risk, (B) such proceeding involves Claims not fully indemnified by the Lessees which DTD and the Tax Indemnitee have been unable to sever from the indemnified claim(s), (C) an Event of Default has occurred and is continuing, (D) such action, suit or proceeding involves matters which extend beyond or are unrelated to the Transaction and if determined adversely could be materially detrimental to the interests of such Tax Indemnitee notwithstanding indemnification by the Lessees or (E) such action, suit or proceeding involves the federal or any state income tax liability of the Tax Indemnitee. With respect to any contests controlled by a Tax Indemnitee, (i) if such contest relates to the federal or any state income tax liability of such Tax Indemnitee, such Tax Indemnitee shall be required to conduct such contest only if DTD shall have provided to such Tax Indemnitee an opinion of independent tax counsel selected by the Tax Indemnitee and reasonably satisfactory to DTD stating that a reasonable basis exists to contest such claim or (ii) in the case of an appeal of an adverse determination of any contest relating to any Taxes, an opinion of such counsel to the effect that such appeal is more likely than not to be successful, provided, however, such Tax Indemnitee shall in no event be required to appeal an adverse determination to the United States Supreme Court. The Tax Indemnitee may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by DTD in accordance with the foregoing.

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Each Tax Indemnitee shall, at DTD's and the Lessees' expense, supply DTD with such information and documents in such Tax Indemnitee's possession as are reasonably requested by DTD and are necessary or advisable for DTD to

participate in any action, suit or proceeding to the extent permitted by this Section 7.4. Unless an Event of Default shall have occurred and be continuing, no Tax Indemnitee shall enter into any settlement or other compromise with respect to any Claim which is entitled to be indemnified under this Section 7.4 without the prior written consent of DTD, which consent shall not be unreasonably withheld, unless such Tax Indemnitee waives its right to be indemnified under this Section 7.4 with respect to such Claim.

Notwithstanding anything contained herein to the contrary, (a) a Tax Indemnitee will not be required to contest (and DTD shall not be permitted to contest except on its own behalf if it is subject thereto) a claim with respect to the imposition of any Tax if such Tax Indemnitee shall waive its right to indemnification under this Section 7.4 with respect to such claim (and any related claim with respect to other taxable years the contest of which is precluded as a result of such waiver) and (b) no Tax Indemnitee shall be required to contest any claim if the subject matter thereof shall be of a continuing nature and shall have previously been decided adversely, unless there has been a change in law which in the opinion of Tax Indemnitee's counsel creates substantial authority for the success of such contest. Each Tax Indemnitee and DTD shall consult in good faith with each other regarding the conduct of such contest controlled by either.

(d) Reimbursement for Tax Savings. If (x) a Tax Indemnitee shall obtain a credit or refund of any Taxes paid by DTD or any Lessee pursuant to this Section 7.4 or (y) by reason of the incurrence or imposition of any Tax for which a Tax Indemnitee is indemnified hereunder or any payment made to or for the account of such Tax Indemnitee by DTD or any Lessee pursuant to this Section 7.4, such Tax Indemnitee at any time realizes a reduction in any Taxes for which the Lessees are not required to indemnify such Tax Indemnitee pursuant to this Section 7.4, which reduction in Taxes was not taken into account in computing such payment by DTD or any Lessee to or for the account of such Tax Indemnitee, then such Tax Indemnitee shall promptly pay to DTD (xx) the amount of such credit or refund, together with the amount of any interest received by such Tax Indemnitee on account of such credit or refund or (yy) an amount equal to such reduction in Taxes, as the case may be; provided that no such payment shall be made so long as an Event of Default shall have occurred and be continuing (but shall be paid promptly after all Events of Default have been cured) and, provided, further, that the amount payable to DTD by any Tax Indemnitee pursuant to this Section 7.4(d) shall not at any time exceed the aggregate amount of all indemnity payments made by DTD and the Lessees under this Section 7.4 to such Tax Indemnitee with respect to the Taxes which gave rise to the credit or refund or with respect to the Tax which gave rise to the reduction in Taxes less the amount of all prior payments made to DTD by such Tax Indemnitee under this Section 7.4(d). Each Tax Indemnitee agrees to act in good faith to claim such refunds and other available Tax benefits, and take such other actions as may be reasonable to minimize any payment due from DTD or the Lessees pursuant to this Section 7.4. The disallowance or reduction of any credit, refund or other tax savings with respect to which a Tax Indemnitee has made a payment to DTD and the Lessees under this Section 7.4(d) shall be treated as a Tax for which DTD and the Lessees are obligated to indemnify such Tax Indemnitee hereunder without regard to Section 7.4(b) hereof.

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(e) Payments. Any Tax indemnifiable under this Section 7.4 shall be paid by DTD or a Lessee directly when due to the applicable taxing authority if direct payment is practicable and permitted. If direct payment to the applicable taxing authority is not permitted or is otherwise not made, any amount payable to a Tax Indemnitee pursuant to Section 7.4 shall be paid within thirty (30) days after receipt of a written demand therefor from such Tax Indemnitee accompanied by a written statement describing in reasonable detail the amount so payable, but not before the date that the relevant Taxes are due. Any payments made pursuant to Section 7.4 shall be made to the Tax Indemnitee entitled thereto or DTD, as the case may be, in immediately available funds at such bank or to such account as specified by the payee in written directions to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee by certified mail, postage prepaid at its address as set forth in this Master Agreement. Upon the request of any Tax Indemnitee with respect to a Tax that DTD and the Lessees are required to pay, DTD shall furnish to such Tax Indemnitee the original or a certified copy of a receipt for DTD's or a Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnitee.

(f) Reports. If DTD or any Lessee knows of any report, return or statement required to be filed with respect to any Taxes that are subject to indemnification under this Section 7.4, such Lessee shall, if such Lessee is permitted by Applicable Law, timely file such report, return or statement (and, to the extent permitted by law, show ownership of the applicable Leased Property in such Lessee); provided, however, that if such Lessee is not permitted by Applicable Law or does not have access to the information required to file any

such report, return or statement, such Lessee will promptly so notify the appropriate Tax Indemnitee, in which case Tax Indemnitee will file such report. In any case in which the Tax Indemnitee will file any such report, return or statement, the related Lessee shall, upon written request of such Tax Indemnitee, prepare such report, return or statement for filing by such Tax Indemnitee or, if such Tax Indemnitee so requests, provide such Tax Indemnitee with such information as is reasonably available to such Lessee.

(g) Verification. At DTD's request, the amount of any indemnity payment by a Lessee or any payment by a Tax Indemnitee to DTD pursuant to this Section 7.4 shall be verified and certified by an independent public accounting firm selected by DTD and reasonably acceptable to the Tax Indemnitee. Unless such verification shall disclose an error in DTD's favor of 5% or more of the related indemnity payment, the costs of such verification shall be borne by DTD. In no event shall DTD or any Lessee have the right to review the Tax Indemnitee's tax returns or receive any other confidential information from the Tax Indemnitee in connection with such verification. The Tax Indemnitee agrees to cooperate with the independent public accounting firm performing the verification and to supply such firm with all information reasonably necessary to permit it to accomplish such verification, provided that the information provided to such firm by such Tax Indemnitee shall be for its confidential use. The parties agree that the sole responsibility of the independent public accounting firm shall be to verify the amount of a payment pursuant to this Master Agreement and that matters of interpretation of this Master Agreement are not within the scope of the independent accounting firm's responsibilities.

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SECTION 7.5 Increased Costs, etc.

(a) Illegality. Notwithstanding any other provision herein, if any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Funding Party to make or maintain LIBOR Advances as contemplated by this Master Agreement, (a) the commitment of such Funding Party hereunder to continue LIBOR Advance as such and convert Funded Amounts to LIBOR Advance shall forthwith be cancelled and (b) such Funding Party's Funded Amounts then outstanding as LIBOR Advance, if any, shall be converted automatically to Base Rate Advances on the respective last days of the then current Rent Periods with respect to such Funded Amounts or within such earlier period as required by law. If any such conversion of a LIBOR Advance occurs on a day which is not the last day of the then current Rent Period with respect thereto, each of DTD and each Lessee, jointly and severally, shall pay to such Funding Party such amounts, if any, as may be required pursuant to Section 7.5(f).

(b) Requirements of Law. In the event that Eurocurrency Reserve Requirements or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Funding Party with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Funding Party to any tax of any kind whatsoever with respect to this Master Agreement, any Note or any LIBOR Advance made by it, or change the basis of taxation of payments to such Funding Party in respect thereof (except for taxes covered by Section 7.5(d) and changes in franchise taxes or the rate of tax on the overall net income of such Funding Party);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Funding Party which is not otherwise included in the determination of the LIBOR Rate; or

(iii) shall impose on such Funding Party any other condition; and the result of any of the foregoing is to increase the cost to such Funding Party, by an amount which such Funding Party deems to be material, of making, converting into, continuing or maintaining LIBOR Advances or to reduce any amount receivable hereunder in respect thereof then, in any such case, each of DTD and each Lessee, jointly and severally, shall promptly pay such Funding Party, upon its demand, any additional amounts necessary to compensate such Funding Party for such increased cost or reduced amount receivable. If any Funding Party becomes entitled to claim any additional amounts pursuant to this subsection, it shall

promptly notify the DTD, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by such

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Funding Party, through the Agent, to the DTD in good faith and setting forth in reasonable detail the calculation of such amounts shall be conclusive in the absence of manifest error. The provisions of this paragraph (b) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(c) Capital Adequacy. In the event that any Funding Party or corporation controlling such Funding Party shall have determined that any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Funding Party or such corporation with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Funding Party's capital as a consequence of its obligations hereunder to a level below that which such Funding Party could have achieved but for such change or compliance (taking into consideration such Funding Party's policies with respect to capital adequacy) by an amount deemed by such Funding Party to be material, then from time to time, after submission by such Funding Party in good faith to DTD (with a copy to the Agent) of a written request therefor setting forth in reasonable detail the calculation of such amount (which request shall be conclusive in the absence of manifest error), each of DTD and each Lessee, jointly and severally, shall pay to such Funding Party such additional amount or amounts as will compensate such Funding Party for such reduction. The provisions of this paragraph (c) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(d) Taxes. Subject to Section 7.5(e), all payments made by a Lessee under the Lease and the other Operative Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding, in the case of the Agent and each Funding Party, net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Agent or such Funding Party, as the case may be, as a result of a present or former connection between the jurisdiction of the government or taxing authority imposing such tax and the Agent or such Funding Party (excluding a connection arising solely from the Agent or such Funding Party having executed, delivered or performed its obligations or received a payment under, or enforced, this Master Agreement or any other Operative Document) or any political subdivision or taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "Withholding Taxes"). If any Withholding Taxes are required to be withheld from any amounts payable to the Agent or any Funding Party hereunder or under any other Operative Document, the amounts so payable to the Agent or such Funding Party (so long as such Funding Party is in compliance with Section 7.5(e), as appropriate) shall be increased to the extent necessary to yield to the Agent or such Funding Party (after payment of all Withholding Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in the Operative Documents. Whenever any Withholding Taxes are payable by a

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Lessee, as promptly as possible thereafter such Lessee shall send to the Agent for its own account or for the account of such Funding Party, as the case may be, a certified copy of an original official receipt received by such Lessee showing payment thereof. If a Lessee fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, each of DTD and each Lessee, jointly and severally, shall indemnify the Agent and the Funding Parties for any incremental taxes, interest or penalties that may become payable by the Agent or any Funding Party as a result of any such failure. The agreements in this subsection shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(e) Tax Forms. Each Funding Party to this Master Agreement on the Initial Closing Date that is not incorporated under the laws of the United States of America or a state thereof agrees that, on or prior to the Initial Closing Date, it will deliver to DTD and the Agent two duly completed copies of (i) United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form. Each such Funding Party also agrees to deliver to DTD and the Agent two further copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to DTD, and such extensions or renewals thereof as may reasonably be requested by DTD or the Agent, unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Funding Party from duly completing and delivering any such form with respect to it and such Funding Party so advises DTD and the Agent. Such Funding Party shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under the Operative Documents without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax.

(f) Breakage Costs. Each of DTD and each Lessee, jointly and severally, agrees to indemnify each Funding Party and to hold each Funding Party harmless from any loss or expense which such Funding Party may sustain or incur as a consequence of (a) default by a Lessee in payment when due of the principal amount of or interest on any LIBOR Advance, (b) default by a Lessee in making a borrowing or conversion after such Lessee or the Construction Agent has given (or is deemed to have given) a notice in accordance with this Master Agreement, (c) default by the Construction Agent or a Lessee in making a borrowing of, conversion into or continuation of LIBOR Advances after a Lessee or the Construction Agent has given a notice requesting the same in accordance with the provisions of this Master Agreement, (d) default by a Lessee in making any prepayment of LIBOR Advances after such Lessee has given a notice thereof in accordance with the provisions of the Operative Documents or (e) the making of a prepayment, payment or conversion, of LIBOR Advances on a day which is not the last day of a Rent Period with respect thereto, including, without limitation, in each

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case, any such loss (other than non-receipt of the Applicable Margin or, without duplication, anticipated profits) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained (it being understood that any such calculation will be made on notional amounts as the Funding Parties are not required to show that they matched deposits specifically). A certificate as to any additional amounts payable pursuant to this subsection submitted by such Funding Party, through the Agent, to DTD in good faith shall be conclusive in the absence of manifest error. The provisions of this paragraph (f) shall survive the termination of this Master Agreement and the Lease and the payment of the Notes and all other amounts payable under the Operative Documents.

(g) Action of Affected Funding Parties. Each Funding Party agrees to use reasonable efforts (including reasonable efforts to change the booking office for its Loans) to avoid or minimize any illegality pursuant to Section 7.5(a) or any amounts which might otherwise be payable pursuant to Section 7.5(c) or (d); provided, however, that such efforts shall not cause the imposition on such Funding Party of any additional costs or legal or regulatory burdens deemed by such Funding Party to be material and shall not be deemed by such Funding Party to be otherwise contrary to its policies. In the event that such reasonable efforts are insufficient to avoid all such illegality or all amounts that might be payable pursuant to Section 7.5(c) or (d), then such Funding Party (the "Affected Funding Party") shall use its reasonable efforts to transfer to any other Funding Party (which itself is not then an Affected Funding Party) its Loans and Commitment, subject to the provisions of Section 6.2; provided, however, that such transfer shall not be deemed by such Affected Funding Party, in its sole discretion, to be disadvantageous to it or contrary to its policies. In the event that the Affected Funding Party is unable, or otherwise is unwilling, so to transfer its Loans and Commitment, DTD may designate an alternate lender (reasonably acceptable to the Agent) to purchase the Affected Funding Party's Loans and Commitment, at par and including accrued interest, and, subject to the provisions of Section 6.2, the Affected Funding Party shall transfer its Commitment to such alternate lender and such alternate lender shall become a Funding Party hereunder. Any fee payable to the Agent pursuant to Section 6.2 in connection with such transfer shall be for the account of DTD and the Lessees.

SECTION 7.6 End of Term Indemnity. In the event that at the end of the Lease Term for the Leased Properties: (i) the related Lessee elects the option set forth in Section 14.6 of the Lease, and (ii) after the Lessor receives the sales proceeds from the Leased Properties under Section 14.6 or 14.7 of the Lease, together with Lessees' payment of the Recourse Deficiency Amount, the Lessor shall not have received the entire Lease Balance, then, within 90 days after the end of the Lease Term, the Lessor or the Agent may obtain, at Lessees' sole cost and expense, a report from the Appraiser (or, if the Appraiser is not available, another appraiser reasonably satisfactory to the Lessor or the Agent, as the case may be, and approved by DTD, such approval not to be unreasonably withheld) in form and substance reasonably satisfactory to the Lessor and the Agent (the "Report") to establish the reason for any decline in value of the Leased Properties from the Lease Balance. The Lessees, jointly and severally, shall promptly reimburse the Lessor for the amount equal to such decline in value to the extent that the Report indicates that such decline was due to

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(v) during the time while any property was a Leased Property, extraordinary use, failure to maintain, to repair, to restore, to rebuild or to replace, failure to comply with all Applicable Laws, failure to use good workmanship with respect to work performed after the Closing Date related to such Leased Property, method of installation or removal or maintenance, repair, rebuilding or replacement, or any other cause or condition within the power of a Lessee to control or effect resulting in the Building failing to be of the type and quality contemplated by the Appraisal (excepting in each case ordinary wear and tear), or

(w) any Alteration made to, or any rebuilding of, any Leased Property or any part thereof by any Lessee, or

(x) any restoration or rebuilding carried out by any Lessee or any condemnation of any portion of any Leased Property pursuant to Article X of the Lease, or

(y) any use of any Leased Property or any part thereof by any Lessee other than as permitted by the Lease, or any act or omission constituting a breach of any requirement, condition, restriction or limitation set forth in the related Deed or the related Purchase Agreement, or

(z) the existence or compliance with any IDB Documentation.

ARTICLE VIII. MISCELLANEOUS

SECTION 8.1 Survival of Agreements. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Operative Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery of this Master Agreement and any of the Operative Documents, the transfer of any Land to the Lessor as provided herein (and shall not be merged into any Deed), any disposition of any interest of the Lessor in any Leased Property, the purchase and sale of the Notes, payment therefor and any disposition thereof and shall be and continue in effect notwithstanding any investigation made by any party hereto or to any of the other Operative Documents and the fact that any such party may waive compliance with any of the other terms, provisions or conditions of any of the Operative Documents.

SECTION 8.2 Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be addressed to such parties at the addresses therefor as set forth in Schedule 8.2, or such other address as any such party shall specify to the other parties hereto, and shall be deemed to have been given (i) the Business Day after being sent, if sent by overnight courier service; (ii) the Business Day received, if sent by messenger; (iii) the day sent, if sent by facsimile and confirmed electronically or otherwise during business hours of a Business Day (or on the next Business

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Day if otherwise sent by facsimile and confirmed electronically or otherwise); or (iv) three Business Days after being sent, if sent by registered or certified

mail, postage prepaid.

SECTION 8.3 Counterparts. This Master Agreement may be executed by the parties hereto in separate counterparts (including by facsimile), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 8.4 Amendments. No Operative Document nor any of the terms thereof may be terminated, amended, supplemented, waived or modified with respect to DTD, any Lessee or any Funding Party, except (a) in the case of a termination, amendment, supplement, waiver or modification to be binding on the Lessees, with the written agreement or consent of DTD, and (b) in the case of a termination, amendment, supplement, waiver or modification to be binding on the Funding Parties, with the written agreement or consent of the Required Funding Parties; provided, however, that

(x) notwithstanding the foregoing provisions of this Section 8.4 or clause (y) below, the consent of each Funding Party affected thereby shall be required for any amendment, modification or waiver directly:

(i) modifying any of the provisions of this Section 8.4, changing the definition of "Required Funding Parties" or "Required Lenders", or increasing the Commitment of such Funding Party;

(ii) amending, modifying, waiving or supplementing any of the provisions of Section 3 of the Loan Agreement or the representations of such Funding Party in Section 4.2 or 4.3 or the covenants of such Funding Party in Section 6 of this Master Agreement;

(iii) reducing any amount payable to such Funding Party under the Operative Documents or extending the time for payment of any such amount, including, without limitation, any Rent, any Funded Amount, any fees, any indemnity, any Leased Property Balance, the Lease Balance, any Funding Party Balance, the Recourse Deficiency Amount, interest or Yield; or

(iv) consenting to any assignment of the Lease or the extension of the Lease Term, releasing any of the collateral assigned to the Agent and the Lenders pursuant to any Mortgage and any Assignment of Lease and Rents (but excluding a release of any rights that the Lenders may have in any Leased Property, or the proceeds thereof as contemplated in the definition of "Release Date"), releasing any Lessee from its obligations in respect of the payments of Rent and the Lease Balance, releasing DTD from its obligations under the Operative Documents or changing the absolute and unconditional character of any such obligation; and

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(y) no such termination, amendment, supplement, waiver or modification shall, without the written agreement or consent of the Lessor, the Agent and the Required Lenders, be made to the Lease or any Security Agreement and Assignment; and

(z) subject to the foregoing clauses (x) and (y), so long as no Event of Default has occurred and is continuing, the Lessor, the Agent and the Lenders may not amend, supplement, waive or modify any terms of the Loan Agreement, the Notes, the Mortgages and the Assignments of Lease and Rents without the consent of DTD (such consent not to be unreasonably withheld or delayed); provided that in no event may any Operative Document be amended so as to increase the obligations of DTD or any Lessee, or deprive DTD or any Lessee of any rights thereunder, without the written consent of DTD.

SECTION 8.5 Headings, etc. The Table of Contents and headings of the various Articles and Sections of this Master Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

SECTION 8.6 Parties in Interest. Except as expressly provided herein, none of the provisions of this Master Agreement is intended for the benefit of any Person except the parties hereto and their respective successors and permitted assigns.

SECTION 8.7 GOVERNING LAW. THIS MASTER AGREEMENT HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED

ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

SECTION 8.8 Expenses. Whether or not the transactions herein contemplated are consummated, each of DTD and the Lessees, jointly and severally, agrees to pay, as Supplemental Rent, all actual, reasonable and documented out-of-pocket costs and expenses of the Lessor, the Agent and the Lenders in connection with the preparation, execution and delivery of the Operative Documents and the documents and instruments referred to therein and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of Mayer, Brown & Platt, but not including any fees and disbursements for any other outside counsel representing any Lender) and of the Lessor, the Agent and the Lenders in connection with endeavoring to enforce the Operative Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees actually incurred and disbursements of counsel for the Lessor, the Agent and the Lenders), unless such enforcement action is finally denied by a court on the merits. All references in the Operative Documents to "attorneys' fees" or "reasonable attorneys fees" shall mean reasonable attorneys' fees actually incurred, without regard to any statutory definition thereof.

SECTION 8.9 Severability. Any provision of this Master Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

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prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 8.10 Liabilities of the Funding Parties: Sharing of Payments.

(a) No Funding Party shall have any obligation to any other Funding Party or to the Guarantor or any Lessee with respect to the transactions contemplated by the Operative Documents except those obligations of such Funding Party expressly set forth in the Operative Documents or except as set forth in the instruments delivered in connection therewith, and no Funding Party shall be liable for performance by any other party hereto of such other party's obligations under the Operative Documents except as otherwise so set forth. No Lender shall have any obligation or duty to DTD or any Lessee, any other Funding Parties or any other Person with respect to the transactions contemplated hereby except to the extent of the obligations and duties expressly set forth in this Master Agreement or the Loan Agreement.

(b) If any Funding Party shall obtain any payment (whether voluntary or involuntary, or through the exercise of any right of set-off or otherwise) on account of the Advances made by it in excess of its ratable share of payments on account of the Advances obtained by all the Funding Parties, such Funding Parties shall forthwith purchase from the other Funding Parties such participations in the Advances owed to them as shall be necessary to cause such purchasing Funding Party to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Funding Party, such purchase from each Funding Party shall be rescinded and such Funding Party shall repay to the purchasing Funding Party the purchase price to the extent of such Funding Party's ratable share (according to the proportion of (i) the amount of the participation purchased from such Funding Party as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Funding Party's ratable share (according to the proportion of (i) the amount of such Funding Party's required repayment to (ii) the total amount so recovered from the purchasing Funding Party) of any interest or other amount paid or payable by the purchasing Funding Party in respect of the total amount so recovered. Each Funding Party agrees that any Funding Party so purchasing a participation from another Funding Party pursuant to this Section 8.10 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Funding Party were the direct creditor of such Funding Party in the amount of such participation.

SECTION 8.11 Submission to Jurisdiction; Waivers. Each party hereto hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Master Agreement or any other Operative Document, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of Georgia sitting in Fulton County, the courts of the United

States of America for the Northern District of Georgia, and appellate courts from any thereof;

(ii) consents that any such action or proceedings may be brought to such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and

(iii) agrees that nothing herein shall affect the right to effect service of process in any manner permitted by law.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS MASTER AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 8.12 Liabilities of the Agent. The Agent shall have no duty, liability or obligation to any party to this Master Agreement with respect to the transactions contemplated hereby except those duties, liabilities or obligations expressly set forth in this Master Agreement or the Loan Agreement, and any such duty, liability or obligations of the Agent shall be as expressly limited by this Master Agreement or the Loan Agreement, as the case may be. All parties to this Master Agreement acknowledge that the Agent is not, and will not be, performing any due diligence with respect to documents and information received pursuant to this Master Agreement or any other Operative Agreement including, without limitation, any Environmental Audit, Title Policy or survey. The acceptance by the Agent of any such document or information shall not constitute a waiver by any Funding Party of any representation or warranty of DTD or any Lessee even if such document or information indicates that any such representation or warranty is untrue.

IN WITNESS WHEREOF, the parties hereto have caused this Master Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

DOLLAR TREE STORES, INC., as Guarantor

By: /s/ Frederick C. Coble
Name Printed: Frederick C. Coble
Title: Senior Vice President, CFO

DOLLAR TREE DISTRIBUTION, INC., as a Lessee

By: /s/ Frederick C. Coble
Name Printed: Frederick C. Coble
Title: Senior Vice President, CFO

MASTER
AGREEMENT

ATLANTIC FINANCIAL GROUP, LTD., as Lessor

By: Atlantic Financial Managers, Inc., its General Partner

By: /s/ Stephen Brookshire
Name Printed: Stephen Brookshire
Title: President

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CRESTAR BANK, as Agent and as a Lender

By: /s/ Bruce W. Nave
Name Printed: Bruce W. Nave
Title: Sr. Vice President

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DOLLAR TREE STORES, INC.
SUPPLEMENTAL DEFERRED COMPENSATION PLAN

Effective as of February 15, 2000

DOLLAR TREE STORES, INC.
SUPPLEMENTAL DEFERRED COMPENSATION PLAN

Effective as of February 15, 2000

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DOLLAR TREE STORES, INC.
SUPPLEMENTAL DEFERRED COMPENSATION PLAN

Effective as of February 15, 2000

RECITALS

This Dollar Tree Stores, Inc. Supplemental Deferred Compensation Plan (the "Plan") is adopted by Dollar Tree Stores, Inc., Dollar Tree Distribution, Inc. and Dollar Tree Management, Inc. (the "Employer") for certain of its management employees. The purpose of the Plan is to offer those employees deferred compensation benefits taxable under section 451 of the Internal Revenue Code of 1986, as amended (the "Code") and to supplement such employees' retirement benefits under the Employer's tax-qualified retirement plan and other retirement programs. The Plan is intended to be a "top-hat plan" (i.e., an unfunded deferred compensation plan maintained for a select group of management or highly compensated employees) pursuant to sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Accordingly, the following Plan is adopted.

ARTICLE I
DEFINITIONS

The following terms, as used herein, unless a different meaning is implied by the context, have the following meaning:

1.1 ACCOUNT means the balance credited to a Participant's Plan account, including amounts credited under the Compensation Deferral Account and the Employer Contribution Credit Account. Said Account shall be determined as of the date of reference.

1.2 BENEFICIARY means any person or persons so designated in accordance with the provisions of Article VII.

1.3 CODE means the Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time.

1.4 COMPENSATION means the total cash compensation of the Participant for the Plan Year of reference, including regular pay (which includes car allowance) and bonuses, but excluding any compensation for services rendered before the Participant elects to defer compensation pursuant to Section 3.2.

1.5 COMPENSATION DEFERRAL ACCOUNT is defined in Section 3.2.

1.6 COMPENSATION DEFERRALS is defined in Section 3.2.

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1.7 DESIGNATION DATE means the date or dates as of which a designation of deemed investment directions by an individual pursuant to Section 4.4 shall become effective. The Designation Dates in any Plan Year include January 1, April 1, July 1 and October 1.

1.8 EFFECTIVE DATE means the effective date of this the Plan, which shall be February 15, 2000.

1.9 ELIGIBLE EMPLOYEE means any person employed by the Employer in a Vice President or more senior position, or any other person employed by the Employer who is determined by the Employer to be a member of a select group of management or highly compensated employees of the Employer (within the meaning of ERISA), who is designated by the Employer's Board of Directors to be an Eligible Employee under the Plan and to whom the Employer desires to provide supplemental retirement benefits.

By each December 1, the Employer shall notify those individuals, if any, who will be Eligible Employees for the next Plan Year. If the Employer determines that an individual first becomes an Eligible Employee during a Plan Year, the Employer shall notify such individual of its determination and of the date during the Plan Year on which the individual shall first become an Eligible Employee.

1.10 EMPLOYER means Dollar Tree Stores, Inc., Dollar Tree Distribution, Inc., Dollar Tree Management, Inc. and any direct or indirect wholly owned subsidiary of the foregoing corporations, and their successors and assigns unless otherwise herein provided, or any other corporation or business organization which, with the consent of Dollar Tree Stores, Inc. or its successors or assigns, assumes the Employer's obligations hereunder, or any other corporation or business organization which agrees, with the consent of Dollar Tree Stores, Inc., to become a party to the Plan.

1.11 EMPLOYER CONTRIBUTION CREDIT ACCOUNT is defined in Section 3.1.

1.12 EMPLOYER CONTRIBUTION CREDITS is defined in Section 3.1.

1.13 ENTRY DATE with respect to an individual means the first day of a pay period following the date on which the individual becomes an Eligible Employee.

1.14 PARTICIPANT means any person so designated in accordance with the provisions of Article II, including, where appropriate according to the context of the Plan, any former employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.15 PARTICIPANT ENROLLMENT AND ELECTION FORM means the form (or forms) on which a Participant elects to defer Compensation hereunder, on which the Participant makes elections concerning the time and manner of payment of amounts attributable to such election, and on which the Participant makes certain other designations as required thereon.

1.16 PLAN means this Dollar Tree Stores, Inc. Supplemental Deferred Compensation Plan, as amended from time to time.

1.17 PLAN YEAR means the twelve (12) month period ending on the December 31 of each year during which the Plan is in effect. Notwithstanding the preceding, the period beginning February 15, 2000 and ending December 31, 2000 shall be a short Plan Year.

1.19 TRUST means the trust fund, if any, established pursuant to the Plan.

1.20 TRUSTEE means the trustee named in the agreement establishing the Trust and such successor and/or additional trustees as may be named pursuant to the terms of the agreement establishing the Trust.

1.21 VALUATION DATE means the last day of each Plan Year or such other date the Employer, in its sole discretion, designates as a Valuation Date.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.1 REQUIREMENTS. Every Eligible Employee on the Effective Date shall be eligible to become a Participant on the Effective Date. Every other Eligible Employee shall be eligible to become a Participant on the first Entry Date occurring on or after the date on which he or she becomes an Eligible Employee. No individual shall become a Participant, however, if he or she is not an Eligible Employee on the date his or her participation is to begin.

Participation in the Compensation Deferral Account portion of the Plan is voluntary. In order to participate in the Compensation Deferral Account portion of the Plan, an otherwise Eligible Employee must make written application in such manner as may be required by Section 3.2 and by the Employer and must agree to make Compensation Deferrals as provided in Article III.

Participation in the Employer Contribution Credit Account portion of the Plan is automatic for all Participants.

2.2 RE-EMPLOYMENT. If a Participant whose employment with the Employer is terminated is subsequently re-employed with the Employer, he or she shall become a Participant in accordance with the provisions of Section 2.1.

2.3 CHANGE OF EMPLOYMENT CATEGORY. During any period in which a Participant remains in the employ of the Employer, but ceases to be an Eligible Employee, he or she shall not be eligible to make Compensation Deferrals or to be credited with Employer Contribution Credits hereunder.

ARTICLE III CONTRIBUTIONS AND CREDITS

3.1 EMPLOYER CONTRIBUTION CREDITS. There shall be established and maintained a separate Employer Contribution Credit Account in the name of each Participant, which shall be credited or debited, as applicable, with (a) amounts equal to the Employer's Contribution Credits credited to that Account; and (b) amounts equal to any deemed earnings and losses (to the extent realized, based upon deemed fair market value of the Account's deemed assets as determined by the Employer, in its discretion) allocated to that Account; and (c) expenses and/or taxes charged to that Account.

The Employer's Contribution Credits credited to a Participant's Employer Contribution Credit Account for any particular Plan Year shall be an amount (if any) determined by the Employer, in its discretion.

A Participant shall become vested in amounts (if any) credited to his or her Employer Contribution Credit Account according to the vesting schedule to be adopted by the Employer, in its discretion.

3.2 PARTICIPANT COMPENSATION DEFERRALS. In accordance with rules established by the Employer, a Participant may elect to defer Compensation which is due to be earned and which would otherwise be paid to the Participant, in any fixed periodic dollar amounts or percentages designated by the Participant, provided that the Participant may elect to defer no more than fifty percent (50%) of his or her Compensation (excluding bonuses) in any Plan Year. In the case of bonus deferrals, the Participant may elect to defer up to one hundred percent (100%) of his or her bonus or bonuses due to be paid by the Employer. Amounts so deferred will be considered a Participant's "Compensation Deferrals." Compensation Deferrals shall be made through regular payroll deductions or

through an election by the Participant to defer the payment of a bonus not yet payable to him or her at the time of the election.

A Participant shall make such elections with respect to a coming twelve (12) month Plan Year by the December 15th of the prior Plan Year, provided, however, during the Plan Year in which the Plan is first implemented (i.e., the Plan Year beginning February 15, 2000), a Participant may make an election to defer Compensation for such Plan Year (including any bonus payable during such Plan Year which is not yet payable at the time of the election) within thirty (30) days after the Plan is effective; and, in the first Plan Year in which a Participant becomes eligible to Participate, a Participant may make an election to defer Compensation within thirty (30) days after the date the Participant becomes eligible to participate.

Once made, a Compensation Deferral election shall continue in force for the remainder of the Plan Year. Compensation Deferrals shall be deducted by the Employer from the pay of a deferring Participant and shall be credited to the Account of the deferring Participant.

There shall be established and maintained by the Employer a separate Compensation Deferral Account in the name of each Participant, to which shall be credited or debited, as applicable: (a) amounts equal to

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the Participant's Compensation Deferrals; (b) amounts equal to any deemed earnings and losses (to the extent realized, based upon deemed fair market value of the Account's deemed assets as determined by the Employer in its discretion) attributable or allocable thereto; and (c) expenses and/or taxes charged to that Account.

A Participant shall at all times be one hundred percent (100%) vested in amounts credited to his or her Compensation Deferral Account.

ARTICLE IV ALLOCATION OF FUNDS

4.1 ALLOCATION OF DEEMED EARNINGS OR LOSSES ON ACCOUNTS. Pursuant to Section 4.4, each Participant shall have the right to direct the Employer as to how amounts in his or her Plan Account shall be deemed to be invested in the deemed investment options made available under the Plan. In no event, however, shall the Employer or the Participant be deemed to invest in stock of the Employer. Subject to such limitations as may from time to time be required by law, imposed by the Employer or the Trustee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed from time to time by the Employer, prior to the date on which a direction will become effective, the Participant shall have the right to direct the Employer as to how amounts in his or her Account shall be deemed to be invested. The Employer shall direct the Trustee to invest the account maintained in the Trust on behalf of the Participant pursuant to the deemed investment directions the Employer properly has received from the Participant.

The value of the Participant's Account shall be equal to the value of the account maintained under the Trust on behalf of the Participant. As of each valuation date of the Trust, the Participant's Account will be credited or debited to reflect the Participant's deemed investments of the Trust. The Participant's Plan Account will be credited or debited with the increase or decrease in the realizable net asset value or credited interest, as applicable, of the designated deemed investments, as follows. As of each Valuation Date, an amount equal to the net increase or decrease in realizable net asset value or credited interest, as applicable (as determined by the Trustee), of each deemed investment option within the Account since the preceding Valuation Date shall be allocated among all Participants' Accounts deemed to be invested in that investment option in accordance with the ratio which the portion of the Account of each Participant which is deemed to be invested within that investment option, determined as provided herein, bears to the aggregate of all amounts deemed to be invested within that investment option.

4.2 ACCOUNTING FOR DISTRIBUTIONS. As of the date of any distribution hereunder, the distribution made hereunder to a Participant or his or her Beneficiary or Beneficiaries shall be charged to such Participant's Account. Such amounts shall be charged on a pro rata basis against the investment options in which the Participant's Account is deemed to be invested. Such amounts shall be charged first against any money market, fixed income or similar fund in which the Participant's Account is deemed to be invested, and thereafter on a pro rata basis against the investment options in which the Participant's Account is deemed to be invested.

4.3 SEPARATE BOOKKEEPING ACCOUNTS. A separate bookkeeping account under the Plan shall be established and maintained by the Employer to reflect the Account for each

Participant, with bookkeeping sub-accounts to show separately the Participant's Compensation Deferral Account and the Participant's Employer Contribution Credit Account. Each sub-account will separately account for the credits and debits described in Article III.

4.4 DEEMED INVESTMENT DIRECTIONS OF PARTICIPANTS. Subject to such limitations as may from time to time be required by law, imposed by the Employer or the Trustee or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed from time to time by the Employer, prior to and effective for each Designation Date, each Participant may communicate to the Employer a direction (in accordance with (a), below) as to how his or her Plan Accounts should be deemed to be invested among such categories of deemed investments as may be made available by the Employer hereunder. Such direction shall designate the percentage (in any whole percent multiples) or amount (in any whole dollar multiples) or amount (in any whole dollar multiples) of each portion of the Participant's Plan Accounts which is requested to be deemed to be invested in such categories of deemed investments, and shall be subject to the following rules:

(a) Any initial or subsequent deemed investment direction shall be in writing, on a form supplied by and filed with the Employer, and/or, as required or permitted by the Employer, shall be by oral designation and/or electronic transmission designation. A designation shall be effective as of the Designation Date next following the date the direction is received and accepted by the Employer on which it would be reasonably practicable for the Employer to effect the designation.

(b) All amounts credited to the Participant's Account shall be deemed to be invested in accordance with the then effective deemed investment direction, and as of the Designation Date with respect to any new deemed investment direction, all or a portion of the Participant's Account at that date shall be reallocated among the designated deemed investment options according to the percentages or amounts specified in the new deemed investment direction unless and until a subsequent deemed investment direction shall be filed and become effective. An election concerning deemed investment choices shall continue indefinitely as provided in the Participant's most recent Participant Enrollment and Election Form, or other form specified by the Employer.

(c) If the Employer receives an initial or revised deemed investment direction which it deems to be incomplete, unclear or improper, the Participant's investment direction then in effect shall remain in effect (or, in the case of a deficiency in an initial deemed investment direction, the Participant shall be deemed to have filed no deemed investment direction) until the next Designation Date, unless the Employer provides for, and permits the application of, corrective action prior thereto.

(d) If the Employer possesses (or is deemed to possess as provided in (c), above) at any time directions as to the deemed investment of less than all of a Participant's Account, the Participant shall be deemed to have directed that the undesignated portion of the Account be deemed to be invested in a money market, fixed income or similar fund made available under the Plan as determined by the Employer in its discretion.

(e) Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Employer and its agents and representatives from any losses or damages of any kind relating to the deemed investment of the Participant's Account hereunder.

(f) Each reference in this Section to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

4.5 PAYMENT OF TAXES AND EXPENSES. Expenses, including Trustee fees, associated with the administration or operation of the Plan shall be charged against the appropriate Participant's Account or Participants' Accounts, unless, in the discretion of the Employer, the Employer elects to pay such expenses. Any taxes (or net operating loss reductions) allocable to an Account (or portion thereof) maintained under the Plan which arise prior to the complete distribution of the Account, shall be charged against the appropriate Participant's Account or Participants' Accounts, unless, in the discretion of the Employer, the Employer elects to absorb such taxes.

ARTICLE V ENTITLEMENT TO BENEFITS

5.1 FIXED PAYMENT DATES; TERMINATION OF EMPLOYMENT. On his or her Participant Enrollment and Election Form, a Participant may select a fixed

payment date for the payment or commencement of payment of his or her vested Account (or elect to treat his or her Account as two (2) or more sub-accounts and select fixed payment dates for the payment or commencement of payment of each sub-account), which will be valued and payable according to the provisions of Article VI. Such payment dates may not be accelerated.

Alternatively, on his or her Participant Enrollment and Election Form, a Participant may select payment or commencement of payment of his or her vested Account (or a sub-account thereof) at his or her termination of employment with the Employer. A Participant who selects payment or commencement of payment of his or her vested Account (or portions thereof) on a fixed date or dates shall receive payment or commence to receive payment of his or her vested Account at the earlier of such fixed payment date or dates or his or her termination of employment with the Employer.

Any fixed payment date elected by a Participant as provided above must be a date no earlier than the January 1 of the third calendar year after the calendar year in which the election is made.

If a Participant does not make an election as provided above for any particular amounts hereunder, and the Participant terminates employment with the Employer for any reason, the Participant's vested Account at the date of such termination shall be valued and payable at or commencing at such termination according to the provisions of Article VI.

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5.2 HARSHIP DISTRIBUTIONS. In the event of an "Unforeseeable Emergency" of the Participant, as hereinafter defined, the Participant may apply to the Employer for the distribution of all or any part of his or her vested Account. The Employer shall consider the circumstances of each such case, and the best interests of the Participant and his or her family, and shall have the right, in its sole discretion, if applicable, to allow such distribution, or, if applicable, to direct a distribution of part of the amount requested, or to refuse to allow any distribution. Upon a finding of an "Unforeseeable Emergency", the Employer shall make the appropriate distribution to the Participant from amounts held by the Employer in respect of the Participant's vested Account. In no event shall the aggregate amount of the distribution exceed either the full value of the Participant's vested Account or the amount determined by the Employer to be necessary to alleviate the Participant's financial hardship caused by the "Unforeseeable Emergency" (which financial hardship may be considered to include any taxes due because of the distribution occurring because of this Section), and which is not reasonably available from other resources of the Participant. For purposes of this Section, the value of the Participant's Account shall be determined as of the date of the distribution.

"Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an "Unforeseeable Emergency" would depend upon the facts of each case, but, in any case, payment may not be made in the event that such hardship is or may be relieved:

- (a) Through reimbursement or compensation by insurance or otherwise,
- (b) by liquidation of the Participant's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship, or
- (c) by cessation of Compensation Deferrals under the Plan.

The need to send a Participant's child to college or the desire to purchase a home shall not be an "Unforeseeable Emergency."

5.3 RE-EMPLOYMENT OF RECIPIENT. If a Participant receiving installment distributions pursuant to Section 6.2 is re-employed by the Employer as an employee, the remaining distributions due to the Participant shall be suspended until such time as the Participant (or his or her Beneficiary) once again becomes eligible for benefits under Section 5.1 or 5.2, at which time such distribution shall commence, subject to the limitations and conditions contained in this Plan.

ARTICLE VI DISTRIBUTION OF BENEFITS

6.1 AMOUNT. A Participant (or his or her Beneficiary) shall become entitled to receive, on or about the date or dates selected by the Participant on his or her Participant

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Enrollment and Election Form or, if none, on or about the date of the Participant's termination of employment (or earlier as provided in Article V), a distribution in an aggregate amount equal to the Participant's vested Account. Any payment due hereunder will be paid by the Employer from its general assets or from the Trust, if any.

6.2 METHOD OF PAYMENT.

(a) Medium of Payment. Payments under the Plan shall be made in cash or in-kind, as elected by the Participant, as permitted by the Employer and the Trustee in their sole and absolute discretion and subject to applicable restrictions on transfer as may be applicable legally or contractually.

(b) Timing and Manner of Payment. In the case of distributions to a Participant or his or her Beneficiary by virtue of an entitlement pursuant to Section 5.1, an aggregate amount equal to the Participant's vested Account will be paid by the Employer or the Trust, as provided by Section 6.1, in a lump sum or in substantially equal annual installments (adjusted for gains, losses and expenses) over a period selected by the Participant. If a Participant fails to designate timely and properly the manner of payment of the Participant's benefit under the Plan, such payment will be in a lump sum. In no event may the installments extend beyond a period exceeding the life expectancy of the Participant.

If the whole or any part of a payment hereunder by the Employer is to be in installments, the total to be so paid shall continue to be deemed to be invested pursuant to Sections 4.1 and 4.4 under such procedures as the Employer may establish, in which case any deemed income, gain, loss or expense attributable thereto (as determined by the Employer, in its discretion) shall be reflected in the installment payments, in such equitable manner as the Employer shall determine.

6.3 DEATH BENEFITS. If a Participant dies before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's vested Account shall be paid, as provided in Section 6.2, to the person or persons designated in accordance with Section 7.1.

Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the person or persons designated in accordance with Section 7.1, in the manner in which such benefits were payable to the Participant, unless the Employer elects a more rapid form of distribution.

ARTICLE VII BENEFICIARIES; PARTICIPANT DATA

7.1 DESIGNATION OF BENEFICIARIES. Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after the Participant's death, and such designation may be changed from time to time by the Participant by filing a new designation.

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Each designation will revoke all prior designations by the same Participant, shall be in the form prescribed by the Employer, and will be effective only when filed in writing with the Employer during the Participant's lifetime.

In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Employer shall pay any such benefit payment to the Participant's spouse, if then living, but otherwise to the Participant's estate.

7.2 INFORMATION TO BE FURNISHED BY PARTICIPANTS AND BENEFICIARIES; INABILITY TO LOCATE PARTICIPANTS OR BENEFICIARIES. Any communication, statement or notice addressed to a Participant or to a Beneficiary at his or her last post office address as shown on the Employer's records, shall be binding on the Participant or Beneficiary for all purposes of the Plan. Neither the Trustee nor the Employer shall be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address. If the Employer notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Employer within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the Employer, the Employer may direct distribution of such amount to any one or more or all of such next of kin, and in such proportions as the Employer determines. If the location of none of the foregoing persons can be determined, the Employer shall have the right to direct that the amount payable shall be deemed to be a

forfeiture and paid to the Employer, except that the dollar amount of the forfeiture, unadjusted for deemed gains or losses in the interim, shall be paid by the Employer if a claim for the benefit subsequently is made by the Participant or the Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, neither the Trustee nor the Employer shall be liable to any person for any payment made in accordance with such law.

ARTICLE VIII
ADMINISTRATION AND RECORDKEEPING

8.1 ADMINISTRATIVE AND RECORDKEEPING AUTHORITY. Except as otherwise specifically provided herein, the Employer shall have the sole responsibility for and the sole control of the operation, administration and recordkeeping of the Plan, and shall have the power and authority to take all action and to make all decisions and interpretations which may be necessary or appropriate in order to administer and operate the Plan, including, without limiting the generality of the foregoing, the power, duty and responsibility to:

(a) Resolve and determine all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions, in the Plan.

(b) Adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan.

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(c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above.

(d) Subject to Section 9.1, make determinations concerning the crediting and distribution of Participants' benefits.

8.2 UNIFORMITY OF DISCRETIONARY ACTS. Whenever in the administration or operation of the Plan discretionary actions by the Employer are required or permitted, such action shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of persons.

8.3 LITIGATION. In any action or judicial proceeding affecting the Plan, it shall be necessary to join as a party only the Employer. Except as may be otherwise required by law, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

8.4 CLAIMS PROCEDURE. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Employer and the Employer shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for denial, with specific references to the Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Employer's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Employer to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Employer expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied, or deemed to be denied under the preceding sentence (or such Claimant's authorized representative), may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Employer. Upon such a request for review, the

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claim shall be reviewed by the Employer (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Employer's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Employer, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

ARTICLE IX AMENDMENT

9.1 RIGHT TO AMEND. The Employer, by action of its Board of Directors, shall have the right to amend the Plan at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall deprive any Participant or Beneficiary of a right accrued hereunder prior to the date of the amendment.

9.2 AMENDMENT TO ENSURE PROPER CHARACTERIZATION OF THE PLAN. Notwithstanding the provisions of Section 9.1, the Plan may be amended at any time, retroactively if required, if found necessary, in the opinion of the Employer, in order to ensure that the Plan is characterized as a non-tax-qualified "top hat" plan of deferred compensation maintained for a select group of management or highly compensated employees, as described under ERISA sections 201(2), 301(a)(3) and 401(a)(1) and to conform the Plan and the Trust to the provisions and requirements of any applicable law (including ERISA and the Code).

ARTICLE X TERMINATION

10.1 EMPLOYER'S RIGHT TO TERMINATE PLAN. The Employer reserves the right, at any time, to terminate the Plan and/or its obligation to make further credits to Plan Accounts by unanimous action of its Board of Directors; provided, however, that no such termination shall deprive any Participant or Beneficiary of a right accrued hereunder prior to the date of termination and provided that, upon termination, the full amount of each Participant's vested Plan account(s) shall become immediately distributable to him or her.

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10.2 AUTOMATIC TERMINATION OF PLAN. The Plan shall terminate automatically upon the dissolution of the Employer or upon the Employer's merger into or consolidation with any other corporation or business organization which does not specifically adopt and agree to continue the Plan; provided, however, that no such termination shall deprive any Participant or Beneficiary of a right accrued hereunder prior to the date of termination and provided that, upon termination, the full amount of each Participant's vested Plan Account shall become immediately distributable to him or her.

10.3 SUCCESSOR TO EMPLOYER. Any corporation or other business organization which is a successor to the Employer by reason of a consolidation, merger or purchase of substantially all of the assets of the Employer shall have the right to become a party to the Plan by adopting the same by resolution of the entity's board of directors or other appropriate governing body. If, within thirty (30) days from the effective date of such consolidation, merger or sale of assets, such new entity does not become a party hereto, as above provided, the Plan shall be terminated automatically, and the provisions of the foregoing Sections shall become operative.

ARTICLE XI MISCELLANEOUS

11.1 LIMITATIONS ON LIABILITY OF EMPLOYER. Neither the establishment of the Plan nor any modification hereof, nor the creation of any account under the Plan, nor the payment of any benefits under the Plan, shall be construed as giving to any Participant or any other person any legal or equitable right against the Employer or any officer or employee thereof, except as provided by law or by any Plan provision. The Employer does not in any way guarantee any

Participant's Account from loss or depreciation, whether caused by poor investment performance of a deemed investment or the inability to realize upon an investment due to an insolvency affecting an investment vehicle or any other reason. In no event shall the Employer, or any successor, employee, officer, director or stockholder of the Employer, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

11.2 CONSTRUCTION. If any provision of the Plan is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein. For all purposes of the Plan, where the context permits, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of Virginia shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give a Participant the right to be retained in the service of the Employer nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder.

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The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded plan of deferred compensation (i.e., the mere promise of the Employer to make benefit payments in the future), and no provision of this Plan shall be interpreted so as to give any individual any right in any assets of the Employer which right is greater than the rights of any general unsecured creditor of the Employer.

11.3 SPENDTHRIFT PROVISION. No amount payable to a Participant or any Beneficiary under the Plan will be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit hereunder be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled thereto. Further, (a) the withholding of taxes from Plan benefit payments, (b) the recovery under the Plan of overpayments of benefits previously made to a Participant or any Beneficiary, (c) if applicable, the transfer of benefit rights from the Plan to another plan, or (d) the direct deposit of Plan benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation.

In the event that a Participant's or any Beneficiary's benefits hereunder are garnished or attached by order of any court, the Employer may bring an action for a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to a Participant's or Beneficiary's Account or, if the Employer prefers, paid into the court as they become payable, to be distributed by the court to the recipient as it deems proper at the close of said action.

ARTICLE XII THE TRUST

12.1 ESTABLISHMENT OF TRUST. The Employer may, but need not, establish the Trust with the Trustee pursuant to such terms and conditions as are set forth in the Trust agreement to be entered into between the Employer and the Trustee. The Trust is intended to be treated as a "grantor" trust under the Code and the establishment of the Trust is not intended to cause the Participant to realize current income on amounts contributed thereto nor to cause the Plan to be "funded" within the meaning of ERISA, and the Trust shall be so interpreted.

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IN WITNESS WHEREOF, the Employer has caused this Plan to be executed and its seal to be affixed hereto, effective as of the 15th day of February, 2000.

ATTEST/WITNESS:

DOLLAR TREE STORES, INC.

/s/ Frederick C. Coble
Print Name: Frederick C. Coble

By: /s/ Macon F. Brock (SEAL)
Print Name: Macon F. Brock
Date: 2-4-00

ATTEST/WITNESS:

DOLLAR TREE DISTRIBUTION, INC.

/s/ Frederick C. Coble
Print Name: Frederick C. Coble

By: /s/ Macon F. Brock (SEAL)
Print Name: Macon F. Brock
Date: 2/24/00

ATTEST/WITNESS:

DOLLAR TREE MANAGEMENT, INC.

/s/ Frederick C. Coble
Print Name: Frederick C. Coble

By: /s/ Macon F. Brock (SEAL)
Print Name: Macon F. Brock
Date: 2/24/00

SUBSIDIARIES OF THE REGISTRANT

The registrant is the parent company of Dollar Tree Distribution, Inc., a distribution, warehousing and wholesale company, and Dollar Tree Management, Inc., a management services company, both of which are Virginia companies. Dollar Tree Distribution, Inc., is the parent of another Virginia company, Dollar Tree Properties, Inc., a real estate holding company.

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Dollar Tree Stores, Inc.:

We consent to incorporation by reference in the registration statements on Form S-8 (Nos., 33-92812, 33-92814, 33-92816, 333-61139 and 333-38735) of Dollar Tree Stores, Inc. of our report dated January 24, 2000 relating to the consolidated balance sheets of Dollar Tree Stores, Inc. and subsidiaries as of December 31, 1999 and 1998 and the related consolidated income statements and statements of shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999 which report appears herein.

/s/ KPMG LLP

Norfolk, Virginia
March 15, 1999

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

This schedule contains summary financial information from the Company's Consolidated Financial Statements filed on Form 10-K for the periods ended December 31, 1999, December 31, 1998 and December 31, 1997, and is qualified in its entirety by reference to such financial statements. The Financial Data Schedules for 1998 and 1997 are restated to give effect to the merger with Tehan's Merchandising, Inc., which was accounted for as a pooling of interests.

</LEGEND>

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<COMMON>	621	614	405
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