

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, 2000

Commission File No.0-25464

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

Virginia  
(State or other jurisdiction of  
Incorporation or organization)

54-1387365  
(I.R.S. Employer  
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. ( )

The aggregate market value of Common Stock held by non-affiliates of the Registrant on March 23, 2001 was \$1,671,936,316 based on a \$17.22 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 23, 2001 there were 112,142,690 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 24, 2001, which will be filed with the Securities and Exchange Commission not later than April 30, 2001.

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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 sales and comparable store net sales;
- o our growth plans, including our plans to open, add, expand or relocate stores, and our anticipated gross square footage increase;
- o the possible effect of inflation and other economic changes on our costs and profitability, including the possible effect of future changes in shipping rates, domestic and foreign freight costs, fuel costs (including fuel surcharge for imports), minimum wage rates and wage and benefit costs;
- o our cash needs, including our ability to fund our future capital expenditures and working capital requirements;
- o our gross profit margin and ability to leverage selling, general and administrative costs;
- o seasonal sales patterns of both our traditional and larger stores;
- o possible changes in our merchandise mix and its effect on gross profit margin and sales;
- o the capabilities of, and the cost of improving our inventory supply chain processes;
- o the future reliability of, and cost associated with, our sources of supply, particularly China;
- o the future availability of quality merchandise that can be profitably sold for \$1.00;
- o the capacity, performance and cost of our existing and planned distribution centers, including opening and expansion schedules; and
- o our expectations regarding competition.

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 adverse weather and economic conditions, such as reduced consumer confidence and spending;
- o failure to meet our aggressive sales and other expansion goals or to successfully manage our growth, including opening or expanding stores on a timely basis;
- o difficulties and uncertainties in adding and operating larger stores, with which we have less experience;
- o the seasonality of our sales and the importance of our fourth quarter operating results;
- o our profitability is especially vulnerable to future increases in operating and merchandise costs, including shipping rates, freight costs, fuel costs, wage and benefit levels, inflation, competition and other adverse economic factors;
- o the capacity and performance of our distribution system and our ability to expand its capacity in time to support our sales growth;
- o unforeseen disruptions or costs in operating and expanding our receiving;
- o possible delays, costs and other difficulties in integrating Dollar Express with our business;
- o increase in the cost or disruption of the flow of our imported goods;

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- o difficulties in obtaining sufficient quantities of low-cost merchandise; and
- o increased 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 generally do not issue financial forecasts or projections and we have a policy against 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.

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

Macon Brock, our President and Chief Executive Officer, Doug Perry, our Chairman and Ray Compton, our Executive Vice President started Dollar Tree in 1986. We are the leading operator of discount variety stores offering merchandise at the fixed price of \$1.00. We believe the variety and quality of products we sell for \$1.00 set us apart from our competitors. In each of the last three years, we added over 220 stores. As of December 31, 2000, we operated 1,729 stores totaling 9.8 million gross square feet in 36 states:

- o 1,327 are our traditional dollar stores, generally ranging from 3,500 to 6,000 gross square feet;
- o 378 are larger dollar stores, generally ranging from 7,000 to 12,000 gross square feet; and
- o 24 are multi-price point card and gift stores, generally ranging from 3,000 to 5,000 gross square feet.

During 2000, we merged with Dollar Express, Inc., which operated 132 stores in the Mid-Atlantic area. Of the stores acquired, 107 were \$1.00 single-price point stores operated as "Dollar Express" and 25 were multi-price point stores operated as "Spain's Cards & Gifts."

Our single-price point stores range from 2,000 to 23,000 total square feet and operate under the names of Dollar Tree, Dollar Express, Dollar Bills, Only One Dollar and Only \$One. The single-price point stores are generally segregated into two groups: stores less than 7,000 gross square feet, which we refer to as our traditional stores and stores 7,000 gross square feet or greater, which we refer to as our larger format stores. Our multi-price point stores operate under the name Spain's Cards & Gifts and represent less than 1% of total net sales.

#### Business Strategy

**Value Offering.** We strive to exceed our customers' expectations of the variety and quality of products that can be purchased for \$1.00. We believe that many of the items we sell for \$1.00 are typically sold for higher prices elsewhere. We purchase a 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.

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**Changing Merchandise Mix.** We supplement our wide assortment of quality everyday core merchandise and consumable products with a changing mix of new and exciting products, including seasonal goods, such as Easter gifts, summer toys and Halloween and Christmas decorations. We also take advantage of the availability of lower-priced, private-label and regional brand goods, which we believe are comparable to national name brands. We continually change the mix of seasonal merchandise, non-seasonal merchandise and consumable products to add variety and freshness to our merchandise offerings.

**Convenient, Highly Visible Store Locations.** We locate our stores in areas convenient to customers. We prefer opening new stores in strip shopping centers anchored by strong mass merchandisers such as Wal Mart, Kmart and Target, whose target customers we believe to be similar to ours. We also open stores in neighborhood centers anchored by large grocery retailers. We believe that our stores' bright lighting and curb appeal attract new and repeat customers and enhance our image as both a destination and impulse store.

**Strong and Consistent Store Level Economics.** Our stores have been successful in major metropolitan areas, mid-sized cities and small towns. Since 1994, all stores opened under the Dollar Tree name have been profitable, producing store-level operating income within the first full year of operation.

**Cost Control.** Given our fixed \$1.00 price structure, we must control expenses, inventory levels and operating margins to be successful. We closely monitor both retail inventory shrinkage and retail markdowns of inventory. Neither exceeded 2.5% of annual net sales in each year from 1996 through 1999, excluding the Dollar Express operations. In 2000, inventory shrinkage slightly exceeded 2.5% while markdowns of inventory remained below 2.5%. As part of our effort to control expenses, we generally do not advertise and we accept credit and debit cards in only 10% to 15% of our stores. In the past five calendar years, excluding merger-related items, we have maintained our gross profit margins in the 34.6% to 37.0% range and our operating income margins in the 10.4% to 13.1% range.

#### Growth Strategy

The primary factors contributing to our net sales growth have been new store openings, comparable store net sales increases and mergers and acquisitions. From 1996 to 2000, net sales increased at a compound annual growth rate of 26.2% and operating income, excluding merger-related items, increased at a compound annual growth rate of 31.7%. We expect that future sales growth will come primarily from new store openings and, to a lesser degree, from comparable store net sales increases, including those attributable to expanded and relocated stores. We expect to open approximately 260 to 275 new stores and close 10 to 15 stores in 2001 and we expect our total gross square footage to increase 27% to 29%. We expect net sales to increase approximately 19% in 2001 as compared to 2000. Our expected net sales increase is less than our gross square footage increase because net sales per gross square foot will decrease as we open more of our larger format stores. Also, continued difficult economic and consumer related conditions may likely reduce our net sales increases. Our store openings will continue to be concentrated within our existing markets to take advantage of market opportunities, distribution efficiencies and field management efficiencies. In addition, we also plan to enter selected new geographic markets.

We plan to continue our store expansion and relocation program to increase

net sales per store and take advantage of market opportunities. In 2000, we added approximately 401,000 gross square feet by expanding or relocating 98 stores. In 2001, we plan to expand or relocate approximately 100 stores, adding approximately 400,000 gross square feet. We target stores for expansion and relocation based on the current sales per square foot and changes in market opportunities. Stores targeted for relocation in 2001 are generally stores in the 2,500 to 3,000 square foot range.

We have experienced significant sales growth over the last five years. Managing our growth has become more complex because we are now operating over 1,700 stores in 36 states from coast to coast. We may not anticipate all the challenges that our expanding operations will impose on our systems. Our sales growth and profitability depends on our ability to increase our total store square footage and the capacity of our store support systems in a profitable, timely and efficient manner. To meet our aggressive growth plans, we must supply an increasing number of stores with the proper mix and volume of merchandise; successfully add and operate larger stores; hire, train and retain an increasing number of qualified employees; open suitable store sites; and expand and upgrade our distribution centers and internal store support systems on a tight time schedule. We may not meet our targets for opening new stores and expanding profitably.

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In the past five years, we added a total of 371 stores through three large mergers and several small acquisitions. Our acquisition strategy has been to target companies with a similar single price point concept that have shown success in operations or provide a strategic advantage. Although we do not have any current plans regarding potential acquisitions, we may evaluate opportunities in our retail sector as they become available.

#### Site Selection and Store Size

We maintain a disciplined, cost-sensitive approach to store site selection, favoring strip shopping centers. Since 1995, we have opened stores primarily in strip shopping centers. These stores typically require lower initial capital investments and generate higher operating margins than mall stores. Our stores have been successful in metropolitan areas, mid-sized cities and small towns. We believe that our stores have a relatively small shopping radius, which allows us to profitably concentrate multiple stores in a single market. Our ability to open new stores is dependent upon, among other factors, locating suitable sites and negotiating favorable lease terms.

We operate stores primarily ranging from 3,500 to 6,000 gross square feet. In addition to opening our traditional stores, we continue to open more of our larger stores, which generally range from 7,000 to 12,000 gross square feet. Stores with at least 7,000 gross square feet account for approximately 22% of our store base as of December 31, 2000. We expect to open 165 to 175 of these larger stores during 2001. The range of our store sizes allows us to target a particular location with a store that best suits that market. We view the development of these larger stores as a continuation of our core business.

For more information on retail locations and retail store leases, see "Properties" on page 8.

#### Merchandising and Store Format

Merchandise Mix. Our stores offer a wide selection of core and changing products within traditional variety store categories, including candy and food, housewares, 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 products that 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 a greater variety and quantity of consumable products than our smaller stores, particularly food, household chemicals and health and beauty care products.

We sell seasonal and impulse items and selected closeout merchandise to add variety and freshness to our core products and create an exciting shopping experience. Examples of seasonal goods include Easter gifts, summer toys and Halloween and Christmas decorations. We also offer name-brand closeout merchandise to supplement our merchandise mix. In 2000, closeout merchandise represented less than 10% of our purchases and we would generally not expect it to exceed 15%. We also sell private label and regional brand goods that we believe are comparable in quality but priced lower than similar goods with national name brands.

Purchasing. We believe that our substantial buying power at the \$1.00 price point contributes to our successful purchasing strategy, which includes disciplined, targeted merchandise margin goals. We purchase merchandise from manufacturers, trading companies and brokers. No vendor accounted for more than

10% of total merchandise purchased in any of the last five years. We frequently use new vendors to offer competitive, yet varied, product selection and high value. We buy products on an order-by-order basis and have no material long-term purchase contracts or other assurances of continued product supply or guaranteed product cost.

Our purchasing strategy balances imported merchandise and domestic products. We believe imported merchandise and domestic products each currently account for approximately one-half of our purchases. Our domestic products include name-brand merchandise from manufacturers like Hershey's and Procter & Gamble and a variety of consumable products, housewares and paper and plastic goods. Our domestic purchasing program has evolved over the past few years to include direct relationships with major manufacturers such as Colgate and Unilever. Merchandise imported directly from overseas manufacturers and agents accounts for approximately 40% to 45% of total purchases at retail. In addition, we believe that a small portion of the goods we purchase from domestic vendors is imported. While we do not expect to increase imports significantly as a percentage of our merchandise, our future success depends on the continuing availability of imported merchandise at favorable costs.

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If Chinese or other imported merchandise becomes more expensive or unavailable, the transition to alternative sources, which may be of lesser quality and more expensive, may not occur in time to meet our demands. A disruption in the flow of our imported merchandise or an increase in the cost of this merchandise may significantly decrease our net sales and profits. On October 10, 2000, the United States granted permanent normal trade relations to China. Even with permanent normal trade relations, the United States could impose punitive trade sanctions on Chinese goods for a variety of reasons. Although no punitive import duties are currently imposed, in the past, the United States Trade Representative has threatened retaliatory sanctions equaling as much as 100% of the cost of some Chinese goods.

Visual Merchandising. The presentation and display of merchandise in our stores is critical to communicating value to our customers and creating a more exciting shopping experience. Our stores are attractively designed and 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 a customized shelf display promoting our polyresin and porcelain gift products. Our field merchandising group, including regional merchandising managers and store display coordinators, maintains a consistent visual presentation of merchandise throughout our stores. We believe that our approach to visual merchandising results in high store traffic, high sales volume and an environment that encourages impulse purchases. We rely on attractive exterior signs and in-store merchandising for our advertising. We generally do not use other forms of advertising, except in limited cases when promoting the opening of a new store.

During 1999, we converted our 98 Cent Clearance Center stores to more closely resemble existing Dollar Tree stores, including changing all but one store name to Dollar Tree. During 2000, we converted 20 of the 24 Only \$One stores added in 1999. These conversions included 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. During 2000, we added shelving and display fixtures and we improved store layouts and merchandise displays in 11 of the Dollar Express stores. During the first three quarters of 2001, we expect to upgrade 65 to 70 of the Dollar Express stores by adding display fixtures, improving store layouts and merchandise displays, installing new signs, installing new checkouts in some of the stores and changing each store name to Dollar Tree.

#### 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.

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. We also make deliveries to some of our stores using our fleet of trucks. Most stores receive weekly shipments of merchandise from distribution centers based on their anticipated inventory requirements for that week. We also make more frequent deliveries to some stores, including most Dollar Express stores. Many of our Dollar Tree stores require more frequent deliveries during the busy Christmas season. For more information on our distribution center network, see "Properties" on page 8.

## Inventory Supply Chain

Beginning in 1999, we evaluated our inventory supply chain processes to identify potential improvements. As a result, we initiated a supply chain management project that encompasses four major components:

- o planning for our merchandise purchasing;
- o purchasing merchandise and allocating that merchandise throughout our distribution and retail network;
- o obtaining current and detailed sales information from a group of representative stores using a point-of-sale system; and
- o improving our ability to keep select merchandise in stock.

We believe the implementation of this project will improve the efficiency of our supply chain management, improve our merchandise flow and help control costs.

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In the first half of 2001, we will begin to test our point-of-sale system in approximately 10 stores. We then plan to install point-of-sale in up to 300 of our stores within approximately 12 months after we complete the test phase. We expect that the point-of-sale data will allow us to track sales by merchandise category and geographic region and assist our planning for future purchases of inventory. Our supply chain management project is expected to cost approximately \$23.0 to \$26.0 million in total, of which approximately \$8.5 million was expended through December 31, 2000.

## Competition

The retail industry is highly competitive and we expect competition to increase in the future. Our competitors include variety and discount stores such as Dollar General, closeout stores such as Odd Lots and Big Lots, mass merchandisers such as Wal Mart, and, to a lesser extent, other fixed price retailers. We expect that our expansion plans, as well as the expansion plans of other fixed price retailers such as 99 Cents Only Stores based in Southern California, will increasingly bring us into direct competition. Competition may also increase because there are no significant economic barriers to other companies becoming fixed price retailers.

## 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. 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," "Everything's \$1.00," the registration of which is pending, and "The Dollar Store." With the acquisition of the Only \$One stores in 1999, we became the owner of additional federal service mark registrations, including "Only One \$1," and the stylized "Only \$One," together with the related design. We also occasionally market products under various private labels but these brand names are not material to our operations. With the acquisition of Dollar Express, we became the owner of the service marks "Dollar Express" and "Dollar Expres\$."

## Seasonality

Historically we have experienced seasonal fluctuation in our net sales, operating income and net income. We expect this trend to continue. See "Management's Discussion and Analysis - Seasonality and Quarterly Fluctuations" on page 20.

## Employees

We employed approximately 6,700 full-time and 19,500 part-time associates on December 31, 2000. The number of part-time associates fluctuates depending on seasonal needs. Except the truck drivers for the Philadelphia distribution center, none of our associates are represented by a labor union. The Teamsters have attempted to organize our associates at our Chesapeake, Chicago and Philadelphia distribution centers on several occasions, and we expect their efforts to continue. We consider our relationship with our associates to be good, and we have not experienced significant interruptions of operations due to labor disagreements.

## Item 2. PROPERTIES

## Stores

As of December 31, 2000, we operated 1,729 stores in 36 states. The following table presents a summary of our growth by region for the past three years (number represents stores open as of the date indicated):

	December 31,		
	2000	1999	1998
	----	----	----
Southeast.....	526	466	415
Midwest.....	403	362	309
Mid-Atlantic.....	387	353	313
Southcentral.....	125	99	68
Northeast .....	180	150	114
West.....	108	77	66
	-----	-----	-----
Total.....	1,729	1,507	1,285
	=====	=====	=====

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Our stores in the West average approximately 12,400 gross square feet compared to our other stores, which average approximately 5,200 gross square feet.

We currently lease our existing stores and expect this policy to continue as we expand. Our leases typically provide for a short initial lease term and give us the option to extend. We believe this leasing strategy enhances our flexibility to pursue various expansion and relocation opportunities resulting from changing market conditions.

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. 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 generally maintain good relations with our landlords and are a valued tenant.

## Distribution Centers

The following table includes information about the distribution centers that we currently operate. We believe our operational distribution centers can support a total of approximately \$2.3 billion in annual retail sales.

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	March 2006	317,000
Philadelphia, Pennsylvania	Lease	December 2002	200,000
Savannah, Georgia	Lease	March 2006	600,000

In addition to our distribution centers noted above, during the past several years we have used off-site facilities to accommodate large quantities of seasonal merchandise.

We have leased a 600,000 square foot distribution center being constructed in Briar Creek, Pennsylvania. We expect it to be operational in early 2002. We believe that when this new facility is fully operational, our distribution network will support annual sales up to \$2.9 billion. The Briar Creek distribution center will replace our Philadelphia distribution center and 83,000 square foot office and warehouse, the lease for which expires in April 2001. When the lease expires, the office and warehouse facility will be leased on a month-to-month basis until the Briar Creek distribution center is operational.

Effective March 12, 2001, we entered into an operating lease facility for



\$165 million, of which \$93 million was committed to our existing Stockton, Briar Creek and Savannah distribution centers. Our existing distribution center operating lease agreements for Stockton, Briar Creek and Savannah were replaced with this facility. The termination date of this operating lease facility is March 12, 2006. As a result, the lease expiration date for the Stockton, Briar Creek and Savannah distribution centers is now March 12, 2006. The lease facility, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and limits certain types of debt we can incur.

The Chesapeake, Olive Branch and Savannah distribution centers contain, and the Briar Creek distribution center will contain, advanced materials handling technologies, including an automated conveyor and sorting system, radio-frequency inventory tracking equipment and specialized information systems. Beginning in March 2001, we plan to expand and automate the Stockton distribution center. The automation and expansion is expected to be complete in the first quarter of 2002 and will increase the facility to 525,000 square feet. The Chicago and Philadelphia distribution centers are not automated and there are no plans to automate these facilities.

Over the past several years, we have replaced certain distribution centers for which we are liable for future rents as detailed in the table below:

<TABLE>  
<CAPTION>

Location -----	Facility Replaced -----	Year Replaced -----	Lease Expires -----	Sublease Expires -----
<S> Chesapeake, Virginia	<C> Norfolk, Virginia	<C> 1998	<C> December 2009	<C> February 2008
Olive Branch, Mississippi	Memphis, Tennessee	1999	September 2005	March 2002
Stockton, California </TABLE>	Sacramento, California	2000	June 2008	June 2008

For more information on our liability for future rents and related costs, see "Management's Discussion and Analysis-Inflation and Other Economic Factors" on page 20.

Item 3. LEGAL PROCEEDINGS

We are defendants in ordinary routine litigation and proceedings incidental to our business. From time to time, the Consumer Products Safety Commission requires us to recall products. We are currently in the process of recalling one product. On several occasions, products we sold have been alleged to cause injuries, but there are no pending or threatened injury claims. Some products we sold have also been alleged to infringe the intellectual property rights of others. We are currently defending claims by parties who have alleged that products we sold violated their intellectual property rights. We do not believe that any of these matters are individually or in the aggregate material to us.

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 2000 calendar year.

PART II

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

Our 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 the Nasdaq for the periods indicated, restated to reflect a 3-for-2 stock split effected as a stock dividend in June 2000.

	High ----	Low ---
1999:		
First Quarter.....	\$ 32.83	\$ 20.50
Second Quarter.....	29.33	19.17
Third Quarter.....	31.00	21.67
Fourth Quarter.....	34.83	23.00
2000:		
First Quarter.....	\$ 36.33	\$ 20.83
Second Quarter.....	43.21	31.00
Third Quarter.....	48.25	37.75
Fourth Quarter.....	44.00	18.69

On March 23, 2001, the last reported sale price for our common stock as quoted by Nasdaq was \$17.56 per share. As of March 23, 2001, we had approximately 500 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. In addition, our credit facilities contain financial covenants that restrict our ability to pay cash dividends.

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Item 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data and net sales per gross square foot data)

The following table presents a summary of our selected financial data for the last five calendar years. The selected income statement and balance sheet data for the years ended December 31, 2000, 1999 and 1998 have been derived from our consolidated financial statements that have been audited by our independent certified public accountants. In addition, the selected income statement data for the year ended 1997 has been derived from our consolidated income statement that has 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 our financial information found elsewhere in this report. The selected balance sheet data for the year ended December 31, 1997 and the selected income statement and balance sheet data for the year ended December 31, 1996 have been derived from our unaudited consolidated financial statements, which have been prepared on the same basis as the audited consolidated financial statements. As required by pooling-of-interests accounting, the financial information and operating data of Dollar Tree and our past merger partners, Dollar Express, Only \$One and 98 Cent Clearance Center, have been combined and restated as of the beginning of the earliest period presented.

For 2000, the extraordinary loss represents the write-off of deferred financing costs in connection with early retirement of the Dollar Express outstanding debt.

For 2000, operating income was reduced by \$4,366, and net income was reduced by \$3,134 for charges related to the Dollar Express merger. For 1999, operating income was reduced by \$1,050, and net income was reduced by \$792, for charges related to the Only \$One merger. For 1998, operating income was reduced by \$5,325, and net income was reduced by \$4,201, for charges related to the 98 Cent Clearance Center merger.

Dollar Express and Only \$One were treated as S corporations for federal and state income tax purposes through February 4, 1999 and June 29, 1999, respectively. As a result, their income was taxable to their shareholders through those dates. Accordingly, our pro forma income statement data reflects the pro forma increase in our C corporation federal and state income tax expense, which would have occurred had these companies been taxed as C corporations for the entire periods presented.

In our merger with Dollar Express in May 2000, the outstanding preferred stock of Dollar Express was converted to common stock. Pro forma diluted net income per common share would have been \$0.96 for the year ended December 31, 1999 if the conversion of preferred stock had taken place on February 5, 1999, the date when the preferred stock was originally issued. This calculation gives effect to an adjustment that increases net income available to common shareholders by \$7,409 to eliminate the charge for accrued preferred stock dividends and accretion of preferred stock and warrants for the year ended December 31, 1999. In addition, if the conversion had taken place on February 5, 1999, the weighted average number of common shares and potential dilutive common shares outstanding would have increased by 2,795,000 shares for the year ended December 31, 1999.

Comparable store net sales compare net sales for stores open throughout each of the two periods being compared, including expanded and relocated stores. Net sales per store and net sales per square foot are calculated for stores open throughout the period presented.

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<TABLE>  
<CAPTION>

Year Ended December 31,  
-----

	2000	1999	1998	1997	
1996					-
-----					
Income Statement Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	\$1,688,105	\$1,351,820	\$1,073,886	\$847,830	
\$665,802					
Cost of sales.....	1,063,416	854,124	681,387	551,926	
435,446					
Merger-related costs.....	1,100	443	1,301	--	
--					
-----					
Gross profit.....	623,589	497,253	391,198	295,904	
230,356					
Selling, general and administrative expenses:					
Operating expenses.....	375,316	290,241	234,197	189,060	
148,785					
Merger-related expenses.....	3,266	607	4,024	--	
--					
Depreciation and amortization.....	41,971	30,809	22,463	16,017	
12,607					
-----					
Total.....	420,553	321,657	260,684	205,077	
161,392					
-----					
Operating income.....	203,036	175,596	130,514	90,827	
68,964					
Interest income.....	4,266	1,743	604	145	
119					
Interest expense.....	(7,817)	(7,429)	(5,217)	(3,831)	
(5,868)					
-----					
Income before income taxes.....	199,485	169,910	125,901	87,141	
63,215					
Provision for income taxes.....	77,476	63,333	44,583	31,323	
22,284					
-----					
Income before extraordinary item.....	122,009	106,577	81,318	55,818	
40,931					
Loss on debt extinguishment, net of tax benefit of \$242.....	387	--	--	--	
--					
-----					
Net income.....	121,622	106,577	81,318	55,818	
40,931					
Preferred stock dividends and accretion.....	1,413	7,027	--	--	
--					
-----					
Net income available to common shareholders.....	\$ 120,209	\$ 99,550	\$ 81,318	\$ 55,818	\$
40,931					
=====					
Pro Forma Income Statement Data:					
Net income available to common shareholders.....	\$ 120,209	\$ 99,550	\$ 81,318	\$ 55,818	\$
40,931					
Adjustment for C corporation income taxes.....	--	505	4,804	2,279	
2,163					
-----					
Pro forma net income available to common shareholders.....	\$ 120,209	\$ 99,045	\$ 76,514	\$ 53,539	\$
38,768					
=====					
Pro forma basic net income per common share.....	\$ 1.16	\$ 1.01	\$ 0.79	\$ 0.55	\$
0.41					

Pro forma diluted net income per common share.....	\$ 1.08	\$ 0.92	\$ 0.71	\$ 0.50	\$
0.37					
Weighted average number of common shares outstanding, in thousands.....	103,972	98,435	97,454	96,747	
94,830					
Weighted average number of common shares and dilutive potential common shares outstanding, in thousands.....	111,809	107,960	107,115	106,149	
103,919					
Selected Operating Data:					
Number of stores open at end of period.....	1,729	1,507	1,285	1,059	
888					
Total gross square footage, in thousands.....	9,832	7,638	6,051	4,793	
3,810					
Net sales growth.....	24.9%	25.9%	26.7%	27.3%	
51.6%					
Comparable store net sales increase.....	5.7%	5.0%	6.5%	6.9%	
5.9%					
Net sales per store.....	\$ 1,014	\$ 939	\$ 902	\$ 851	\$
784					
Net sales per gross square foot.....	\$ 189	\$ 196	\$ 200	\$ 198	\$
200					

As of December 31,

	2000	1999	1998	1997	
-----	-----	-----	-----	-----	
1996					
-----	-----	-----	-----	-----	
Balance Sheet Data:					
Working capital.....	\$ 303,596	\$ 226,707	\$ 124,758	\$ 70,521	\$
32,518					
Total assets.....	746,859	611,233	436,768	328,282	
217,370					
Total debt.....	71,730	108,773	53,759	42,622	
13,059					
Mandatorily redeemable preferred stock.....	--	35,171	--	--	
--					
Shareholders' equity.....	518,658	316,238	262,575	173,290	
116,651					

</TABLE>

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

Key Events and Recent Developments

Several key events have had or are expected to have a significant effect on our results of operations. You should keep in mind that:

- o In August 2000, we amended an existing distribution center operating lease agreement to facilitate construction of a 600,000 square foot distribution center in Briar Creek, Pennsylvania. We plan to begin operating this facility in the first quarter of 2002.
- o In May 2000, we merged with Dollar Express and issued or reserved 9,000,000 shares of our common stock in exchange for Dollar Express's outstanding stock and options. Dollar Express operated 132 stores primarily in the Mid-Atlantic region.
- o In January 2000, we entered into an operating lease for a new 600,000 square foot distribution center, which was constructed in Savannah, Georgia. We began shipping from this facility in February 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 merged with Only \$One, issuing 752,400 shares of our common stock in exchange for Only \$One's outstanding stock. 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 merged with 98 Cent Clearance Center. We reserved or issued approximately 3,228,000 shares of our common stock in exchange for 98 Cent Clearance Center's outstanding stock and options. 98 Cent Clearance Center operated 66 stores in northern and central California and Nevada.

We accounted for the Dollar Express, Only \$One and 98 Cent Clearance Center mergers as poolings of interest. As a result, all financial and operational data assume that Dollar Express, Only \$One and 98 Cent Clearance Center had each been a part of Dollar Tree throughout all periods presented. For each period presented, the outstanding Dollar Express, Only \$One and 98 Cent Clearance Center shares of stock have been converted into Dollar Tree shares based on the exchange ratios used in each merger.

#### Results of Operations

Our net sales derive 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 change at our existing stores from one year to the next. We refer to this as a change in comparable store net sales, because we compare only those stores that are open throughout both of the periods being compared. We include expanded or relocated stores in the calculation of comparable store net sales, which causes our comparable store net sales increases or decreases to appear more favorable.

Most retailers can increase the price of their merchandise in order to increase their comparable store net sales. As a fixed price retailer, we do not have the ability to raise our prices. Generally, our comparable store net sales will increase only if we sell more merchandise. In 1999, we increased the price point in the sixty-six 98 Cent Clearance Center stores from \$0.98 to \$1.00. This had only a minor impact on our comparable store net sales. We believe that future comparable store net sales increases, if any, will be lower than those we have experienced in the past.

We anticipate that our future net sales growth will come mostly from new store openings. We added 222 stores in 2000 and plan to add 250 to 260 stores in 2001. We also expect our average store size to increase in 2001, which we believe will result in a decrease in our net sales per gross square foot. Of our expected gross square footage increase in 2001 of 27% to 29% (or 2.6 million to 2.8 million gross square feet), approximately 400,000 square feet will come from expanded or relocated stores.

Increases in expenses could negatively impact our operating results because 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 our costs.

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<TABLE>  
<CAPTION>

The following table expresses items from our income statement as a percentage of net sales:

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
<S>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	63.0	63.2	63.5
Merger-related costs.....	0.1	--	0.1
	----	----	----
Gross profit.....	36.9	36.8	36.4
Selling, general and administrative expenses:			
Operating expenses.....	22.2	21.5	21.8
Merger-related expenses.....	0.2	--	0.4
Depreciation and amortization.....	2.5	2.3	2.0
	----	----	----
Total.....	24.9	23.8	24.2
	----	----	----
Operating income.....	12.0	13.0	12.2
Interest income.....	0.3	0.1	0.1
Interest expense.....	(0.5)	(0.5)	(0.6)
	----	----	----
Income before income taxes.....	11.8	12.6	11.7
Provision for income taxes.....	4.6	4.7	4.1
	----	----	----

Net income.....	7.2%	7.9%	7.6%
	=====	=====	=====

</TABLE>

2000 Compared to 1999

Net Sales. Net sales increased 24.9% to \$1,688.1 million for 2000 from \$1,351.8 million for 1999. We attribute this \$336.3 million increase in net sales to two factors:

- o Approximately 79% of the increase came from stores opened in 2000 and 1999, which are not included in our comparable store net sales calculation.
- o Approximately 21% of the increase came from comparable store net sales increases. Comparable store net sales increased 5.7% during 2000.

We believe comparable store net sales increased because:

- o We expanded and relocated stores.
- o We improved the mix of our merchandise, offering more consumable products as a component of our domestic merchandise.
- o The Easter selling season was longer in 2000 compared to 1999.
- o Customers purchased a higher average number of items per visit, and we had more customer visits.

We opened 233 new stores and closed 11 stores during 2000, compared to 227 new stores opened and five stores closed the previous year. We added 28.7% to our total store square footage in 2000 compared to 26.2% in 1999. Of the 2.2 million, or 28.7%, increase in gross square footage in 2000, approximately 400,000 gross square feet was added by expanding and relocating existing stores.

Gross Profit. Gross profit increased \$126.3 million, or 25.4%, in 2000 as compared to our gross profit in 1999. Our gross profit margin increased to 36.9% in 2000 from 36.8% in 1999. Excluding merger-related costs, gross profit margin increased to 37.0% in 2000 compared to 36.8% in 1999. Particular changes affecting our gross profit margin in 2000 included:

- o We believe our buying power with merchandise vendors increased because of our increased sales, which in turn lowered our overall merchandise costs expressed as a percentage of net sales.
- o Our freight costs increased primarily as a result of our changing merchandise mix and an increase in domestic fuel costs. The changing merchandise mix, which included an increase in consumable merchandise as a percentage of our domestic merchandise, required more shipments to deliver the same amount of merchandise in 2000 as compared to 1999.

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- o In 2000, we purchased a slightly higher percentage of imports, which generally cost less than domestic products, and sales of these goods improved our gross profit margin for the year.

We will have difficulty maintaining our historical gross profit margins in 2001 and future years as we refine our merchandise mix to include a higher proportion of consumable merchandise, which typically carry a lower gross profit margin, open more of the larger stores and continue to absorb higher costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$98.9 million, or 30.7%, in 2000 compared to 1999. As a percentage of net sales, selling, general and administrative expenses increased to 24.9% in 2000 compared to 23.8% in 1999. Excluding expenses related to the Dollar Express merger in 2000, selling, general and administrative expenses increased as a percentage of net sales to 24.7% compared to 23.8% in 1999. This increase is primarily the result of a loss of leverage during the important fourth quarter selling season, non-recurring Dollar Express expenses of approximately \$3.3 million and an increase in our worker's compensation and general liability accruals resulting from a change in our estimates. The \$3.3 million in non-recurring Dollar Express expenses primarily includes:

- o accrual of tax liabilities;
- o training Dollar Express store personnel on new systems, policies and procedures;
- o conducting physical inventories of Dollar Express stores; and
- o improving benefits and paying transitional salaries.

Expressed as a percentage of net sales, depreciation and amortization increased to 2.5% in 2000 from 2.3% in 1999, a total increase of \$11.2 million. The increase as a percentage of net sales was primarily due to approximately

\$1.4 million of accelerated depreciation related to Dollar Express's store equipment and warehouse management system. We replaced the Dollar Express warehouse management system in January 2001 with our own, which we believe will increase the visibility of merchandise in our Philadelphia distribution center and improve merchandise flow and our store ordering system.

We estimate that Dollar Express was approximately \$0.04 dilutive to our diluted earnings per share in 2000, excluding merger-related items.

Leveraging our selling, general and administrative expenses will become increasingly difficult because we expect to incur difficulties in maintaining our historical comparable store net sales increases, especially in the first half of 2001.

Operating Income. Our operating income increased \$27.4 million, or 15.6%, in 2000 as compared to 1999. As a percentage of net sales, operating income decreased to 12.0% in 2000 compared to 13.0% in 1999. Excluding merger-related items, operating income increased to \$207.4 million in 2000 from \$176.6 million in 1999 and decreased as a percentage of net sales to 12.3% from 13.1%. This decrease was due to increased operating expenses, as a percentage of net sales, partially offset by improved gross profit margin as discussed above.

Interest Income and Expense. Interest income increased \$2.6 million to \$4.3 million in 2000 from \$1.7 million in 1999. The increase resulted from higher levels of cash and cash equivalents in 2000 compared to 1999. Interest expense increased \$0.4 million to \$7.8 million in 2000 from \$7.4 million in 1999. Interest expense increased because we incurred interest on the sale-leaseback transaction for the entire year in 2000 compared to only three months in 1999. This increase was partially offset by the decrease in interest on the revolving credit facility and term loan paid off in May 2000.

Income Taxes. Our effective tax rate increased to 38.8% for the year ended December 31, 2000 from 37.3% for the year ended December 31, 1999 because the 1999 rate included a benefit of approximately 1.3%, as a percentage of income before taxes, related to Dollar Express's conversion from an S to C corporation and 0.3% related to the non-taxable S corporation income of Only \$One in the first half of 1999.

#### 1999 Compared to 1998

Net Sales. Net sales increased 25.9% to \$1,351.8 million for 1999 from \$1,073.9 million for 1998. We attribute this \$277.9 million increase in net sales to two factors:

- o Approximately 82% of the increase came from stores opened in 1999 and 1998, which are not included in our comparable store net sales calculation.
- o Approximately 18% of the increase came from comparable store net sales growth. Comparable store net sales increased 5.0% during 1999.

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We believe comparable store net sales increased because:

- o We improved the mix of our 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 expanded and relocated stores.
- o Customers purchased a higher average number of items per visit, and we had more customer visits.

We opened 227 new stores and closed five stores during 1999, compared to 234 new stores opened and eight stores closed the previous year. The new 1999 stores include four that we acquired from a small dollar store operator. We added 26.2% to our total square footage in each of 1999 and 1998.

Gross Profit. Gross profit increased \$106.1 million, or 27.1%, in 1999 as compared to our gross profit in 1998. Our gross profit margin increased to 36.8% in 1999 from 36.4% in 1998. Particular changes affecting our gross profit margin in 1999 included:

- o We believe our buying power with merchandise vendors increased because of our increased sales, which in turn lowered our overall merchandise costs expressed as a percentage of net sales.
- o Our distribution costs were lower as a percentage of net sales due to 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 that took effect in May 1999. Excluding the effect on Dollar Express, we estimate that the impact of these higher shipping rates on our business was approximately \$5.0 million in 1999.

- o In 1999, we purchased a slightly higher percentage of imports, which generally cost less than domestic products, and sales of these goods improved our gross profit margin for the year.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$61.0 million, or 23.4%, in 1999 compared to 1998. As a percentage of net sales, selling, general and administrative expenses decreased to 23.8% in 1999 compared to 24.2% in 1998. Excluding expenses related to the 98 Cent Clearance Center merger in 1998, selling, general and administrative expenses remained constant as a percentage of net sales at 23.8% in both 1999 and 1998. Expressed as a percentage of net sales, depreciation and amortization increased to 2.3% in 1999 from 2.0% in 1998, a total increase of \$8.3 million. This percentage increase resulted primarily from depreciation related to the Olive Branch distribution facility.

During 1999, we recorded a \$1.3 million charge in selling, general and administrative expenses for remaining payments on our closed Sacramento distribution facility. This lease loss accrual is adjusted quarterly based on changes in market conditions.

**Operating Income.** Our operating income increased \$45.1 million, or 34.5%, in 1999 as compared to 1998. As a percentage of net sales, operating income increased to 13.0% in 1999 compared to 12.2% in 1998. Excluding merger-related items, operating income increased to \$176.6 million in 1999 from \$135.8 million in 1998 and increased as a percentage of net sales to 13.0% from 12.7%. These increases were attributable to our improved gross profit margin discussed above.

**Interest Income and Expense.** Interest income increased \$1.1 million to \$1.7 million in 1999 from \$0.6 million in 1998. The increase resulted from higher levels of cash and cash equivalents in 1999 compared to 1998. Interest expense increased \$2.2 million to \$7.4 million in 1999 from \$5.2 million in 1998. The increase resulted from the term loan entered into by Dollar Express in February 1999 and accretion of the common stock put warrants of Dollar Express to redemption value. The common stock put warrants were terminated in connection with the consummation of the merger with Dollar Express.

**Income Taxes.** Our effective tax rate increased to 37.3% for the year ended December 31, 1999 from 35.4% for the year ended December 31, 1998 because Dollar Express was not subject to corporate-level income taxes before its conversion from an S to C corporation on February 5, 1999. This increase was partially offset by a \$2.2 million deferred tax benefit recorded in connection with its conversion from an S to C corporation for income tax purposes.

## Liquidity and Capital Resources

### Overview

Our business requires capital to open new stores and operate existing stores. Our working capital requirements for existing stores are seasonal and usually 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 opening and relocation and expansion programs from internally generated funds and borrowings under our credit facilities.

The following table compares cash-related information for the years ended December 31, 2000, 1999 and 1998:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	----	----	----
	(in millions)		
Net cash provided by (used in):			
Operating activities.....	\$ 107.7	\$ 128.6	\$ 85.5
Investing activities.....	(94.8)	(55.2)	(57.0)
Financing activities.....	(12.9)	23.5	7.3

The \$20.9 million decrease in cash provided by operating activities in 2000 was caused primarily by the decrease in fourth quarter operating results as compared to 1999. This resulted in a carry over of approximately 5% more of our fourth quarter seasonal merchandise as compared to 1999.

Cash used in investing activities is generally expended to open new stores. The \$39.6 million increase in investing activities was primarily due to an increase in capital expenditures for the year 2000 compared to the same period in 1999 as a result of the following:

- o an increase in the number of new stores opened and the average size of



those stores in 2000;

- o an increase in the number of relocations and expansions;
- o the expansion of the Store Support Center;
- o improvement in our supply chain processes; and
- o installation of new registers and back-office equipment in the Dollar Express stores.

The \$36.4 million decrease in cash provided by (used in) financing activities was primarily the result of the following:

- o We did not receive any proceeds from the issuance of equity, excluding stock-based compensation plans, in 2000 compared to the \$32.2 million received in 1999 related to the issuance of Dollar Express's preferred stock and common stock put warrants.
- o We made net repayments of approximately \$34.2 million in 2000 due to repayment of Dollar Express's term loan and revolving credit facility and the first principal payment on the senior notes. In 1999, we had net borrowings of approximately \$23.0 million related primarily to draw downs on Dollar Express's term loan and revolving credit facility.
- o We received \$15.8 million more cash pursuant to stock-based compensation plans in 2000 compared to 1999 because of increased stock option exercises.
- o We did not pay any distributions in 2000 compared to the \$61.0 million of distributions paid in the first nine months of 1999 to the former shareholders of Dollar Express and Only \$One.
- o We received \$21.6 million related to the sale-leaseback transaction in 1999.

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At December 31, 2000, our borrowings under our bank facilities, senior notes and bonds were \$43.0 million and we had an additional \$135.0 million available under our bank facility. Of the amount available, approximately \$71.0 million was committed to letters of credit issued for the routine purchase of imported merchandise.

#### Funding Requirements

We expect to add approximately 250 to 260 stores in 2001. In 2000, the average investment per new store, including capital expenditures, initial inventory and pre-opening costs, was as follows:

Store Type	Number of Stores Opened	Average Investment per Store
-----	-----	-----
Traditional stores	117	\$ 211,000
Larger stores	116	333,000
All stores	233	272,000

We expect our cash needs for opening new stores in 2001, including approximately 165 to 175 of the larger format stores, to total approximately \$89.7 million. We have budgeted approximately \$53.5 million for capital expenditures and \$36.2 million for initial inventory and pre-opening costs. Our total planned capital expenditures for 2001 are approximately \$114.7 million, including planned expenditures for new, expanded and relocated stores, investments in our supply chain processes, additional equipment for the distribution centers and remodeling and upgrading many of the Dollar Express stores. We believe that we can adequately fund our planned capital expenditures and working capital requirements for the next few years from net cash provided by operations and borrowings under our credit facility.

Bank Credit Facilities. 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, 2000, the interest rate was approximately 7.1%. The credit agreement, among other things, requires the maintenance of specified ratios, restricts the payments of cash dividends and other distributions and limits the amount of debt we can incur. The facility terminates on May 31, 2002. Dollar Express's former credit facility was paid in full after the consummation of the merger on May 5, 2000.

Effective March 12, 2001, we entered into a new revolving credit facility with our banks, which provides for a \$50.0 million unsecured revolving credit facility to be used for working capital bearing interest at the agent bank's

prime rate or LIBOR plus a spread, at our option. The credit agreement, among other things, requires the maintenance of specified ratios, restricts the payments of certain distributions and limits certain types of debt we can incur. The facility terminates on March 11, 2002.

Also, effective March 12, 2001, we entered into a Letter of Credit Reimbursement and Security Agreement, which provides \$125.0 million for letters of credit, which are generally issued in relation to the routine purchase of imported merchandise.

Operating Lease Agreements. We have entered into operating leases for three of our distribution centers. Under these agreements, the lessor is required to purchase the property, pay for the construction costs and lease the facility to us. The following table includes information related to these operating leases:

Location -----	Operating Lease Amount -----	Lease Begins -----	Lease Expires -----
Stockton, California and Briar Creek, Pennsylvania	\$58.0 million	June 1999	March 2006
Savannah, Georgia	\$35.0 million	January 2000	March 2006

In August 2000, we amended our existing operating lease agreement related to our Stockton distribution center. We increased the agreement to \$58.0 million to facilitate the construction of a new \$40.0 million distribution center in Briar Creek, Pennsylvania.

On September 8, 2000, we entered into a \$10.0 million interest rate swap agreement to manage the risk associated with interest rate fluctuations on a portion of our Stockton distribution center lease. The swap creates the economic equivalent of a fixed rate lease by converting the variable interest rate to a fixed rate. Under this agreement, we pay interest to a financial institution at a fixed rate of 6.45%. In exchange, the financial institution pays us at a variable interest rate, which approximates the floating rate on the lease agreement, excluding the credit spread. The interest rate on the swap is subject to adjustment monthly. No payments are made by either party under the swap for monthly periods with an established interest rate greater than 7.41%. The swap is effective through June 2004, but it may be canceled by the bank or us and settled for the fair value of the swap as determined by market rates. The fair value of this swap at December 31, 2000 was approximately (\$0.2) million.

On December 20, 2000, we entered into a \$5.0 million interest rate swap agreement to manage the risk associated with interest rate fluctuations on a portion of our Stockton distribution center lease. Under this agreement, we pay interest to a financial institution at a fixed rate of 5.83%. In exchange, the financial institution pays us at a variable interest rate, which approximates the floating rate on the lease agreement, excluding the credit spread. The interest rate on the swap is subject to adjustment monthly. No payments are made by either party under the swap for monthly periods with an established interest rate greater than 7.41%. The swap is effective through June 2004, but it may be canceled by the bank or us and settled for the fair value of the swap as determined by market rates. The fair value of this swap at December 31, 2000 was approximately (\$15,000).

Effective March 12, 2001, we entered into an operating lease facility for \$165.0 million, of which approximately \$93 million was committed to our existing Stockton, Briar Creek and Savannah distribution centers. Our existing distribution center operating lease agreements for Stockton, Briar Creek and Savannah were replaced with this facility. The termination date of this operating lease facility is March 2006. As a result, the lease expiration date for the Stockton, Briar Creek and Savannah distribution centers is now March 2006. The lease facility, among other things, requires the maintenance of certain specified financial ratios, restricts the payment of certain distributions and limits certain types of debt we can incur.

Sale-Leaseback Transaction. In September 1999, we sold some 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. The transaction is treated as a financing arrangement for financial accounting purposes. The total amount of the lease obligation is \$29.0 million. We are required to make monthly lease payments of \$438,000 in the first five years and \$638,000 in the sixth and seventh years. As a result of the transaction, we received net cash of \$20.9 million and an \$8.1 million 11.0% note receivable, which matures in September 2006.

Revenue and Bond Financing. In May 1998, we entered into an agreement with the Mississippi Business Finance Corporation under which it issued \$19.0 million of variable rate demand revenue bonds. We borrowed 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, 2000, the balance outstanding on the bonds was \$19.0 million. We begin repayment of the principal amount of the bonds in June 2006, with a portion maturing each June 1 until the final portion matures in June 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 7.3% at December 31, 2000. The bonds are secured 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 require that we maintain specified financial ratios and restrict our ability to pay cash dividends.

In April 1999, we entered into a \$19.0 million interest rate swap agreement to manage the risk associated with interest rate fluctuations on the demand revenue bonds. Under this agreement, as amended, we pay interest to the bank that provided the swap at a fixed rate of 4.88%. In exchange, the financial institution pays us at a variable interest rate, which is similar to the rate on the demand revenue bonds. The variable interest rate on the interest rate swap is set monthly. No payments are made by either party under the swap for monthly periods with an established interest rate greater than 7.75%. The swap is effective through April 1, 2009, but it may be canceled by the bank or us and settled for the fair value of the swap as determined by market rates. The fair value of this swap at December 31, 2000 was approximately \$0.3 million.

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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 we pay principal in five equal annual installments of \$6.0 million, which began 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 specified asset dispositions or other transactions we may make. The note agreements prohibit specified mergers and consolidations in which our company is not the surviving company, require that we maintain specified financial 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 penalty to the note holder.

#### Seasonality and Quarterly Fluctuations

We experience seasonal fluctuations in our net sales, comparable store net sales, operating income and net income and expect 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 larger store format has a slightly different seasonal sales pattern than our traditional stores. These larger stores realize a lower percentage of their annual sales in the fourth quarter as compared to our traditional stores. We believe this is a result of the larger format stores containing a higher proportion of basic consumer products than our traditional stores.

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 May 24, 2000, which includes quarterly information for the combined companies.

## Inflation and Other Economic Factors

Our ability to provide quality merchandise at a fixed price and on a profitable basis is subject to economic factors that we cannot control, including inflation in shipping rates, wage rates and other operating costs.

**Shipping Costs.** In May 1998, the trans-Pacific shipping cartel imposed a freight increase of \$300 per container on U.S. 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. The Trans-Pacific Stabilization Agreement (TSA), which has essentially replaced the trans-Pacific shipping cartel, may call for increased shipping rates and a peak season surcharge in 2001. As a result, our trans-Pacific shipping rates may increase when we renegotiate our import shipping rates effective May 2001.

During 2000, we experienced a \$1.2 million increase in our domestic freight costs because of increased domestic fuel costs. If fuel costs remain at current levels, we believe our domestic freight expense in 2001 will increase by an additional \$0.5 to \$0.7 million compared with 2000. In addition, higher fuel costs are expected to increase our import freight costs in the form of a fuel surcharge. We expect these costs will increase approximately \$0.5 million in 2001.

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**Minimum Wage.** Although our average hourly wage rate is significantly higher than the federal minimum wage, an increase in the mandated minimum wage could significantly increase our payroll costs. For example, the federal 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 \$5.0 million in 1998, excluding the impact this increase had on the 98 Cent Clearance Center, Only \$One and Dollar Express stores. In February 2000, the U.S. Senate approved a proposal increasing the federal minimum wage by \$1.00 per hour over three years. In March 2000, the U.S. House of Representatives approved a proposal increasing the federal minimum wage by \$1.00 per hour over two years. No bill was passed into law and the status of this issue in the 2001 Congress is uncertain given the new administration. If the minimum wage were to increase by \$1.00 per hour, we believe that our annual payroll expenses would increase by approximately 2.0% to 2.5% of operating expenses unless we realize offsetting cost reductions.

**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, our former distribution center in Sacramento through June 2008 and our current distribution center in Philadelphia through December 2002. Annual rent and pass-through costs are approximately \$0.7 million for the Memphis facility, \$0.6 million for the Sacramento facility and \$0.5 million for the Philadelphia facility. We subleased the Memphis facility through March 2002 and the Sacramento facility through June 2008. We have recorded charges for the Memphis and Sacramento leases considering current market conditions and probable sublease income at each location.

Unless offsetting cost savings are realized, adverse economic factors, including inflation in operating costs, could harm our financial condition and results of operations.

## New Accounting Pronouncements

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, establishes accounting standards for derivative instruments and hedging activities and requires the recognition of all derivatives as either assets or liabilities in the statement of financial position at their fair value. We adopted this statement effective January 1, 2001. We do not expect the implementation of this pronouncement to materially affect our financial condition or results of operations.

Pursuant to SFAS No. 133, our current interest rate swaps do not qualify for cash flow hedge accounting. As a result, changes in the fair value of our existing derivative instruments will be recorded currently in earnings. These changes in fair value are not predictable.

## 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 may enter 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, consisting of debt obligations issued at variable and fixed rates. Based on amounts outstanding on our fixed rate debt obligations at December 31, 2000, we do not consider our exposure to interest rate risk to be material.

We use variable-rate debt and operating leases to finance our operations and capital improvements. These obligations expose 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 our interest payments.

To meet this objective, we entered into derivative instruments in the form of interest rate swaps to manage fluctuations in cash flows resulting from changes in the variable interest rates on the obligations. The interest rate swaps reduce the interest rate exposure on these variable-rate obligations. Under the interest rate swap, we pay the bank at a fixed rate and receive variable interest at a rate approximating the variable rate on the obligation, thereby creating the economic equivalent of a fixed rate obligation. No payments are made by either party under the swap for monthly periods in which the variable interest rate is greater than the predetermined knockout rate.

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The following table summarizes the financial terms of our interest rate swap agreements:

Hedging Instrument -----	Receive Variable -----	Pay Fixed -----	Knockout Rate ----	Expiration -----	Fair Value -----
\$19.0 million interest rate swap	LIBOR	4.88%	7.75%	4/1/09	\$337,000
\$10.0 million interest rate swap	LIBOR	6.45%	7.41%	6/2/04	(\$208,000)
\$5.0 million interest rate swap	LIBOR	5.83%	7.41%	6/2/04	(\$15,000)

We do not believe our exposure to changes in the fair value of the interest rate swaps is material.

## 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 suppliers in Italian lire. When favorable exchange rates exist, we may hedge foreign currency commitments of future payments by purchasing foreign currency forward contracts. On December 31, 2000, we had no contracts outstanding. Less than 1% of our purchases are contracted in Italian lire, and the market risk exposure relating to currency exchange rate fluctuations 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, 2000 and 1999.....	25
Consolidated Income Statements for the years ended December 31, 2000, 1999 and 1998.....	26
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998.....	27
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998.....	28
Notes to Consolidated Financial Statements.....	29

## 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, 2000 and 1999, 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, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Norfolk, Virginia  
January 23, 2001

<TABLE>  
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DOLLAR TREE STORES, INC.  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	December 31, -----	
	2000 ----	1999 ----
	(In thousands, except share data)	
<b>ASSETS</b>		
<b>Current assets</b>		
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 181,553	\$ 181,587
Merchandise inventories.....	258,687	192,838
Deferred tax asset (Note 3).....	8,291	6,093
Prepaid expenses and other current assets.....	29,370	14,588
	-----	-----
Total current assets.....	477,901	395,106
	-----	-----
Property and equipment, net (Notes 4 and 5).....	211,632	157,368
Deferred tax asset (Note 3).....	1,566	470
Goodwill, net of accumulated amortization.....	40,376	42,394
Other assets, net (Notes 2 and 4).....	15,384	15,895
	-----	-----
TOTAL ASSETS.....	\$ 746,859	\$ 611,233
	=====	=====

LIABILITIES, MANDATORILY REDEEMABLE PREFERRED  
STOCK AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable.....	\$ 75,404	\$ 71,750
Income taxes payable (Note 3).....	23,448	29,193
Other current liabilities (Note 5).....	46,906	36,196
Current portion of long-term debt (Note 6).....	25,000	28,070
Current installments of obligations under capital leases (Note 4).....	3,547	3,190
	-----	-----
Total current liabilities.....	174,305	168,399
Long-term debt, excluding current portion (Note 6).....	18,000	49,138
Obligations under capital leases, excluding current installments (Note 4).....	25,183	28,375
Common stock put warrants (Note 8).....	--	4,394
Other liabilities .....	10,713	9,518
	-----	-----
Total liabilities.....	228,201	259,824
	-----	-----
Cumulative convertible mandatorily redeemable preferred stock (Note 8).....	--	35,171
	-----	-----
Shareholders' equity (Notes 2, 8 and 10):		
Common stock, par value \$0.01. 300,000,000 shares authorized, 112,046,201 shares issued and outstanding at December 31, 2000; and 98,842,201 shares issued and outstanding at December 31, 1999.....	1,121	659
Additional paid-in capital.....	156,780	75,031
Retained earnings.....	360,757	240,548
	-----	-----
Total shareholders' equity.....	518,658	316,238
	-----	-----
Commitments, contingencies and subsequent events (Notes 4, 6, 7, 8, 10 and 11).....	--	--
	-----	-----
TOTAL LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY.....	\$ 746,859	\$ 611,233
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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DOLLAR TREE STORES, INC.  
AND SUBSIDIARIES  
  
CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
Net sales .....	\$ 1,688,105	\$ 1,351,820	\$ 1,073,886
Cost of sales (Note 4) .....	1,063,416	854,124	681,387
Merger-related costs (Note 2) .....	1,100	443	1,301
	-----	-----	-----
Gross profit .....	623,589	497,253	391,198
	-----	-----	-----
Selling, general and administrative expenses (Notes 4, 7 and 9):			
Operating expenses .....	375,316	290,241	234,197
Merger-related expenses (Note 2) .....	3,266	607	4,024
Depreciation and amortization (Note 2) .....	41,971	30,809	22,463
	-----	-----	-----
Total selling, general and administrative expenses .....	420,553	321,657	260,684
	-----	-----	-----
Operating income .....	203,036	175,596	130,514
Interest income .....	4,266	1,743	604
Interest expense (Note 6) .....	(7,817)	(7,429)	(5,217)

Income before income taxes .....	199,485	169,910	125,901
Provision for income taxes (Note 3) .....	77,476	63,333	44,583
Income before extraordinary item .....	122,009	106,577	81,318
Loss on debt extinguishment, net of tax benefit of \$242 .....	387	--	--
Net income .....	121,622	106,577	81,318
Less: Preferred stock dividends and accretion (Note 8) .....	1,413	7,027	--
Net income available to common shareholders .....	\$ 120,209	\$ 99,550	\$ 81,318
Pro forma income data (Note 2):			
Net income available to common shareholders .....	\$ 120,209	\$ 99,550	\$ 81,318
Pro forma adjustment for C corporation income taxes .....	--	505	4,804
Pro forma net income available to common shareholders .....	\$ 120,209	\$ 99,045	\$ 76,514
Basic pro forma income per common share:			
Pro forma income before extraordinary item .....	\$ 1.16	\$ 1.01	\$ 0.79
Pro forma net income .....	\$ 1.16	\$ 1.01	\$ 0.79
Diluted pro forma income per common share:			
Pro forma income before extraordinary item .....	\$ 1.08	\$ 0.92	\$ 0.71
Pro forma net income .....	\$ 1.08	\$ 0.92	\$ 0.71

See accompanying Notes to Consolidated Financial Statements.

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DOLLAR TREE STORES, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2000, 1999, and 1998

Share- holders' Equity	Common	Additional			
	Stock Shares	Common Stock	Paid-in Capital	Retained Earnings	
--	-----	-----	-----	-----	----
	(In thousands, except share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1997.....	96,986,899	\$ 443	\$ 41,450	\$ 131,397	\$ 173,290
Transfer from additional paid-in capital for Common Stock dividend.....	--	198	(198)	--	-
Net income for the year ended December 31, 1998.....	--	--	--	81,318	
Shareholder distributions (Note 2) (6,314)	--	--	--	(6,314)	
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	36,505	7	634	--	
Grant of stock options under the 1998 Special Stock Option Plan (Note 10).....	--	--	4,413	--	
Exercise of stock options, including income tax benefit of \$4,916 (Note 10).....	722,709	4	9,223	--	
9,227	-----	-----	-----	-----	----



---					
Balance at December 31, 1998.....	97,746,113	652	55,522	206,401	262,575
Contribution of Only \$One's undistributed S corporation earnings.....	--	--	4,469	(4,469)	-
-					
Net income for the year ended December 31, 1999.....	--	--	--	106,577	
106,577					
Shareholder distributions (Notes 2 and 8)..... (60,934)	--	--	--	(60,934)	
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	45,656	--	838	--	
838					
Exercise of stock options, including income tax benefit of \$6,278 (Note 10).....	1,050,432	7	14,202	--	
14,209					
Accretion to redemption value, amortization of discount and accrued dividends of cumulative convertible redeemable preferred stock (Note 8) .....	--	--	--	(7,027)	
(7,027)					
-----	-----	-----	-----	-----	-----
---					
Balance at December 31, 1999.....	98,842,201	659	75,031	240,548	316,238
Transfer from additional paid-in capital for Common Stock dividend.....	--	329	(329)	--	-
-					
Net income for the year ended December 31, 2000.....	--	--	--	121,622	
121,622					
Issuance of stock for Dollar Express preferred stock (Note 8).....	3,096,516	31	40,945	--	
40,976					
Issuance of stock under Employee Stock Purchase Plan and other plans (Note 10).....	40,896	--	1,151	--	
1,151					
Exercise of stock options, including income tax benefit of \$16,670 (Note 10).....	1,751,957	18	37,629	--	
37,647					
Exercise of common stock warrants (Note 8).....	4,252,152	43	2,394	--	
2,437					
Conversion of common stock warrants (Note 8).....	4,062,479	41	(41)	--	-
-					
Accretion to redemption value, amortization of discount and accrued dividends of cumulative convertible redeemable preferred stock (Note 8) .....	--	--	--	(1,413)	
(1,413)					
-----	-----	-----	-----	-----	-----
---					
Balance at December 31, 2000.....	112,046,201	\$ 1,121	\$ 156,780	\$ 360,757	\$ 518,658
	=====	=====	=====	=====	

See accompanying Notes to Consolidated Financial Statements.

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DOLLAR TREE STORES, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2000	1999	1998
	----	----	----
	(In thousands)		
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net income .....	\$ 121,622	\$ 106,577	\$ 81,318
	-----	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	41,971	30,809	22,463

Loss on disposal of property and equipment .....	1,471	692	1,664
Change in lease loss .....	(663)	529	1,125
Extraordinary loss on early extinguishment of debt .....	629	--	--
Provision for deferred income taxes .....	(3,294)	2,340	(1,207)
Accretion of common stock put warrants to redemption value .....	--	382	--
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:			
Merchandise inventories .....	(65,849)	(37,391)	(31,666)
Prepaid expenses and other current assets .....	(14,782)	(7,488)	(292)
Other assets .....	(600)	449	265
Accounts payable .....	3,654	13,519	(1,794)
Income taxes payable .....	10,925	14,118	6,682
Other current liabilities .....	10,663	4,218	7,197
Other liabilities .....	1,905	(199)	(230)
	-----	-----	-----
Total adjustments .....	(13,970)	21,978	4,207
	-----	-----	-----
Net cash provided by operating activities .....	107,652	128,555	85,525
	-----	-----	-----
Cash flows from investing activities:			
Acquisition, net of cash acquired .....	--	(320)	--
Capital expenditures .....	(95,038)	(55,013)	(57,212)
Proceeds from sale of property and equipment .....	271	172	174
	-----	-----	-----
Net cash used in investing activities .....	(94,767)	(55,161)	(57,038)
	-----	-----	-----
Cash flows from financing activities:			
Distributions paid .....	--	(60,934)	(6,314)
Proceeds from long-term debt .....	--	22,500	17,500
Proceeds from revolving credit facilities .....	74,700	48,600	190,800
Net change in notes payable to bank .....	--	--	(10,045)
Repayment of long-term debt and facility fees .....	(27,708)	(1,966)	(2,304)
Repayment of revolving credit facilities .....	(81,200)	(46,100)	(186,800)
Proceeds from sale-leaseback transaction .....	--	21,605	--
Principal payments under capital lease obligations .....	(3,274)	(1,151)	(474)
Proceeds from issuance of preferred stock and common stock put warrants .....	--	32,156	--
Proceeds from stock issued pursuant to stock-based compensation plans .....	24,563	8,769	4,952
	-----	-----	-----
Net cash provided by (used in) financing activities .....	(12,919)	23,479	7,315
	-----	-----	-----
Net increase(decrease) in cash and cash equivalents .....	(34)	96,873	35,802
Cash and cash equivalents at beginning of year .....	181,587	84,714	48,912
	-----	-----	-----
Cash and cash equivalents at end of year .....	\$ 181,553	\$ 181,587	\$ 84,714
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amount capitalized .....	\$ 7,315	\$ 6,821	\$ 4,680
	=====	=====	=====
Income taxes .....	\$ 65,597	\$ 46,640	\$ 39,171
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

</TABLE>

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 1,705 discount variety retail stores that sell substantially all items for \$1.00 and 24 multi-price point card and gift stores. The single-price point stores range from 2,000 to 23,000 total square feet and operate under the names of Dollar Tree, Dollar Express, Dollar Bills, Only One Dollar and Only \$One. The majority of the stores range between 3,500 and 6,000 square feet. The single-price point

stores are generally segregated into two groups: stores less than 7,000 gross square feet (traditional stores) and stores 7,000 gross square feet or greater (larger format stores). The multi-price point stores operate under the name Spain's Cards & Gifts and these stores represent less than 1% of total net sales.

The Company's headquarters and one of its distribution centers are located in Chesapeake, Virginia. The Company also operates distribution centers in Mississippi, Illinois, California, Pennsylvania and Georgia. Most of the Company's stores are located in the eastern half of the United States and in northern and central California. The Company's merchandise includes candy and food, housewares, seasonal goods, health and beauty care, toys, party goods, gifts, stationery and other consumer items. Approximately 40% to 45% of the Company's merchandise is directly imported, primarily from China. The Company is not dependent on a few suppliers.

#### Principles of Consolidation

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 May 5, 2000, DT Keystone, Inc., a wholly owned subsidiary, completed a merger, which was accounted for as a pooling of interests, with privately-held Dollar Express, Inc. (Dollar Express). Dollar Express became a wholly owned subsidiary of Dollar Tree Stores, Inc. Dollar Express operated 132 stores primarily in the Mid-Atlantic area. Of the stores acquired, 107 were \$1.00 single-price point stores operated as "Dollar Express" and 25 were multi-price point stores operated as "Spain's Cards & Gifts." As a result of the merger, the Company's consolidated financial statements have been restated to retroactively combine Dollar Express's financial statements as if the merger had occurred at the beginning of the earliest period presented.

On December 10, 1998, the Company completed its merger with Step Ahead Investments, Inc. (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, 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.

#### Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2000 and 1999 includes \$161,882 and \$162,755, 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.

#### Merchandise Inventories

Merchandise inventories at the distribution centers are stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis. Cost is assigned to store inventories using the retail inventory method, determined on a FIFO basis. Costs directly associated with warehousing and distribution are capitalized as merchandise inventories. Total warehousing and distribution costs capitalized into inventory amounts to \$13,129 and \$8,347 at December 31, 2000 and 1999, 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 amortized 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. No interest cost was capitalized in 2000 or 1999. In 1998, \$402 of interest cost was capitalized.

#### Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed

The Company reviews its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets based on discounted cash flows or other readily available evidence of fair value, if any. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

#### 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. Accumulated amortization relating to goodwill approximates \$9,611 and \$7,593 at December 31, 2000 and 1999, respectively.

#### Financial Instruments

The Company utilizes derivative financial instruments to reduce its exposure to market risks from changes in interest rates. By entering into receive-variable, pay-fixed interest rate swaps, 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 swaps; however, the counterparties are major financial institutions, 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 or rent 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 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, which account for less than 1% of the Company's purchases. 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. There were no open foreign exchange contracts at December 31, 2000. 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.

#### Cost of Sales

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

#### 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 applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and related Interpretations in accounting for its fixed stock option plans. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) established accounting and disclosure requirements using a fair value-based method of

accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure only requirements of SFAS No. 123.

#### Pro Forma Net Income Per Common Share

Pro forma basic net income per common share has been computed by dividing pro forma net income available to common shareholders by the weighted average number of common shares outstanding. Pro forma diluted net income per common share reflects the potential dilution that could occur assuming the inclusion of dilutive potential common shares and has been computed by dividing pro forma net income available to common shareholders 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, as amended by SFAS No. 138, 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.

The Company will adopt the provisions of SFAS No. 133 effective January 1, 2001. As a result, the Company will record each interest rate swap at its fair value in the balance sheet. The transition adjustment in connection with adopting SFAS No. 133 is not material. However, pursuant to the provisions of SFAS No. 133, the interest rate swaps of the Company do not qualify for hedge accounting. Accordingly, changes in the fair values of the derivative instruments will be recorded currently in earnings on a quarterly basis.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 1999 and 1998 amounts have been reclassified for comparability with the 2000 financial statement presentation.

#### NOTE 2 - MERGERS AND ACQUISITIONS

##### Dollar Express Merger

On May 5, 2000, the Company completed its merger with Dollar Express. The merger was accounted for as a pooling of interests. DTS issued 0.8772 shares of the Company's common stock for each share of Dollar Express's outstanding common stock. The Company issued 8,771,928 shares of its common stock for all of the outstanding shares of Dollar Express's common stock, which included converting all of Dollar Express's preferred shares into common shares on a one-for-one basis as more fully discussed in Note 8. Stock options to purchase 260,000 shares of Dollar Express's common stock were converted into options to purchase 228,072 common shares of the Company.

In connection with the merger, the Company incurred approximately \$4,366 (\$3,134 after taxes or \$0.02 pro forma diluted net income per common share in 2000) of merger-related costs and expenses, consisting primarily of write-downs of inventory and professional fees.

Prior to February 5, 1999, Dollar Express was treated as an S corporation for federal and state income tax purposes. As such, income of Dollar Express for periods prior to February 5, 1999 was taxable to the Dollar Express shareholders rather than to Dollar Express. Effective February 5, 1999, Dollar Express converted from an S corporation to a C corporation and recorded the cumulative deferred tax benefit of \$2,200 in the first quarter of 1999. A portion of 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 Dollar Express been a C corporation and were computed at 38.5%. A portion of the distributions paid presented in the consolidated statements of cash flows represents distributions paid to the Dollar Express 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 1999 Annual Report to those presented in the accompanying consolidated financial statements.

	For the year ended December 31,	
	1999	1998
	----	----
Net sales:		
DTS.....	\$ 1,197,960	\$ 944,122
Dollar Express.....	153,860	129,764
	-----	-----
Combined.....	\$ 1,351,820	\$ 1,073,886
	=====	=====
Net income:		
DTS.....	\$ 98,518	\$ 71,553
Dollar Express.....	8,059	9,765
	-----	-----
Combined.....	\$ 106,577	\$ 81,318
	=====	=====

#### Only \$One Merger

On June 30, 1999, the Company completed a merger with privately-held Tehan's Merchandising, Inc. (Only \$One). Only \$One operated 24 stores in central and upstate New York under the name "Only \$One." The Company issued 752,400 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 pro forma diluted net income per common share in 1999) of merger-related costs and expenses, consisting primarily of professional fees and write-downs of inventory. The merger was accounted for as a pooling of interests. As a result, the Company's consolidated financial statements were restated to retroactively combine Only \$One's financial statements as if the merger had occurred at the beginning of the earliest period presented.

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. A portion of 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 and were computed at 38.5%. A portion of the distributions paid presented in the consolidated statements of cash flows represents distributions paid to the Only \$One shareholders for payment of their pass-through tax liabilities.

#### 98 Cent Clearance Center Merger

On December 10, 1998, the Company completed its merger with Step Ahead Investments, Inc. (98 Cent Clearance Center). 98 Cent Clearance Center operated 66 stores in northern and central California and Nevada under the name "98 Cent Clearance Center." DTS issued 1.6818 shares of the Company's common stock for each share of 98 Cent Clearance Center outstanding common and preferred stock. A total of 2,494,110 of the Company's common stock was issued as a result of the merger and 98 Cent Clearance Center's outstanding stock options were converted into options to purchase 484,811 common shares of the Company. The merger was accounted for as a pooling of interests. As a result, 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.

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, 2000 and 1999, the carrying value of these agreements is \$3,448 and \$3,930, respectively, which is net of \$965 and \$483, respectively, 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 \$0.04 pro forma diluted net income per common share in 1998) of merger-related costs and expenses, consisting primarily of professional fees and write downs of inventory and fixed assets.

<TABLE>  
<CAPTION>

NOTE 3 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2000, 1999 and 1998 consists of the following:

	2000 ----	1999 ----	1998 ----
<S>	<C>	<C>	<C>
Federal - Current .....	\$ 69,122	\$ 52,093	\$ 39,348
Federal - Deferred .....	(2,827)	3,856	(1,024)
Federal - S corporation to C corporation conversion .	--	(1,700)	--
State - S corporation to C corporation conversion ...	--	(524)	--
State - Current .....	11,406	8,900	6,442
State - Deferred .....	(467)	708	(183)
	-----	-----	-----
	\$ 77,234	\$ 63,333	\$ 44,583
	=====	=====	=====

<CAPTION>

A reconciliation of the statutory federal income tax rate and the effective rate for the years ended December 31, 2000, 1999 and 1998 follows:

	2000 ----	1999 ----	1998 ----
<S>	<C>	<C>	<C>
Statutory tax rate.....	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes, net of federal income tax benefit.....	3.6	3.7	3.2
Other, net .....	0.2	0.2	0.6
Only \$One and Dollar Express S corporation income.....	--	(0.3)	(3.4)
Conversion of Dollar Express from S to C corporation.....	--	(1.3)	--
	-----	-----	-----
Effective tax rate.....	38.8%	37.3%	35.4%
	=====	=====	=====

</TABLE>

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, 2000 and 1999 are as follows:

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	2000 ----	1999 ----
Deferred tax assets:		
Accrued expenses.....	\$ 8,658	\$ 6,008
Inventories.....	3,398	3,536
Property and equipment .....	1,023	171
Other.....	867	1,248
	-----	-----
Total deferred tax asset.....	13,946	10,963
	-----	-----
Deferred tax liabilities:		
Intangible assets.....	(2,801)	(2,553)
Deferred compensation.....	(977)	(1,626)
Other.....	(311)	(221)
	-----	-----
Total deferred tax liability .....	(4,089)	(4,400)
	-----	-----
Net deferred tax asset.....	\$ 9,857	\$ 6,563
	=====	=====

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 carry backs of future deductible amounts to 2000, 1999 and 1998 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 carry backs 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 - COMMITMENTS

Lease Commitments

<TABLE>  
<CAPTION>

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, 2000 are as follows:

	Capital Leases -----	Operating Leases -----
<S> Year ending December 31:	<C>	<C>
2001.....	\$ 5,984	\$ 101,845
2002.....	5,954	93,429
2003.....	5,852	80,264
2004.....	6,397	64,197
2005.....	7,808	85,933
Thereafter.....	5,740	68,313
	-----	-----
Total minimum lease payments.....	37,735	\$ 493,981
		=====
Less amount representing interest (at an average rate of approximately 9%).....	9,005	
	-----	
Present value of net minimum capital lease payments.....	28,730	
Less current installments of obligations under capital leases.....	3,547	
	-----	
Obligations under capital leases, excluding current installments.....	\$ 25,183	
	=====	

<FN>

The above future minimum lease payments include amounts for leases that were signed prior to December 31, 2000 for stores that were not open as of December 31, 2000. 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 \$6,873 under operating leases.

</FN>

</TABLE>

Included in property and equipment at December 31, 2000 and 1999 are leased furniture and fixtures and transportation vehicles, excluding sale-leaseback assets, with a cost of \$3,964 and \$3,514 and accumulated depreciation of \$1,818 and \$1,259 at December 31, 2000 and 1999, 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 proceeds of \$20,880, net of financing costs, 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

Distribution Centers

During June 1999, the Company entered into a five year, \$18,000 operating lease agreement to facilitate the construction of the new unautomated distribution center in Stockton, California. The lease term expires in June 2004. Under this agreement, the lessor purchases the property, pays for the construction costs and subsequently leases the facility to the Company. The lease provides for a residual value guarantee and includes a purchase option based on the outstanding property costs plus any unpaid interest and rents under the lease agreement. Each reporting period, the Company estimates its liability under the residual value guarantee and, if necessary, records additional rent



expense on a straight-line basis over the remaining lease term. There was no liability recorded at December 31, 2000.

On January 13, 2000, the Company entered into a five year, \$35,000 operating lease agreement to facilitate the construction of a new automated distribution center in Savannah, Georgia. The lease term expires in January 2005. On August 28, 2000, the Company amended its existing operating lease agreement related to the Stockton distribution center for the purpose of facilitating construction costs to build a new \$40,000 distribution center in Briar Creek, Pennsylvania. The Briar Creek facility will replace the existing leased facilities located in Philadelphia, Pennsylvania. Under this type of agreement the lessor purchases the property, pays for the construction costs and subsequently leases the facility to the Company. Each lease provides for a residual value guarantee and includes a purchase option based on the outstanding property costs plus any unpaid interest and rents under the lease agreement. When the assets are placed into service, the Company will estimate its liability under the residual value guarantee and, if necessary, record additional rent expense on a straight-line basis over the remaining lease term. There was no liability recorded at December 31, 2000. The Savannah facility began operations in January 2001 and the Briar Creek facility is expected to be open in early 2002.

On September 8, 2000, the Company entered into a \$10,000 interest rate swap agreement (swap) to manage the risk associated with interest rate fluctuations on a portion of its Stockton distribution center lease. The swap creates the economic equivalent of a fixed rate lease by converting the variable interest rate to a fixed rate. Under this agreement, the Company pays interest to a financial institution at a fixed rate of 6.45%. In exchange, the financial institution pays the Company at a variable interest rate, which approximates the floating rate on the lease agreement, excluding the credit spread. The interest rate on the swap is subject to adjustment monthly. For months in which the interest rate, as calculated under the agreement, is greater than 7.41% no payments are made by either party. The swap is effective through June 2004.

On December 20, 2000, the Company entered into a \$5,000 interest rate swap agreement to manage the risk associated with interest rate fluctuations on a portion of its Stockton distribution center lease. Under this agreement, the Company pays interest to a financial institution at a fixed rate of 5.83%. In exchange, the financial institution pays the Company at a variable interest rate, which approximates the floating rate on the lease agreement, excluding the credit spread. The interest rate on the swap is subject to adjustment monthly. For months in which the interest rate, as calculated under the agreement, is greater than 7.41% no payments are made by either party. The swap is effective through June 2004.

Non-operating Facilities

The Company is responsible for payments under leases for former distribution centers located in Memphis, Tennessee and Sacramento, California 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 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 that expire in February 2008 and March 2002, respectively. The sublease income on the Norfolk facility exceeds the annual obligation of \$656 under the lease. The Sacramento facility was subleased in March 2001 under an

agreement that expires in June 2008. Due to the uncertainty regarding the ultimate recovery of the future lease payments and the investment in the improvements in the buildings in Memphis and Sacramento, the Company recorded a \$1,300 charge related to Sacramento in 1999 and a \$1,125 charge related to Memphis in 1998. The accruals related to the Sacramento and Memphis distribution centers are adjusted for changes in market conditions.

Related Parties

The Company also leases properties for fourteen of its stores, its former corporate headquarters and distribution center in Norfolk and the Philadelphia office and warehouse from partnerships owned by related parties. The total rental payments related to these leases were \$2,051, \$2,094 and \$1,990 for the years ended December 31, 2000, 1999 and 1998, respectively. The future minimum lease payments for each facility are included in the five-year schedule above. Rental payments to related parties are 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, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
	----	----	----
Minimum rentals.....	\$ 95,600	\$ 78,780	\$ 62,693

Contingent rentals.....	1,876	1,613	1,374
	-----	-----	-----
Total.....	\$ 97,476	\$ 80,393	\$ 64,067
	=====	=====	=====

Purchase Contract

During 1996, the Company entered into a purchase agreement with a vendor, which commits the Company to purchase a minimum of \$39,462 in vendor products by April 2003, of which \$11,846 has been purchased through December 31, 2000. If the Company does not meet the minimum purchase requirement by the stated end of the contract term, the contract will extend in six-month increments until the commitment has been met.

Freight Services

The Company has contracted outbound freight services from various contract carriers with contracts expiring through February 2003. The total amount of this commitment is approximately \$20,200. The contracts provide for termination in the event of non-performance.

NOTE 5 - BALANCE SHEET COMPONENTS

Property and equipment, net as of December 31, 2000 and 1999 consists of the following:

	2000	1999
	----	----
Land.....	\$ 8,051	\$ 8,051
Buildings.....	31,281	28,468
Improvements.....	100,953	69,289
Furniture, fixtures and equipment.....	174,498	130,747
Transportation vehicles.....	4,296	3,283
Construction in progress.....	16,600	7,576
	-----	-----
Total property and equipment.....	335,679	247,414
Less accumulated depreciation and amortization...	124,047	90,046
	-----	-----
Total.....	\$ 211,632	\$ 157,368
	=====	=====

Other current liabilities as of December 31, 2000 and 1999 consists of the following:

	2000	1999
	----	----
Compensation and benefits.....	\$ 14,977	\$ 13,745
Taxes (other than income taxes).....	23,685	18,298
Other.....	8,244	4,153
	-----	-----
Total .....	\$ 46,906	\$ 36,196
	=====	=====

NOTE 6 - LONG-TERM DEBT

Long-term debt as of December 31, 2000 and 1999 consists of the following:

	2000	1999
	----	----
7.29% unsecured Senior Notes, interest payable semiannually on April 30 and October 30, principal payable \$6,000 per year beginning April 2000 and maturing April 2004.....	\$ 24,000	\$ 30,000
Demand Revenue Bonds, interest payable monthly at a variable rate which was 7.3% at December 31, 2000, principal payable beginning June 2006, maturing June 2018.....	19,000	19,000
Revolving credit facility, paid in full in May 2000..	--	6,500
Term loan, paid in full in May 2000.....	--	20,000
Other long-term debt.....	--	1,708
	-----	-----
Total long-term debt.....	43,000	77,208
Less current portion.....	25,000	28,070

Long-term debt, excluding current portion.....	----- \$ 18,000 =====	----- \$ 49,138 =====
--	-----------------------------	-----------------------------

Maturities of long-term debt are as follows: 2001 - \$25,000; 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 Senior Notes rank pari passu with the Company's other debt. The Note agreements, among other things, prohibit certain mergers and consolidations and require the maintenance of certain specified ratios. 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 distribution facility in Olive Branch, Mississippi. The Bonds do not contain a prepayment penalty as long as the interest rate remains variable. The Bonds are secured 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 financial institution that provided the swap at a fixed rate of 4.88%. In exchange, the financial institution pays the Company at a variable interest rate, which approximates the rate on the Loan Agreement. The variable interest rate of the swap is subject to adjustment monthly. For months in which the interest rate as calculated under the agreement is greater than 7.75%, no payments are made by either party. The swap, effective through April 1, 2009, is for the entire amount outstanding under the Loan Agreement.

#### 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, calculated as a percentage, as defined, of the amount available under the line of credit, 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, 2000 and March 1, 2001 to \$0.

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The Agreement, as amended, 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. The Agreement matures on May 31, 2002. At December 31, 2000, the variable interest rate on the facility was 7.1%. At December 31, 2000 and 1999, no amounts were outstanding under the Agreement; however, approximately \$70,952 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, 2000.

#### Revolving Credit Facility and Term Loan

In February 1999, Dollar Express entered into a credit facility for an aggregate amount of \$40,000, of which \$20,000 was a term loan and \$20,000 was a revolving credit facility. At the option of Dollar Express, interest on the facility was calculated at the lender's base rate plus a margin, or LIBOR plus a margin, based on a leverage ratio, as defined. Commitment fees on the unused portion of the revolving credit facility are calculated based on the LIBOR margin in effect during the period, as defined. The facility was secured by substantially all of Dollar Express's assets, as well as all of Dollar Express's outstanding common and preferred stock. Amounts outstanding on the revolving credit facility and term loan at December 31, 1999 were \$6,500 and \$20,000, respectively, all of which were paid in full in May 2000.

## Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, other current assets, other assets, accounts payable, other current liabilities and other liabilities approximate fair value because of the short maturity of these 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 swaps are the estimated amounts the Company would receive or pay to terminate the agreements as of the reporting date. The fair values of the interest rate swaps at December 31, 2000 are as follows:

	Receive/(Pay)
\$19,000 MBFC interest rate swap.....	\$ 337
\$10,000 Stockton interest rate swap.....	(208)
\$5,000 Stockton interest rate swap.....	(15)

## 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, 2000, 1999 and 1998, the Company paid \$200 under this agreement.

## NOTE 8 - SHAREHOLDERS' EQUITY

### Unattached Warrants

The Company issued, to certain Company shareholders, unattached warrants to purchase 4,188,675 shares of Common Stock on September 30, 1993 for \$0.12 per warrant and unattached warrants to purchase 4,188,675 shares of Common Stock on February 22, 1994 for \$0.12 per warrant.

On August 2, 2000, certain Company shareholders exercised 4,252,152 warrants at an exercise price of \$0.57 per share. Effective December 4, 2000, the Company effected a Recapitalization wherein the remaining 4,125,198 warrants were canceled and the warrant holders were issued 4,062,479 shares of common stock. As a result, the Company has no outstanding warrants at December 31, 2000.

### Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.01 par value per share.

## Stock Dividends

On May 25, 2000 the Board of Directors authorized a stock dividend, payable June 19, 2000 to shareholders of record as of June 12, 2000, whereby the Company issued one-half share for each outstanding share of Common Stock. 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. In connection with the stock dividend authorized by the Board of Directors in 1998, 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.

## Recapitalization of Dollar Express

On February 5, 1999, Dollar Express issued 3,530,000 shares of cumulative convertible redeemable preferred stock for gross proceeds of \$34,000, net of offering costs of \$2,844. The preferred shareholders were entitled, at any time, to convert any or all shares, on a one-for-one basis, into shares of Dollar Express common stock. Upon conversion, the holders of the preferred shares were also entitled to payment of all accrued but unpaid dividends, if any, as long as a qualified public offering, merger or consolidation or any other recapitalization or other business combination with an affiliated entity had not occurred prior to August 2001. All outstanding preferred shares were converted into Dollar Express common shares, on a one-for-one basis, upon consummation of the Dollar Express merger as more fully discussed in Note 2. As a result of the merger with Dollar Express, all accrued and unpaid preferred stock dividends were forfeited and credited to additional paid-in capital in the second quarter of 2000.

The accretion of preferred stock to redemption value represents the pro

rata portion of the change in redemption value of the preferred stock from its initial value at the date of issuance to May 5, 2000. The costs of \$2,844 associated with issuing the preferred stock and the discount of \$3,013 related to the value of the detachable common stock put warrants have been recorded as discounts on the preferred stock. The redemption value adjustments were being accreted and the discounts were being amortized over a five-year period from the date of issuance. As a result of the merger with Dollar Express, the book value of the preferred stock and common stock put warrants were credited to additional paid-in capital during the second quarter of 2000.

Dollar Express issued 416,667 detachable common stock put warrants to the holders of the cumulative convertible redeemable preferred stock to purchase shares of Dollar Express's common stock. The warrants were terminated upon consummation of the merger.

In connection with the recapitalization, Dollar Express distributed \$59,524 to the former owners of Dollar Express.

<TABLE>  
<CAPTION>

Pro Forma Net Income Per Common Share

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

	2000 ----	1999 ----	1998 ----
Pro forma basic income before extraordinary item per common share:			
<S>	<C>	<C>	<C>
Income before extraordinary item .....	\$ 122,009	\$ 106,577	\$ 81,318
Less: Preferred stock dividends and accretion .....	1,413	7,027	--
	-----	-----	-----
Income before extraordinary item available to common shareholders .....	120,596	99,550	81,318
Pro forma adjustment for C corporation income taxes .....	--	505	4,804
	-----	-----	-----
Pro forma income before extraordinary item available to common shareholders .....	120,596	99,045	76,514
	=====	=====	=====
Weighted average number of common shares outstanding .....	103,972	98,435	97,454
	=====	=====	=====
Pro forma basic income before extraordinary item per common share .....	\$ 1.16	\$ 1.01	\$ 0.79
	=====	=====	=====

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<CAPTION>

	2000 ----	1999 ----	1998 ----
<S>	<C>	<C>	<C>
Pro forma diluted income before extraordinary item per common share:			
Pro forma income before extraordinary item available to common shareholders.....	\$ 120,596	\$ 99,045	\$ 76,514
	=====	=====	=====
Weighted average number of common shares outstanding .....	103,972	98,435	97,454
Dilutive effect of stock options and warrants (as determined by applying the treasury stock method).....	7,837	9,525	9,661
	-----	-----	-----
Weighted average number of common shares and dilutive potential common shares outstanding.....	111,809	107,960	107,115
	=====	=====	=====
Pro forma diluted income before extraordinary item per common share.....	\$ 1.08	\$ 0.92	\$ 0.71
	=====	=====	=====

</TABLE>

Detachable common stock put warrants to purchase 416,667 shares of common stock of Dollar Express and 3,530,000 shares of cumulative convertible redeemable preferred stock, eligible for conversion into 3,530,000 shares of common stock of Dollar Express, were outstanding from February 5, 1999 to May 5, 2000. These common stock equivalents are not included in the calculation of the weighted average number of common shares and dilutive potential common shares outstanding because their effect would be anti-dilutive.

At December 31, 2000, 164,411 stock options are not included in the calculation of the weighted average number of common shares and dilutive

potential common shares outstanding because their effect would be anti-dilutive.

NOTE 9 - EMPLOYEE BENEFIT PLANS

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:

2000.....	\$ 7,041
1999.....	5,413
1998.....	4,059

Deferred Compensation Plan

The Company has a deferred compensation plan providing certain highly compensated employees and executives the ability to defer a portion of their base compensation and bonuses and earn interest on their deferred amounts. The plan is an unfunded nonqualified plan; however, the Company may make discretionary contributions. The deferred amounts and earnings thereon are payable to participants, or designated beneficiaries, at specified future dates, upon retirement or death. Total participant deferrals were approximately \$390 at December 31, 2000 and are included in other long-term liabilities in the balance sheet. The Company made no discretionary contributions in 2000.

NOTE 10 - STOCK-BASED COMPENSATION PLANS

At December 31, 2000, the Company has five stock-based compensation plans. The accounting method and the plans are described below.

<TABLE>  
<CAPTION>

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 pro forma net income available to common shareholders and pro forma net income per common share would have been reduced to the pro forma amounts indicated in the following table:

	2000 ----	1999 ----	1998 ----
Pro forma net income available to common shareholders:			
<S> As reported.....	<C> \$ 120,209 =====	<C> \$ 99,045 =====	<C> \$ 76,514 =====
Pro forma for SFAS No. 123.....	\$ 106,372 =====	\$ 88,718 =====	\$ 69,774 =====
Pro forma basic net income per common share:			
As reported.....	\$ 1.16 =====	\$ 1.01 =====	\$ 0.79 =====
Pro forma for SFAS No. 123.....	\$ 1.02 =====	\$ 0.90 =====	\$ 0.72 =====
Pro forma diluted net income per common share:			
As reported.....	\$ 1.08 =====	\$ 0.92 =====	\$ 0.71 =====
Pro forma for SFAS No. 123.....	\$ 0.94 =====	\$ 0.82 =====	\$ 0.65 =====

<FN>

The full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income available to common shareholders for SFAS No. 123 and pro forma net income per share for SFAS No. 123 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 for SFAS No. 123 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.

</FN>

</TABLE>

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 1,047,264 shares of Common Stock in 1993 and 1,048,289 shares in 1994. Options granted under the SOP have an exercise price of \$0.86 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 12,600,000 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. In exchange for their options to purchase Dollar Express Common Stock, certain employees of Dollar Express were granted 228,072 options to purchase the Company's common stock based on an exchange ratio of 0.8772. Options issued in connection with the merger were fully vested as of the date of the merger.

The Step Ahead Investments, Inc. Long-Term Incentive Plan (SAI Plan) provided for the issuance of stock options, stock appreciation rights, 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 1.6818 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.

Under the 1998 Special Stock Option Plan (Special Plan), options to purchase 247,500 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:

	2000	1999	1998
	----	----	----
Expected term in years.....	6	8	8
Expected volatility.....	61.6%	52.7%	50.4%
Annual dividend yield.....	--	--	--
Risk-free interest rate.....	5.2%	6.6%	4.9%

<TABLE>  
<CAPTION>

The following tables summarize the Company's various option plans as of December 31, 2000, 1999 and 1998, and for the years then ended and information about fixed options outstanding at December 31, 2000.

	2000		Stock Option Activity 1999		1998
	-----	-----	-----	-----	-----
		Weighted		Weighted	
Weighted		Average		Average	
Average		Per Share		Per Share	
Per Share		Exercise		Exercise	
Exercise	Shares	Price	Shares	Price	Shares
Price	-----	-----	-----	-----	-----
-----					
Outstanding at					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
beginning of year.....	5,288,463	\$ 16.86	4,876,365	\$ 14.33	3,606,963
\$ 6.77					
Granted.....	1,935,973	24.87	1,697,847	19.05	2,119,610

24.20					
Exercised.....	(1,751,957)	12.00	(1,050,432)	7.55	(722,709)
5.94					
Forfeited .....	(381,359)	23.56	(235,317)	21.05	(127,499)
12.13					
	-----		-----		-----
Outstanding at					
end of year.....	5,091,120	21.02	5,288,463	16.86	4,876,365
14.33					
	=====		=====		=====
Options exercisable					
at end of year.....	1,904,127	17.07	2,212,093	12.07	2,016,101
5.99					
	=====		=====		=====
Weighted average fair					
value of options					
granted during the					
year.....		\$ 15.37		\$ 12.56	
\$ 15.02					

<CAPTION>

Exercisable	Stock Options Outstanding and Exercisable			
	Options Outstanding		Options	
-----	-----	-----	-----	-----
Weighted	Number	Weighted	Weighted	Number
Range of	Outstanding	Average	Average	Exercisable
Average	at December 31,	Remaining	Exercise	at December 31,
Exercise	2000	Contractual	Price	2000
Prices		Life		
Price				
- - - - -	----	----	-----	----
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
\$0.86.....	54,323	(1)	\$ 0.86	54,323
\$ 0.86				
\$2.96 to \$5.96.....	177,276	4.6 years	4.60	177,276
4.60				
\$6.76 to \$9.94.....	494,322	5.9 years	9.76	494,322
9.76				
\$10.80 to \$19.50.....	1,055,079	8.1 years	18.80	306,014
17.08				
\$20.66 to \$24.75.....	2,588,027	8.5 years	23.11	585,422
22.92				
\$25.53 to \$42.57.....	722,093	8.4 years	30.00	286,770
28.48				
	-----			-----
\$0.86 to \$42.57.....	5,091,120			1,904,127
	=====			=====

<FN>

(1) 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 759,375 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 187,069 shares as of December 31, 2000.

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 72%
Annual dividend yield.....	--



Risk-free interest rate..... 5.16% to 6.20% (annualized)

The weighted average per share fair value of those purchase rights granted in 2000, 1999 and 1998 was \$7.00, \$4.59, and \$3.91, respectively.

NOTE 11 - SUBSEQUENT EVENTS (Unaudited)

Revolving Credit Facility

Effective March 12, 2001, the Company entered into a Revolving Credit Facility with its banks (the Revolver Agreement). The Agreement provides for, among other things: (1) a \$50,000 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; and (2) an annual facilities fee, calculated as a percentage, as defined, of the amount available under the line of credit, and annual administrative fee payable quarterly.

The Revolver 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. The Agreement matures on March 11, 2002. The Company's existing \$135,000 revolving credit facility was terminated concurrent with entering into the new \$50,000 revolving credit facility.

Letters of Credit

Effective March 12, 2001, the Company entered into a Letter of Credit Reimbursement and Security Agreement. The agreement provides \$125,000 for letters of credit, which are generally issued in relation to the routine purchase of imported merchandise.

Operating Lease Agreement

Effective March 12, 2001, the Company entered into an operating lease facility (the Lease Facility) with its banks. The Lease Facility provides for, among other things: (1) a \$165,000 operating lease facility, bearing interest at the agent bank's prime interest rate or LIBOR, plus a spread, at the option of the Company; and (2) an annual facilities fee, calculated as a percentage of the amount available under the facility and annual administrative fee payable quarterly. The Lease Facility, 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. Approximately \$93,000 is committed to the Savannah, Briar Creek and Stockton distribution centers. This facility replaces the existing operating lease facilities for the Savannah, Briar Creek and Stockton distribution centers. In addition, approximately \$20,000 is committed for expansion of the Stockton distribution center.

Under this type of agreement, the lessor purchases the property, pays for the construction costs and subsequently leases the facility to the Company. The lease provides for a residual value guarantee and includes a purchase option based on the outstanding property costs plus any unpaid interest and rents under the lease agreement. Each reporting period, the Company estimates its liability under the residual value guarantee and, if necessary, records additional rent expense on a straight-line basis over the remaining lease term.

NOTE 12 - QUARTERLY FINANCIAL INFORMATION (Unaudited)

<TABLE>  
<CAPTION>

The following table sets forth some items from the Company's unaudited income statements for each quarter of 2000 and 1999. 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.

	First Quarter -----	Second Quarter(1) -----	Third Quarter -----	Fourth Quarter -----
	(In thousands, except store and per share data)			
2000:				
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$ 327,111	\$ 384,503	\$ 377,318	\$ 599,173
Gross profit.....	113,573	136,945	138,990	234,081
Operating income.....	23,219	36,426	36,329	107,062
Pro forma net income available to common shareholders (3).....	12,876	20,811	21,850	64,672
Pro forma diluted net income per common share.....	0.12	0.19	0.19	0.57
Stores open at end of quarter.....	1,565	1,634	1,677	1,729
Comparable store net sales increase (4).....	3.0%	14.3%	5.3%	2.0%

&lt;CAPTION&gt;

	First Quarter -----	Second Quarter (2) -----	Third Quarter -----	Fourth Quarter -----
	(In thousands, except store and per share data)			
1999:				
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$ 258,091	\$ 288,148	\$ 298,868	\$ 506,713
Gross profit.....	89,700	103,316	107,322	196,915
Operating income.....	20,451	26,233	27,920	100,992
Pro forma net income available to common shareholders (3).....	13,672	14,355	12,083	58,935
Pro forma diluted net income per common share.....	0.13	0.13	0.11	0.54
Stores open at end of quarter.....	1,335	1,403	1,461	1,507
Comparable store net sales increase (4).....	4.6%	1.7%	4.9%	7.5%

&lt;FN&gt;

- (1) Included in gross profit is \$1,100 of merger-related costs. Included in operating income is \$1,100 of merger-related costs and \$3,266 of merger-related expenses.
- (2) Included in gross profit is \$443 of merger-related costs. Included in operating income is \$443 of merger-related costs and \$607 of merger-related expenses.
- (3) Amounts include a pro forma adjustment for C corporation income taxes relating to Dollar Express and Only \$One of \$271 for the second quarter of 1999 and \$234 for the first quarter of 1999.
- (4) Easter was observed on April 23, 2000, April 4, 1999, and April 12, 1998.

&lt;/FN&gt;

&lt;/TABLE&gt;

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 24, 2001, 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 Common Stock," 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 47 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, 2000:

1. Report on Form 8-K, filed March 16, 2001, included a first quarter 2001 outlook
2. Report on Form 8-K, filed January 26, 2001, included the earnings results for the quarter and year ended December 31, 2000
3. Report on Form 8-K, filed January 12, 2001, included the sales results for the quarter and year ended December 31, 2000
4. Report on Form 8-K, filed December 22, 2000, included a fourth quarter and full year 2000 outlook
5. Report on Form 8-K, filed November 9, 2000, included restated consolidated financial statements as of December 31, 1999 and 1998 and for the three year period ended December 31, 1999, and to retroactively combine Dollar Tree's and Dollar Express's financial statements
6. Report on Form 8-K, filed October 25, 2000, included a press release regarding earnings for the third quarter ended September 30, 2000

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: March 28, 2001

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	March 28, 2001
/s/ Macon F. Brock, Jr. ----- Macon F. Brock, Jr.	President and Chief Executive Officer; Director (principal executive officer)	March 28, 2001
/s/ H. Ray Compton -----		

H. Ray Compton	Executive Vice President; Director	March 28, 2001
/s/ John F. Megrue -----		
John F. Megrue	Vice Chairman; Director	March 28, 2001
/s/ Frederick C. Coble -----		
Frederick C. Coble	Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	March 28, 2001
/s/ Frank Doczi -----		
Frank Doczi	Director	March 28, 2001
/s/ Richard G. Lesser -----		
Richard G. Lesser	Director	March 28, 2001
/s/ Thomas A. Saunders, III -----		
Thomas A. Saunders, III	Director	March 28, 2001
/s/ Alan L. Wurtzel -----		
Alan L. Wurtzel	Director	March 28, 2001

Index to Exhibits

2. Plan of Acquisition, Reorganization, Arrangements, Liquidation or Succession
  - (a) The following document(s) is/are filed herewith:
    - 2.1 Recapitalization Agreement and Plan of Reorganization dated December 4, 2000 by and among Dollar Tree Stores, Inc. and Warrantholders of the Company
  - (b) The following documents, filed as Exhibits 2.4, 2.5 and 2.6 to the Company's Form S-3/A filed August 1, 2000, are incorporated herein by this reference:
    - 2.2 Merger Agreement by and among the Company, DT Keystone, Inc., Dollar Express, Inc. and Bernard Spain, Murray Spain, Bernard Spain Family Limited Partnership, Murray Spain Family Limited Partnership, Global Private Equity III Limited Partnership, Advent Partners GPE III Limited Partnership, Advent Partners (NA) GPE Limited Partnership, Advent Partners Limited Partnership, Guayacan Private Equity Fund Limited Partnership, and Dollar Express Investment, LLC Limited Partnership (collectively, the "Dollar Express Shareholders") dated April 5, 2000 (incorporated by reference from our Current Report on Form 8-K, filed April 11, 2000)
    - 2.3 Registration Rights Agreement dated April 5, 2000 by and among the Company and the Dollar Express Shareholders (incorporated by reference from our Current Report on Form 8-K dated April 11, 2000)
    - 2.4 Escrow Agreement dated May 5, 2000 by and among Dollar Tree Stores, Inc., State Street Bank & Trust, Bernard Spain, David Mussafer, and the Holders (incorporated by reference from our Current Report on Form 8-K, filed July 12, 2000)
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

4. Instruments Defining the Rights of Holders Including Indentures

- (a) The following document, filed as Exhibit 4.7 to the Company's Form S-8 filed July 12, 2000 is incorporated herein by this reference:

4.1 Third amendment to the Plan (see the Appendix to the Company's Proxy Statement filed with the Commission in connection with the Company's annual meeting of shareholders held on May 25, 2000, incorporated herein by this reference

10. Material Contracts

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

10.1 Credit Agreement among Dollar Tree Distribution, Inc., as Borrower, Certain of the Domestic Affiliates of the Borrower from Time to Time Parties Hereto, as Guarantors; the Lender Parties Hereto, Fleet National Bank, as Syndication Agent, SunTrust Bank, as Documentation Agent, and First Union National Bank, as Administrative Agent, dated as of March 12, 2001

10.2 Credit Agreement among First Security Bank, National Association, as Owner Trustee under the DTSD Realty Trust 1999-1, as the Borrower, The Several Lenders from Time to Time Parties Hereto, and First Union National Bank, as the Agent, dated as of March 12, 2001

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10.3 Lease Agreement between First Security Bank, National Association, as Owner Trustee under the DTSD Realty Trust 1999-1, as Lessor and Respective each particular Property, the Lessee referenced on the signature pages hereto which has executed a Lease Supplement with respect to such Property or such other Credit Party designated as Lessee in any Lease Supplement respecting such Property, dated as of March 12, 2001

- (b) The following documents, filed as Exhibits 10.1, 10.2 and 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000 are incorporated herein by this reference:

10.4 Merger Agreement, dated April 5, 2000, by and among Dollar Tree Stores, Inc., DT Keystone, Inc., Dollar Express, Inc., and the shareholders of Dollar Express, Inc.

10.5 Registration Rights Agreement, dated April 5, 2000

10.6 Form of Escrow Agreement by and among Dollar Tree Stores, Inc., State Street Bank & Trust, Bernard Spain, William Woo and the shareholders

- (c) The following document, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000 is incorporated herein by this reference:

10.7 Amendment No. 1 to Certain Operative Agreements, dated August 28, 2000

21. Subsidiaries of the Registrant

21.1 Subsidiaries

23. Consents of Experts and Counsel

23.1 Independent Auditors' Consent

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## RECAPITALIZATION AGREEMENT AND PLAN OF REORGANIZATION

This Recapitalization Agreement and Plan of Reorganization Agreement ("Agreement") made this 4th day of December, 2000, by and among DOLLAR TREE STORES, INC., a Virginia corporation ("Company") and the undersigned warrant holders of the Company ("Warrantholders") listed on the attached Schedule A.

## RECITALS:

1. Each of the Warrantholders holds one or more warrant certificates ("Warrants") representing the right to purchase shares of the Common Stock of the Company ("Common Stock"). The Company issued the Warrants in connection with an at-risk investment in and recapitalization of the Company in September 1993.
2. Warrants currently outstanding represent the right to purchase 4,125,188 shares of Common Stock at \$0.5729 per share.
3. The Company desires to enter into this Agreement in order to (i) simplify its capital structure converting all of the outstanding Warrants to Shares and (ii) avoid diluting the Company's earnings per share (which dilution would occur if the Warrantholders exercised their warrants for cash thereby maximizing the number of shares the Company must issue).
4. The Warrantholders desire, and the Company has agreed, to convert all of the Warrants to Shares by a cashless conversion of all of the Warrants pursuant to the terms of this Agreement (the "Warrant Conversion").
5. The parties intend that the transactions contemplated by this Agreement will be a tax-free reorganization pursuant to Internal Revenue Code ss. 368(a)(1)(E) and a recapitalization within the meaning of SEC Rule 144(d)(3)(i) and a conversion within the meaning of SEC Rule 144(d)(3)(ii).
6. With respect to each outstanding Warrant to purchase Shares, Schedule A sets forth the Warrant certificate number, the name of the Warrantholder holding the Warrant, the number and class of underlying shares of Common Stock (as adjusted pursuant to the terms of the Warrant for changes in the Company's capital structure, the "Warrant Shares"), the exercise price in cash (as adjusted pursuant to the terms of the Warrant, the "Exercise Price"), and the number and class of shares of Common Stock to be issued to the holder pursuant to cashless conversion under the terms of this Agreement (collectively, the "New Shares").

NOW, THEREFORE, for and in consideration of the mutual promises herein made, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Closing. The Closing under this Agreement (the "Closing") shall be deemed to be effective as of the close of business on December 4, 2000 (the "Conversion Date") and shall be held at the offices of Hofheimer Nusbaum, P.C. Norfolk, Virginia on such date, or at such other time and place as the parties may agree upon in writing.
2. Conversion. At the Closing, upon and subject to all of the terms and conditions set forth herein, the Warrantholders will assign, transfer and deliver to the Company all of their right, title and interest in and to the Warrants. The Warrants shall be duly endorsed for transfer thereon or by means of duly executed powers of attorney attached thereto. In exchange for the Warrants, at the Closing the Company shall issue and deliver to Company's transfer agent irrevocable instructions to issue to each Warrantholder certificates evidencing the number and class of shares of Common Stock shown in the column headed "New Shares" on Schedule A opposite such Warrantholder's name.

In connection with this cashless Warrant Exchange, each Warrant shall represent the right to subscribe for and acquire the number of New Shares (rounded down to the nearest integer) equal to (A) the number of Warrant Shares represented by the Warrant (the "Total Share Number") less (B) the number of Warrant Shares equal to the quotient obtained by dividing (i) the product of the Total Share Number and the existing Exercise Price per Warrant Share by (ii) the Conversion Price (as hereafter defined) of a share of Common Stock. "Conversion Price" means the average closing price of the Company's common stock as quoted by The Nasdaq National Market for the last three trading days immediately preceding the Conversion Date. No fractional shares or scrip representing fractional shares or cash shall be issued or paid in exchange for the Warrants.

3. Cancellation and Release. Subject to and effective upon the consummation of the Closing, the Company hereby cancels the Warrants. The Warrants and any and all rights evidenced by the Warrants, including without limitation, the right of any holder of the Warrants to purchase the common stock of the Company, shall be null and void effective upon the consummation of the Closing. Subject to and effective upon the consummation of the Closing, the Warrantholders and the Company hereby release and discharge each other, and their respective shareholders, directors, officers, employees, agents, Affiliates and representatives, from any and all claims, liabilities and obligations that they may have had to each other relating to or arising out of or in connection with the Warrants.

4. Business Purpose; Tax Treatment. The business purpose of this Agreement and the conversions of securities authorized herein is to simplify the Company's capital structure by eliminating the Warrants and to avoid the dilution to the Company's earnings per share that would occur if the Warrantholders received a greater number of shares by exercising their warrants for cash. The parties intend that the transactions contemplated by this Agreement will be a tax-free reorganization pursuant to Internal Revenue Code ss. 368(a)(1)(E).

5. Warrantholders' Representations and Warranties. Each Warrantholder represents and warrants to the Company that, as to itself:

5.1. the Warrantholder has the full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby;

5.2. for each entity Warrantholder, the execution and delivery of this Agreement and the consummation by the Warrantholder of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the entity;

5.3. the Warrantholder has duly executed and delivered this Agreement;

5.4. the obligations imposed on the Warrantholder by this Agreement are the valid and binding obligations of the Warrantholder, enforceable against the Warrantholder in accordance with its terms;

5.5. the Warrantholder is the sole record and beneficial owner of good and marketable title to all of the Warrants set forth opposite such Warrantholder's name in Schedule A under the heading "Warrants Owned";

5.6. the Warrantholder owns such Warrants free and clear of all liabilities (absolute or contingent), liens, encumbrances, mortgages, pledges, options, claims, proxies, and other security interests or rights of others;

5.7. except for the Company's Amended and Restated Stockholder Agreement effective March 13, 1995, as amended (the "Stockholders Agreement"), the Warrantholder is not a party to any voting trust, proxy, or other agreement or understanding between or among any persons that affects or relates to the voting or giving of written consent with respect to any outstanding security of the Company; and

5.8. the execution, delivery and performance of this Agreement and the performance and consummation by the Warrantholder of the transactions contemplated hereby:

5.8.1. do not require on behalf of the Warrantholder any consent or authorization from, or registration, declaration or filing with, any governmental entity;

5.8.2. will not result in a violation of any material law or regulation applicable to the Warrantholder; and

5.8.3. will not constitute a breach or violation of or default under any contract, agreement, license, permit or other instrument to which the Warrantholder is a party.

6. Company's Representations and Warranties. The Company represents and warrants to each of the Warrantholders that:

6.1. the Company has the full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby;

6.2. the execution and delivery of this Agreement and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company;

6.3. the Company has duly executed and delivered this Agreement;

6.4. the obligations imposed on the Company by this Agreement are the valid and binding obligations of the Company, enforceable against the Company in accordance with its terms; and

6.5. the New Shares have been duly authorized and issued, and upon

consummation of the Closing, shall be fully paid and non-assessable, free and clear of all liabilities (absolute or contingent), liens, encumbrances, mortgages, pledges, options, claims, proxies, and other security interests or rights of others.

7. Restricted Securities. Each Warrantholder understands that the New Shares may not be sold, transferred or otherwise disposed of without registration under the Securities Act of 1933 or an exemption therefrom, and that in the absence of an effective registration statement covering the New Shares or an available exemption from registration under the Securities Act, the New Shares must be held indefinitely.

8. Legend. Each certificate evidencing any of the New Shares, other than those sold in a registered public offering, shall bear a legend substantially as follows:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

9. Stockholders Agreement. To the extent, if any, that this Agreement expressly conflicts with the Stockholders Agreement, the Stockholders Agreement shall be deemed to be superseded and amended hereby. Except as required by the previous sentence, the Stockholders Agreement shall remain in full force and effect.

10. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and neither this Agreement nor any provision hereof may be waived, modified, amended or terminated except by a writing duly executed by all of the parties whose interests are affected thereby. To the extent any term or other provision of any other indenture, agreement or instrument by which any party hereto is bound conflicts with this Agreement, this Agreement shall have precedence over such conflicting term or provision.

11. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia and shall be binding upon the parties hereto and their respective successors and assigns.

12. Waivers. The failure of any party to insist upon strict performance of any of the terms or conditions of this Agreement will not constitute a waiver of any of its rights hereunder.

13. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

14. Indemnity. Each Warrantholder severally and not jointly agrees to indemnify the Company from and against any and all loss, cost, damage, or expense (including reasonable attorney's fees and costs of investigation) arising from a misrepresentation or a breach by such Warrantholder of a warranty, covenant, agreement or other term set forth in this Agreement or in any document delivered in connection with the closing under this Agreement. The Company agrees to indemnify each Warrantholder from and against any and all loss, cost, damage, or expense (including reasonable attorney's fees and costs of investigation) arising from a misrepresentation or a breach by the Company of a warranty, covenant, agreement or other term set forth in this Agreement or in any document delivered in connection with the closing under this Agreement.

15. Counterparts; Facsimile Signatures. This Agreement may be executed, including by facsimile signature, in one or more counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same instrument.

Witness the following signatures:

Dollar Tree Stores, Inc.

By: /s/ Frederick C. Coble

Title: Senior Vice President



/s/ J. Dougless Perry , Trustee  
-----  
J. Douglas Perry, Trustee for the Laura Paige Perry  
Descendants Trust dated April 11, 1994

/s/ J. Dougless Perry , Trustee  
-----  
J. Douglas Perry, Trustee for the Joseph  
Christopher Perry Descendants Trust Dated April 11,  
1994

/s/ J. Dougless Perry , Trustee  
-----  
J. Douglas Perry, Trustee for the Brandon Douglas  
Perry Descendants Trust dated April 11, 1994

/s/ Macon F. Brock , Trustee  
-----  
Macon F. Brock, Jr., Trustee for the Macon F.  
Brock, III Descendants Trust dated April 22, 1994

/s/ Macon F. Brock , Trustee  
-----  
Macon F. Brock, Jr., Trustee for the Kathryn P.  
Brock Descendants Trust dated April 22, 1994

/s/ Macon F. Brock , Trustee  
-----  
Macon F. Brock, Jr., Trustee for the Christine  
Brock McCammon Descendants Trust dated April 22,  
1994

/s/ James P. Compton , Trustee  
-----  
James P. Compton, Trustee for the Brymar  
Descendants Trust dated April 21, 1994

/s/ Thomas A. Saunders, III, Trustee  
-----  
Thomas A. Saunders, III, Trustee for the Saunders  
Dollar Tree Trust dated July 16, 1993

/s/ Joanne S. Berkley , Trustee  
-----  
Joanne S. Berkley, Trustee for the Saunders Dollar  
Tree Trust dated July 16, 1993

CREDIT AGREEMENT

among

DOLLAR TREE DISTRIBUTION, INC.  
as Borrower,

CERTAIN OF THE DOMESTIC AFFILIATES OF THE  
BORROWER FROM TIME TO TIME PARTIES HERETO,  
as Guarantors,

THE LENDERS PARTIES HERETO,  
FLEET NATIONAL BANK,  
as Syndication Agent,

SUNTRUST BANK,  
as Documentation Agent,

and

FIRST UNION NATIONAL BANK,  
as Administrative Agent

Dated as of March 12, 2001

FIRST UNION SECURITIES, INC.,  
as Sole Arranger and Book Runner

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CREDIT AGREEMENT, dated as of March 12, 2001, among DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation (the "Borrower"), DOLLAR TREE STORES, INC., a Virginia corporation (the "Parent Guarantor"), each Domestic Subsidiary of the Borrower and the Parent Guarantor identified as a "Guarantor" on the signature pages hereto and such other Domestic Subsidiaries of the Borrower and the Parent Guarantor as may from time to time become a party hereto (collectively, the "Subsidiary Guarantors" and together with the Parent Guarantor, the "Guarantors"), the several banks and other financial institutions as may from time to time become parties to this Agreement (collectively, the "Lenders"; and individually, a "Lender"), FLEET NATIONAL BANK, as Syndication Agent, SUNTRUST BANK, as Documentation Agent, and FIRST UNION NATIONAL BANK, as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent" or the "Agent").

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Lenders make loans and other financial accommodations to the Borrower as more particularly described herein;

WHEREAS, the Lenders have agreed to make such loans and other financial accommodations to the Borrower on the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the premises and the mutual

covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms.

As used in this Agreement, terms defined in the preamble to this Agreement have the meanings therein indicated, and the following terms have the following meanings:

"Account Designation Letter" shall mean the Notice of Account Designation Letter dated the Closing Date from the Borrower to the Administrative Agent substantially in the form attached hereto as Schedule 1.1(a).

"Additional Credit Party" shall mean each Person that becomes a Guarantor by execution of a Joinder Agreement in accordance with Section 5.10.

"Additional Lender" shall have the meaning set forth in Section 2.4.

"Administrative Agent" shall have the meaning set forth in the first paragraph of this Agreement and any successors in such capacity.

"Affiliate" shall mean as to any Person, any other Person (excluding any Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, a Person shall be deemed to be "controlled by" a Person if such Person possesses, directly or indirectly, power either (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise..

"Agreement" shall mean this Credit Agreement, as amended, modified or supplemented from time to time in accordance with its terms.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "Prime Rate" shall mean, at any time, the rate of interest per annum publicly announced from time to time by First Union at its principal office in Charlotte, North Carolina as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in the Prime Rate occurs. The parties hereto acknowledge that the rate announced publicly by First Union as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on the next succeeding Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive in the absence of manifest error) that it is unable to ascertain the Federal Funds Effective Rate, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the opening of business on the date of such change.

"Alternate Base Rate Loans" shall mean Loans that bear interest at an interest rate based on the Alternate Base Rate.

"Applicable Percentage" shall mean, for any day, the rate per annum set forth below opposite the applicable Level then in effect, it being understood that the Applicable Percentage for (i) Revolving Loans which are Alternate Base Rate Loans shall be the percentage set forth under the column "Alternate Base Rate Margin for Revolving Loans", (ii) Revolving Loans which are LIBOR Rate Loans or Index Rate Loans and for Standby Letter of Credit Fees shall be the percentage set forth under the column "LIBOR Rate and Index Rate Margin for Revolving Loans and Standby Letter of Credit Fees", (iii) the Trade Letter of Credit Fees shall be the percentage set forth under the column "Trade Letter of Credit Fees" and (iv) the Facility Fee shall be the percentage set forth under the column "Facility Fee":

-----

	Pricing Grid Leverage Ratio -----	Alternate Base Rate Margin for Revolving Loans -----	LIBOR Rate and Index Rate Margin for Revolving Loans and Standby Letter of Credit Fees -----	Trade Letter of Credit Fees ----	Facility Fee ---
Level					
I	< 0.75 to 1.0	0.00%	0.525%	0.2625%	0.075%
II	< 1.00 to 1.0 but => 0.75 to 1.0	0.00%	0.625%	0.3125%	0.125%
III	< 1.25 to 1.0 but => 1.00 to 1.0	0.00%	0.825%	0.4125%	0.175%
IV	> 1.25 to 1.0 -	0.00%	1.025%	0.5125%	0.225%

The Applicable Percentage shall, in each case, be determined and adjusted quarterly on the date five (5) Business Days after the date on which the Parent Guarantor is required to provide to the Administrative Agent the quarterly financial information and certifications in accordance with the provisions of Sections 5.1(a) and (b) and 5.2(c) (each an "Interest Determination Date"). Such Applicable Percentage shall be effective from such Interest Determination Date until the next such Interest Determination Date. The initial Applicable Percentages shall be based on Level I until the first Interest Determination Date occurring after the Closing Date. After the Closing Date, if the Parent Guarantor shall fail to provide the quarterly financial information and certifications in accordance with the provisions of Sections 5.1(a) and (b) and 5.2(c), the Applicable Percentage from such Interest Determination Date shall, on the date five (5) Business Days after the date by which the Parent Guarantor was so required to provide such financial information and certifications to the Administrative Agent and the Lenders, be based on Level IV until such time as such information and certifications are provided, whereupon the Level shall be determined by the then current Pricing Grid Leverage Ratio.

"Asset Disposition" shall mean the disposition of any or all of the assets (including, without limitation, the Capital Stock of a Subsidiary or any ownership interest in a joint venture) of the Parent Guarantor or any Subsidiary whether by sale, lease, transfer or otherwise. The term "Asset Disposition" shall not include (i) Excluded Dispositions, (ii) the sale, lease or transfer of assets permitted by Section 6.4(c)(iii) hereof, (iii) any Equity Issuance or (iv) an Asset Disposition that constitutes a Recovery Event.

"Bankruptcy Code" shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Borrower" shall have the meaning set forth in the first paragraph of this Agreement.

"Borrowing Date" shall mean, in respect of any Loan, the date such Loan is made.

"Business" shall have the meaning set forth in Section 3.10.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or Norfolk, Virginia are authorized or required by law to close; provided, however, that when used in connection with a rate determination, borrowing or payment in respect of a LIBOR Rate Loan or Index Rate Loan, the term "Business Day" shall also exclude any day on which banks in London, England are not open for dealings in Dollar deposits in the London interbank market.

"Capital Lease" shall mean any lease of property, real or personal, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP.

"Capital Lease Obligations" shall mean the capitalized lease obligations relating to a Capital Lease determined in accordance with GAAP.

"Capital Stock" shall mean (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" shall mean (i) securities issued directly or fully

guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition ("Government Obligations"), (ii) U.S. dollar denominated (or foreign currency fully hedged) time deposits, certificates of deposit, eurodollar time deposits and eurodollar certificates of deposit of (y) any domestic commercial bank of recognized standing having capital and surplus in excess of \$250,000,000 or (z) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than one year from the date of acquisition, (iii) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any commercial paper or variable rate notes issued by, or guaranteed by any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within nine months of the date of acquisition, (iv) repurchase agreements with a bank or trust company (including a Lender) or a recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully

guaranteed by the United States of America, (v) obligations of any state of the United States or any political subdivision thereof rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's having maturities of not more than one year, and (vi) auction preferred stock rated in the highest short-term credit rating category by S&P or Moody's.

"Change of Control" shall mean (a) any Person or two or more Persons acting in concert shall have acquired "beneficial ownership," directly or indirectly, of, or shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, control over, Voting Stock of the Parent Guarantor (or other securities convertible into such Voting Stock) representing 35% or more of the combined voting power of all Voting Stock of the Parent Guarantor, (b) during any period of up to 25 consecutive months, commencing after the Closing Date, individuals who at the beginning of such 25 month period were directors of the Parent Guarantor (together with any new director whose election by the Parent Guarantor's Board of Directors or whose nomination for election by the Parent Guarantor's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of the Parent Guarantor then in office or (c) the Parent Guarantor shall fail to own all of the Capital Stock of the Borrower and the other Credit Parties. As used herein, "beneficial ownership" shall have the meaning provided in Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934.

"Closing Date" shall mean the date of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" shall mean the Revolving Commitment and the LOC Commitment, individually or collectively, as appropriate.

"Commitment Percentage" shall mean the Revolving Commitment Percentage and/or the LOC Commitment Percentage, as appropriate.

"Commitment Period" shall mean the period from and including the Closing Date to but not including the Maturity Date.

"Commitment Transfer Supplement" shall mean a Commitment Transfer Supplement, substantially in the form of Schedule 9.6(c).

"Commonly Controlled Entity" shall mean an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated EBITDA" shall mean, for any period, the sum of (i) Consolidated Net Income for such period, plus (ii) an amount which, in the

determination of Consolidated Net Income for such period, has been deducted for (A) Consolidated Interest Expense, (B) total federal, state, local and foreign income taxes and (C) depreciation, amortization expense and other non-cash charges, minus (iii) extraordinary gains of the Parent Guarantor and its Subsidiaries for such period. Except as otherwise provided herein, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated EBITDAR" shall mean, for any period, the sum of (a) Consolidated EBITDA for such period plus (b) Consolidated Rental Expense for such period.



"Consolidated Fixed Charges" shall mean, for any period, the sum of (i) Consolidated Interest Expense for such period plus (ii) Consolidated Rental Expense for such period of the Parent Guarantor and its Subsidiaries on a consolidated basis determined in accordance with GAAP, applied on a consistent basis. The applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated Interest Expense" shall mean, for any period, all interest expense of the Parent Guarantor and its Subsidiaries, including the interest component under Capital Leases, as determined in accordance with GAAP. Except as otherwise provided herein, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated Net Income" shall mean, for any period, net income (excluding extraordinary items) after taxes for such period of the Parent Guarantor and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP. Except as otherwise provided herein, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated Net Worth" shall mean total shareholders' equity (or its equivalent) of the Parent Guarantor and its Subsidiaries on a consolidated basis, determined in accordance with GAAP applied on a consistent basis.

"Consolidated Rental Expense" shall mean, for any applicable period of computation, the sum of all real property rental expense of the Parent Guarantor and its Subsidiaries on a consolidated basis for such period, determined in accordance with GAAP.

"Contractual Obligation" shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Documents" shall mean this Agreement, each of the Notes, any Joinder Agreement, the Letters of Credit and the LOC Documents.

"Credit Party" shall mean any of the Borrower or the Guarantors.

"Credit Party Obligations" shall mean, without duplication, (i) all of the obligations of the Credit Parties to the Lenders (including the Issuing Lenders) and the Administrative Agent, whenever arising, under this Agreement,

the Notes or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a filing of a petition of bankruptcy under the Bankruptcy Code with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from any Credit Party to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement.

"Debt" shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of assets or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) the principal portion of all obligations of such Person under Capital Leases, (f) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (g) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration, (h) the principal balance outstanding under any synthetic lease, tax retention operating lease, accounts receivable securitization program, off-balance sheet loan or similar off-balance sheet financing product, including, without limitation, the ELLF Facility, (i) all Debt of others of the type referred to in clauses (a) through (h) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (j) all Guaranty Obligations of such Person with respect to Debt of the type referred to in clauses (a) through (h) above of another Person and (k) Debt of the type referred to in clauses (a) through (h) above of any partnership or unincorporated joint venture in which such Person is legally obligated or has a reasonable expectation of being liable with respect thereto.

"Default" shall mean any of the events specified in Section 7.1, whether or not any requirement for the giving of notice or the lapse of time, or both, or any other condition, has been satisfied.

"Defaulting Lender" shall mean, at any time, any Lender that, at such time (a) has failed to make a Loan required pursuant to the terms of this Credit Agreement, including the funding of a Participation Interest in accordance with the terms hereof, (b) has failed to pay to the Administrative Agent or any other Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement, or (c) has been deemed insolvent by its principal regulator or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

"Dollars" and "\$" shall mean dollars in lawful currency of the United States of America.

"Domestic Lending Office" shall mean, initially, the office of each Lender designated as such Lender's Domestic Lending Office shown on Schedule 9.2; and thereafter, such other office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office of such Lender at which Alternate Base Rate Loans and Index Rate Loans of such Lender are to be made.

"Domestic Subsidiary" shall mean any Subsidiary that is organized and existing under the laws of the United States or any state or commonwealth thereof or under the laws of the District of Columbia.

"ELLF Facility" shall mean that \$165,000,000 synthetic lease facility evidenced by the ELLF Facility Documents.

"ELLF Facility Documents" shall mean (i) that certain Participation Agreement dated as of the date hereof among the various guarantors party thereto, First Security Bank, National Association, as the Owner Trustee under the DTSD Realty Trust 1999-1, the various banks and other lending institutions party thereto from time to time as holders of certificates issued with respect to the DTSD Realty Trust 1999-1, the various banks and other lending institutions party thereto from time to time as lenders, and First Union National Bank, as agent, and (ii) each of the other "Operative Agreements" as such term is defined in Appendix A to the ELLF Participation Agreement, in each case as such documents may from time to time be amended, modified or otherwise supplemented in accordance with the terms hereof and thereof.

"Environmental Claim" shall mean, with respect to any Person, any written or oral notice, claim, demand or other communication (collectively, a "claim") by any other Person alleging or asserting such Person's liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other Property, personal injuries, fines or penalties arising out of, based on or resulting from (a) the presence, or release into the environment, of any Hazardous Material at any location, whether or not owned by such Person, or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, without limitation, any claim by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Laws" shall mean any and all applicable foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirement of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time be in effect during the term of this Agreement.

"Equity Issuance" shall mean any issuance by the Parent Guarantor or any of its Subsidiaries to any Person which is not a Credit Party of (a) shares

of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants or (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which any Credit Party or any of its Subsidiaries is a member, (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which any Credit Party or any of its Subsidiaries is a member

and (iii) which are under common control with any Credit Party or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA.

"Eurodollar Reserve Percentage" shall mean for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) in respect of Eurocurrency liabilities, as defined in Regulation D of such Board as in effect from time to time, or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"Event of Default" shall mean any of the events specified in Section 7.1; provided, however, that any requirement for the giving of notice or the lapse of time, or both, or any other condition, has been satisfied.

"Excluded Disposition" shall mean the sale, transfer, or other disposition of (a) any motor vehicles or other equipment no longer used or useful in the business of the Parent Guarantor or any of its Subsidiaries, (b) any inventory in the ordinary course of business and on ordinary business terms, (c) Permitted Investments described in clause (a) of the definition thereof and (d) "margin stock" within the meaning of Regulation U.

"Extension of Credit" shall mean, as to any Lender, the making of a Loan by such Lender or the issuance of, or participation in, a Letter of Credit by such Lender.

"Facility Fee" shall have the meaning set forth in Section 2.3(a).

"Federal Funds Effective Rate" shall have the meaning set forth in the definition of "Alternate Base Rate".

"Fee Letter" shall mean the letter agreement dated January 16, 2001 addressed to the Parent Guarantor from the Administrative Agent, as amended, modified or otherwise supplemented.

"First Union" shall mean First Union National Bank, a national banking association.

"Fixed Charge Coverage Ratio" means, with respect to the Parent Guarantor and its Subsidiaries on a consolidated basis for the twelve month period ending on the last day of any fiscal quarter of the Parent Guarantor, the ratio of (i) Consolidated EBITDAR to (ii) Consolidated Fixed Charges.

"Foreign Subsidiary" shall mean any Subsidiary that is not a Domestic Subsidiary.

"Fronting Fee" shall have the meaning set forth in Section 2.3(b).

"GAAP" shall mean generally accepted accounting principles in effect in the United States of America applied on a consistent basis, subject, however, in the case of determination of compliance with the financial covenants set out in Section 5.9 to the provisions of Section 1.3.

"Government Acts" shall have the meaning set forth in Section 2.17.

"Governmental Authority" shall mean 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.

"Guarantor" shall mean any of the Parent Guarantor, the Domestic Subsidiaries identified as a "Guarantor" on the signature pages hereto and the Additional Credit Parties which execute a Joinder Agreement, together with their successors and permitted assigns.

"Guaranty" shall mean the guaranty of the Guarantors set forth in Article X.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase assets, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth

therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"Hazardous Material" shall mean, collectively, (a) any petroleum or petroleum products, flammable materials, explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, and transformers or other equipment that contain polychlorinated biphenyls ("PCB's"), (b) any chemicals or other

materials or substances that are now or hereafter become defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import under any Environmental Law and (c) any other chemical or other material or substance, exposure to which is now or hereafter prohibited, limited or regulated under any Environmental Law.

"Hedging Agreements" shall mean, with respect to any Person, any agreement entered into to protect such Person against fluctuations in interest rates, or currency or raw materials values, including, without limitation, any interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more counterparties, any foreign currency exchange agreement, currency protection agreements, commodity purchase or option agreements or other interest or exchange rate hedging agreements.

"Increased Commitment Date" has the meaning set forth in Section 2.4.

"Indebtedness" shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of assets or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the principal portion of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements, (j) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration, (l) the principal balance outstanding under any synthetic lease, tax retention operating lease, accounts receivable securitization program, off-balance sheet loan or similar off-balance sheet financing product, and (m) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer.

"Index Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the London interbank offered rate for one (1) month Dollar deposits as reported on Dow Jones Telerate page 3750 (or any successor page) at approximately 11:00 a.m. (London time), on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation).

"Index Rate Loan" shall mean Loans the rate of interest applicable to which is based on the Index Rate.

"Insolvency" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of such term as used in Section 4245 of ERISA.

"Insolvent" shall mean being in a condition of Insolvency.

"Intellectual Property" has the meaning set forth in Section 3.16.

"Interest Payment Date" shall mean (a) as to any Alternate Base Rate Loan or any Index Rate Loan, the last day of each March, June, September and December and on the applicable Maturity Date, (b) as to any LIBOR Rate Loan having an Interest Period of three months or less, the last day of such Interest Period, and (c) as to any LIBOR Rate Loan having an Interest Period longer than three months, the day which is three months after the first day of such Interest

Period and the last day of such Interest Period.

"Interest Period" shall mean, with respect to any LIBOR Rate Loan,  
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(i) \_\_\_\_\_ initially, the period commencing on the Borrowing Date or conversion date, as the case may be, with respect to such LIBOR Rate Loan and ending (a) fourteen days or (b) one, two, three or six months thereafter, as selected by the Borrower in the Notice of Borrowing or Notice of Conversion given with respect thereto; and

(ii) \_\_\_\_\_ thereafter, each period commencing on the last day of the immediately preceding Interest Period applicable to such LIBOR Rate Loan and ending (a) fourteen days or (b) one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that the foregoing provisions are subject to the following:

(A) \_\_\_\_\_ if any Interest Period pertaining to a LIBOR Rate Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(B) \_\_\_\_\_ any Interest Period (other than a 14-day Interest Period) pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month;

(C) \_\_\_\_\_ if the Borrower shall fail to give notice as provided above, the Borrower shall be deemed to have selected an Alternate Base Rate Loan to replace the affected LIBOR Rate Loan;

(D) no Interest Period shall extend beyond the Maturity Date; and

(E) \_\_\_\_\_ no more than six (6) LIBOR Rate Loans may be in effect at any time. For purposes hereof, LIBOR Rate Loans with different Interest Periods shall be considered as separate LIBOR Rate Loans, even if they shall begin on the same date and have the same duration, although borrowings, \_\_\_\_\_ extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new LIBOR Rate Loan with a single Interest Period.

"Issuing Lender" shall mean (i) First Union or (ii) such other Lender reasonably acceptable to the Administrative Agent selected by the Borrower from time to time to issue a Letter of Credit.

"Issuing Lender Fees" shall have the meaning set forth in Section 2.3(c).

"Joinder Agreement" shall mean a Joinder Agreement substantially in the form of Schedule 5.10, executed and delivered by an Additional Credit Party in accordance with the provisions of Section 5.10.

"Lender" shall have the meaning set forth in the first paragraph of this Agreement.

"Letters of Credit" shall mean any letter of credit issued by an Issuing Lender pursuant to the terms hereof, as such Letters of Credit may be amended, modified, extended, renewed or replaced from time to time.

"Leverage Ratio" shall mean, with respect to the Parent Guarantor and its Subsidiaries on a consolidated basis for the twelve month period ending on the last day of any fiscal quarter, the ratio of (a) Total Debt calculated on the last day of such period to (b) Consolidated EBITDA for such period.

"LIBOR" shall mean, for any LIBOR Rate Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Dow Jones Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR" shall mean, for any LIBOR Rate Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00

a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more

than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If, for any reason, neither of such rates is available, then "LIBOR" shall mean the rate per annum at which, as determined by the Administrative Agent, Dollars in an amount comparable to such LIBOR Rate Loan are being offered to leading banks at approximately 11:00 A.M. London time, two (2) Business Days prior to the commencement of the applicable Interest Period for settlement in immediately available funds by leading banks in the London interbank market for a period equal to the Interest Period selected. Notwithstanding the foregoing, for any LIBOR Rate Loan having an Interest Period of fourteen days, LIBOR shall be determined for such Loan as if such Loan had an Interest Period of one-month.

"LIBOR Lending Office" shall mean, initially, the office of each Lender designated as such Lender's LIBOR Lending Office shown on Schedule 9.2; and thereafter, such other office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office of such Lender at which the LIBOR Rate Loans of such Lender are to be made.

"LIBOR Rate" shall mean a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"LIBOR Rate Loan" shall mean Loans the rate of interest applicable to which is based on the LIBOR Rate.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

"Loan" shall mean a Revolving Loan, or a portion of any Revolving Loan, as applicable.

"LOC Commitment" shall mean the commitment of the Issuing Lender(s) to issue Letters of Credit and with respect to each Lender, the commitment of such Lender to purchase participation interests in the Letters of Credit up to such Lender's LOC Committed Amount as specified in Schedule 2.1(a), as such amount may be reduced from time to time in accordance with the provisions hereof.

"LOC Commitment Percentage" shall mean, for each Lender, the percentage identified as its LOC Commitment Percentage on Schedule 2.1(a), as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 9.6(c).

"LOC Committed Amount" shall mean, collectively, the aggregate amount of all of the LOC Commitments of the Lenders to issue and participate in Letters of Credit as referenced in Section 2.2 and, individually, the amount of each Lender's LOC Commitment as specified in Schedule 2.1(a).

"LOC Documents" shall mean, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or (ii) any collateral security for such obligations.

"LOC Obligations" shall mean, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender(s) but not theretofore reimbursed.

"Mandatory Borrowing" shall have the meaning set forth in Section 2.2(e).

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, condition (financial or otherwise), assets, liabilities or operations of the Parent Guarantor and its Subsidiaries taken as a whole, which has caused or could reasonably be expected to cause the Consolidated Net Worth of the Parent Guarantor and its Subsidiaries to decrease by ten percent (10%) or more from the then current Consolidated Net Worth of the Parent Guarantor and its Subsidiaries, (b) the ability of the Borrower or any Guarantor to perform

its obligations, when such obligations are required to be performed, under this Agreement, any of the Notes or any other Credit Document or (c) the validity or enforceability of this Agreement, any of the Notes or any of the other Credit Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Material Contract" shall mean any contract or other arrangement, whether written or oral, to which the Parent Guarantor or any of its Subsidiaries is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect.

"Maturity Date" shall mean the date which is 364 days from the Closing Date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" or "Notes" shall mean the Revolving Notes, collectively, separately or individually, as appropriate.

"Note Purchase Agreement" shall mean the Note Agreement dated as of April 10, 1997 entered into by the Parent Guarantor and the Borrower in connection with the issuance of \$30,000,000 7.29% Senior Guaranteed Notes, Due April 30, 2004, as such agreement may from time to time be amended, modified or otherwise supplemented in accordance with the terms hereof and thereof.

"Notice of Borrowing" shall mean the written notice of borrowing as referenced and defined in Section 2.1(b)(i).

"Notice of Conversion" shall mean the written notice of extension or conversion as referenced and defined in Section 2.8.

"Obligations" shall mean, collectively, Loans and LOC Obligations.

"Parent Guarantor" shall have the meaning set forth in the first paragraph of this Agreement.

"Participant" shall have the meaning set forth in Section 9.6(b).

"Participation Interest" shall mean the purchase by a Lender of a participation interest in Letters of Credit as provided in Section 2.2.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Permitted Acquisition" shall mean an acquisition by any Credit Party which (i) is an acquisition of a Person or assets of a Person in the same or a similar line of business which has pro forma EBITDA before the acquisition in an amount greater than \$0 for the immediately preceding twelve month period, (ii) is approved by the Board of Directors or the requisite shareholders of the Person being acquired or Person transferring the assets being acquired, (iii) if an acquisition of Capital Stock of a Person, all issued and outstanding Capital Stock of such Person is acquired, and (iv) after giving effect to such acquisition on a Pro Forma Basis, the Credit Parties are in compliance with each of the financial covenants set forth in Section 5.9.

"Permitted Investments" shall mean:

- (a) cash or Cash Equivalents;
- (b) investments outstanding as of the Closing Date and identified in Schedule 1.1(b);
- (c) investments of any Subsidiary of the Parent Guarantor in any Credit Party or investments of any Credit Party in any other Credit Party;
- (d) Permitted Acquisitions;
- (e) operating deposit accounts with depository institutions;
- (f) Hedging Agreements;
- (g) investments permitted under Section 6.4(b) hereof;
- (h) investments by the Parent Guarantor and its Subsidiaries in the Capital Stock of their Subsidiaries to the extent outstanding as of the Closing Date;
- (i) loans and advances to employees in the ordinary

course of business not exceeding \$1,000,000 in the aggregate;

(j) deposits to secure bids, tenders, utilities, vendors, leases, licenses, statutory obligations, surety and appeal bonds and other deposits of like nature arising in the ordinary course of business not exceeding \$1,000,000 in the aggregate; and

(k) additional investments up to but not exceeding \$25,000,000 in the aggregate during each fiscal year.

As used herein, "investment" means all investments, in cash or by delivery of assets made, directly or indirectly in, to or from any Person, whether by acquisition of shares of Capital Stock, property, assets, indebtedness or other obligations or securities or by loan advance, capital contribution or otherwise.

"Permitted Liens" shall mean:

(a) Liens created by or otherwise existing, under or in connection with this Agreement or the other Credit Documents in favor of the Lenders;

(b) Liens in existence on the Closing Date and listed on Schedule 1.1(c);

(c) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet delinquent or that are being contested in good faith and by appropriate proceedings if, unless the amount thereof is not material with respect to it or its financial condition, adequate reserves with respect thereto are maintained on the books of the Parent Guarantor or the affected Subsidiaries, as the case may be, in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, landlord's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings;

(e) Liens securing judgments but only to the extent for an amount and for a period not resulting in an Event of Default under Section 7.1(f) hereof;

(f) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;

(g) deposits or pledges to secure the performance of bids, trade contracts (other than for Indebtedness), leases, licenses, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of Property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the Property subject thereto or interfere with the ordinary conduct of the business of the Parent Guarantor or any of its Subsidiaries;

(i) Liens upon assets of the Parent Guarantor or any of its Subsidiaries acquired after the Closing Date securing Indebtedness permitted by Section 6.1(c) hereof; provided that (A) no such Lien shall extend to or cover any assets of the Parent Guarantor or such Subsidiary other than the assets so acquired, (B) the principal amount of Indebtedness secured by any such Lien shall at no time exceed the fair market value (as determined in good faith by a Responsible Officer of the Parent Guarantor) of such assets at the time they were acquired, and (C) any such Lien shall attach within 60 days of the date such assets were acquired;

(j) Liens upon real Property heretofore leased or leased after the date hereof (under operating or Capital Leases) in the ordinary course of business by the Parent Guarantor or any of its Subsidiaries in favor of the lessor created at the inception of the lease transaction, securing obligations of the Parent Guarantor or any of its Subsidiaries under or in respect of such lease and extending to or covering only the Property subject to such lease and improvements thereon;

(k) protective Uniform Commercial Code filings with respect to personal Property leased by, or consigned to, any of the Parent Guarantor or its Subsidiaries;



(l) Liens created pursuant to the ELLF Facility Documents; and

(m) Liens (excluding blanket Liens on accounts, inventory, equipment or general intangibles) securing Indebtedness permitted to be incurred pursuant to Section 6.1(e).

"Person" shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" shall mean, at any particular time, any employee benefit plan which is covered by Title IV of ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pricing Grid Leverage Ratio" shall mean, with respect to the Parent Guarantor and its Subsidiaries on a consolidated basis for the twelve month period ending on the last day of any fiscal quarter, the ratio of (a) Total Debt less the maximum amount of all standby letters of credit issued for the account of the Borrower or any of the other Credit Parties, calculated on the last day of such period to (b) Consolidated EBITDA for such period.

"Prime Rate" shall have the meaning set forth in the definition of Alternate Base Rate.

"Pro Forma Basis" shall mean, with respect to any Permitted Acquisition, asset sale, incurrence of indebtedness or sale-leaseback transaction permitted hereunder or dividend made pursuant to Section 6.10(e), that such Permitted Acquisition, asset sale, incurrence of indebtedness, sale-leaseback transaction or dividend shall be deemed to have occurred or been made, as applicable, as of the first day of the four fiscal-quarter period ending as of the most recent fiscal quarter end preceding the date such Permitted Acquisition, asset sale, incurrence of indebtedness or sale-leaseback transaction occurred or such dividend was made.

"Property" shall mean any tangible property or assets, whether real or personal.

"Purchasing Lenders" shall have the meaning set forth in Section 9.6(c).

"Real Properties" shall have the meaning set forth in Section 3.10(a).

"Recovery Event" shall mean the receipt by the Parent Guarantor or any of its Subsidiaries of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of their respective property or assets.

"Register" shall have the meaning set forth in Section 9.6(d).

"Reorganization" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Reportable Event" shall mean any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty-day notice period is waived under PBGC Reg. ss.4043.

"Required Lenders" shall mean Lenders holding in the aggregate more than 66 2/3rds % of all Revolving Loans and LOC Obligations then outstanding at such time plus the aggregate unused Revolving Commitments at such time (treating for purposes hereof in the case of LOC Obligations, in the case of any Issuing

Lender, only the portion of the LOC Obligations of such Issuing Lender which is not subject to the Participation Interests of the other Lenders and, in the case of the Lenders other than such Issuing Lender, the Participation Interests of such Lenders in LOC Obligations hereunder as direct Obligations of such Lenders); provided, however, that if any Lender shall be a Defaulting Lender at such time, then there shall be excluded from the determination of Required Lenders, Obligations (including Participation Interests) owing to such Defaulting Lender and such Defaulting Lender's Commitments, or after termination of the Commitments, the principal balance of the Obligations owing to such Defaulting Lender.

"Requirement of Law" shall mean, as to any Person, the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, and each 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.

"Responsible Officer" of any Person shall mean the President, the Chief Executive Officer, the Chief Financial Officer or the Vice President/Treasurer of such Person.

"Restricted Payment" shall mean (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of Capital Stock of the Parent Guarantor or any of its Subsidiaries, now or hereafter outstanding, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of the Parent Guarantor or any of its Subsidiaries, now or hereafter outstanding, or (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of the Parent Guarantor or any of its Subsidiaries, now or hereafter outstanding.

"Revolving Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans in an aggregate principal amount at any time outstanding up to such Lender's Revolving Commitment Percentage of the Revolving Committed Amount as specified in Schedule 2.1(a), as such amount may be increased or reduced from time to time in accordance with the provisions hereof or in connection with any assignment made in accordance with the provisions of Section 9.6(c).

"Revolving Commitment Percentage" shall mean, for each Lender, the percentage identified as its Revolving Commitment Percentage on Schedule 2.1(a), as such percentage may be increased or reduced pursuant to Section 2.4(c) or in connection with any assignment made in accordance with the provisions of Section 9.6(c).

"Revolving Committed Amount" shall mean, with respect to the Lenders collectively, the aggregate amount of all Revolving Commitments as defined in Section 2.1(a), as such amount may be increased or reduced from time to time in accordance with the provisions hereof, and, with respect to each Lender, the amount of such Lender's Revolving Commitment as specified on Schedule 2.1(a), as such amount may be increased or reduced from time to time in accordance with the provisions hereof or in connection with any assignment made in accordance with the provisions of Section 9.6(c).

"Revolving Loan" shall have the meaning set forth in Section 2.1.

"Revolving Note" or "Revolving Notes" shall mean the promissory notes of the Borrower in favor of each of the Lenders evidencing the Revolving Loans provided pursuant to Section 2.1(d), individually or collectively, as appropriate, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time.

"S&P" shall mean Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"SEC" shall mean the Securities and Exchange Commission or any successor thereto.

"Single Employer Plan" shall mean any Plan which is not a Multiemployer Plan.

"Standby Letter of Credit Fee" shall have the meaning set forth in Section 2.3(b).

"Subsidiary" shall mean, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Parent Guarantor and shall include the Borrower and the Subsidiary Guarantors.

"Subsidiary Guarantors" shall have the meaning set forth in the first paragraph of this Agreement.

"Taxes" shall have the meaning set forth in Section 2.16.

"Total Debt" shall mean, as of any date of calculation, all Debt of the Parent Guarantor and its Subsidiaries, on a consolidated basis.

"Trade Letter of Credit Fee" shall have the meaning set forth in Section 2.3(b).

"Tranche" shall mean the collective reference to LIBOR Rate Loans whose Interest Periods begin and end on the same day. A Tranche may sometimes be referred to as a "LIBOR Tranche".

"Transfer Effective Date" shall have the meaning set forth in each Commitment Transfer Supplement.

"2.16 Certificate" shall have the meaning set forth in Section 2.16.

"Type" shall mean, as to any Loan, its nature as an Alternate Base Rate Loan, LIBOR Rate Loan or Index Rate Loan, as the case may be.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

#### Section 1.2 Other Definitional Provisions.

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes or other Credit Documents or any certificate or other document made or delivered pursuant hereto.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

#### Section 1.3 Accounting Terms.

Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP applied on a basis consistent with the most recent audited consolidated financial statements of the Parent Guarantor delivered to the Lenders.

The Borrower shall deliver to the Administrative Agent and each Lender at the same time as the delivery of any annual or quarterly financial statements given in accordance with the provisions of Section 5.1, (i) a description in reasonable detail of any material change in the application of accounting principles employed in the preparation of such financial statements from those applied in the most recently preceding quarterly or annual financial statements as to which no objection shall have been made in accordance with the provisions above and (ii) a reasonable estimate of the effect on the financial statements on account of such changes in application.

## ARTICLE II

### THE LOANS; AMOUNT AND TERMS

#### Section 2.1 Revolving Loans.

(a) Revolving Commitment. During the Commitment Period, subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("Revolving Loans") to the Borrower from time to time for the purposes hereinafter set forth; provided, however, that (i) with regard to each Lender individually, the sum of such Lender's outstanding Revolving Loans plus such Lender's LOC Commitment Percentage of LOC Obligations shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount and (ii) with regard to the Lenders collectively, the sum of the aggregate amount of outstanding Revolving Loans plus LOC Obligations shall not exceed the Revolving Committed Amount. For purposes hereof, the aggregate amount available under this Section 2.1(a) shall be FIFTY Million DOLLARS (\$50,000,000) (as such aggregate maximum amount may be increased or reduced from time to time as provided in Section 2.4, the "Revolving Committed Amount"). Revolving Loans may consist of Alternate Base Rate Loans, LIBOR Rate Loans or Index Rate Loans, or a combination thereof, as the Borrower may request, and may be repaid and reborrowed in accordance with the provisions hereof. LIBOR Rate Loans shall be made by each Lender at its LIBOR Lending Office and Alternate Base Rate Loans and Index Rate Loans at its Domestic Lending Office.

(b) Revolving Loan Borrowings.

(i) Notice of Borrowing. The Borrower shall request a Revolving Loan borrowing by written notice (or telephone notice promptly confirmed in writing which confirmation may be by fax) to the Administrative Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the date of requested borrowing in the case of Alternate Base Rate

Loans and Index Rate Loans, and on the third Business Day prior to the date of the requested borrowing in the case of LIBOR Rate Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Revolving Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, (D) whether the borrowing shall be comprised of Alternate Base Rate Loans, LIBOR Rate Loans or Index Rate Loans or a combination thereof, and if LIBOR Rate Loans are requested, the Interest Period(s) therefor. A form of Notice of Borrowing (a "Notice of Borrowing") is attached as Schedule 2.1(b)(i). If the Borrower shall fail to specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a LIBOR Rate Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for an Alternate Base Rate Loan hereunder. The Administrative Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing, the

contents thereof and each such Lender's share thereof. LIBOR Rate Loans shall not be available hereunder until three (3) Business Days after the Closing Date.

(ii) Advances. Each Lender will make its Revolving Commitment Percentage of each Revolving Loan borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in Schedule 9.2, or at such other office as the Administrative Agent may designate in writing, by 1:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(c) Repayment. The principal amount of all Revolving Loans shall be due and payable in full on the Maturity Date.

(d) Revolving Notes. Each Lender's Revolving Commitment Percentage of the Revolving Loans shall be evidenced by a duly executed promissory note of the Borrower to such Lender in substantially the form of Schedule 2.1(d).

## Section 2.2 Letter of Credit Subfacility.

(a) Issuance. In reliance upon the other Lenders' obligation to participate therein, and subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the applicable Issuing Lender may reasonably require, during the Commitment Period the applicable Issuing Lender shall issue, and the Lenders shall participate in, Letters of Credit for the account of the Borrower from time to time upon request in a form acceptable to the applicable Issuing Lender; provided, however, that (i) the aggregate amount of LOC Obligations shall not at any time exceed the lesser of (A) SEVENTY-FIVE MILLION DOLLARS (\$75,000,000) and (B) the Revolving Committed Amount (the "LOC Committed Amount"), (ii) the sum of the aggregate amount of Revolving Loans plus LOC Obligations shall not at any time exceed the Revolving Committed Amount, (iii) all Letters of Credit shall be denominated in Dollars and (iv) Letters of Credit shall be issued for lawful corporate purposes and may be issued as standby letters of credit, including in connection with workers' compensation and other insurance programs, and trade letters of credit. Except as otherwise expressly agreed upon by the applicable Issuing Lender and the Administrative Agent, no Letter of Credit shall have an original expiry date beyond the Maturity Date; provided, however, so long as no Default or Event of Default has occurred and is continuing and subject to the other terms and conditions to the issuance of Letters of Credit hereunder, the expiry dates of Letters of Credit may be extended periodically from time to time on the request of the Borrower or by operation of the terms of the applicable Letter of Credit; provided, further, that no Letter of Credit, as originally

issued or as extended, shall have an expiry date extending beyond the Maturity Date unless the Borrower shall have established a cash collateral account in favor of the Agent for the benefit of the Lenders and deposited therein cash and Cash Equivalents in a sufficient amount to adequately secure the LOC Obligations which extend beyond the Maturity Date. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry date of each Letter of Credit shall

be a Business Day. Any Letters of Credit issued hereunder shall be in a minimum original face amount of \$100,000.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted to the applicable Issuing Lender at least five (5) Business Days prior to the requested date of issuance. Each Issuing Lender will promptly upon request provide to the Administrative Agent for dissemination to the Lenders a detailed report specifying the Letters of Credit issued by such Issuing Lender which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of any prior report, and including therein, among other things, the account party, the beneficiary, the face amount, expiry date as well as any payments or expirations which may have occurred. Each Issuing Lender will further provide to the Administrative Agent promptly upon request copies of the Letters of Credit issued by such Issuing Lender. Each Issuing Lender will provide to the Administrative Agent promptly upon request a summary report of the nature and extent of LOC Obligations of such Issuing Lender then outstanding.

(c) Participations. Each Lender upon issuance of a Letter of Credit shall be deemed to have purchased without recourse a risk participation from the applicable Issuing Lender in such Letter of Credit and the obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its LOC Commitment Percentage of the obligations under such Letter of Credit and shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and be obligated to pay to the applicable Issuing Lender therefor and discharge when due, its LOC Commitment Percentage of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that an Issuing Lender has not been reimbursed as required hereunder or under any LOC Document, each such Lender shall pay to such Issuing Lender its LOC Commitment Percentage of such unreimbursed drawing in same day funds on the day of notification by such Issuing Lender of an unreimbursed drawing pursuant to the provisions of subsection (d) below if such notice is received at or before 2:00 P.M. (Charlotte, North Carolina time), otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. The obligation of each Lender to so reimburse the applicable Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the applicable Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the applicable Issuing Lender will promptly notify the Borrower and the Administrative Agent. The Borrower shall reimburse the applicable Issuing Lender on the day of drawing under any Letter of Credit (with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds as provided herein or in the LOC Documents. If the Borrower shall fail to reimburse the applicable Issuing Lender as provided herein, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Alternate Base Rate plus the Applicable Percentage. Unless the Borrower shall immediately notify the applicable Issuing Lender and the Administrative Agent of its intent to otherwise reimburse the applicable Issuing Lender, the Borrower shall be deemed to have requested a Revolving Loan in the amount of the drawing as provided in subsection (e) below, the proceeds of which will be used to satisfy the reimbursement obligations. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of set-off, counterclaim or defense to payment the Borrower may claim or have against the applicable Issuing Lender, the Administrative Agent, the Lenders, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The applicable Issuing Lender will promptly notify the other Lenders of the amount of any unreimbursed drawing and each Lender shall promptly pay to the Administrative Agent for the account of the applicable Issuing Lender in Dollars and in immediately available funds, the amount of such Lender's LOC Commitment Percentage of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Lender from the applicable Issuing Lender if such notice is received at or before 2:00 P.M. (Charlotte, North Carolina time), otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Lender does not pay such amount to the applicable Issuing Lender in full upon such request, such Lender shall, on demand, pay to the Administrative Agent for the account of the applicable Issuing Lender interest on the unpaid amount

during the period from the date of such drawing until such Lender pays such amount to the applicable Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date of drawing, the Federal Funds Effective Rate and thereafter at a rate equal to the Alternate Base Rate. Each Lender's obligation to make such payment to the applicable Issuing Lender, and the right of the applicable Issuing Lender to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the Credit Party Obligations hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested a Revolving Loan to reimburse a drawing under a Letter of Credit, the Administrative Agent shall give notice to the Lenders that a Revolving Loan has been requested or deemed requested in connection with a drawing under a Letter of Credit, in which case a Revolving Loan borrowing comprised entirely of Alternate Base Rate Loans (each such borrowing, a "Mandatory Borrowing") shall be immediately made (without giving effect to any termination of the Commitments pursuant to Section

7.2) pro rata based on each Lender's respective Revolving Commitment Percentage (determined before giving effect to any termination of the Commitments pursuant to Section 7.2) and in the case of both clauses (i) and (ii) the proceeds thereof shall be paid directly to the applicable Issuing Lender for application to the respective LOC Obligations. Each Lender hereby irrevocably agrees to make such Revolving Loans immediately upon any such request or deemed request on account of each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the same such date notwithstanding (i) the amount of Mandatory Borrowing may not comply with the minimum amount for borrowings of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Section 4.2 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure for any such request or deemed request for Revolving Loan to be made by the time otherwise required in Section 2.1(b), (v) the date of such Mandatory Borrowing, or (vi) any reduction in the Revolving Committed Amount after any such Letter of Credit may have been drawn upon; provided, however, that in the event any such Mandatory Borrowing should be less than the minimum amount for borrowings of Revolving Loans otherwise provided in Section 2.1(b) (ii), the Borrower shall pay to the Administrative Agent for its own account an administrative fee of \$500. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower), then each such Lender hereby agrees that it shall forthwith fund (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) its Participation Interests in the outstanding LOC Obligations; provided, further, that in the event any Lender shall fail to fund its Participation Interest on the day the Mandatory Borrowing would otherwise have occurred, then the amount of such Lender's unfunded Participation Interest therein shall bear interest payable to the applicable Issuing Lender upon demand, at the rate equal to, if paid within two (2) Business Days of such date, the Federal Funds Effective Rate, and thereafter at a rate equal to the Alternate Base Rate.

(f) Designation of Subsidiaries as Account Parties. Notwithstanding anything to the contrary set forth in this Agreement, including without limitation Section 2.2(a), a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Subsidiary, provided that notwithstanding such statement, the Borrower shall be the actual account party for all purposes of this Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(g) Modification, Extension. The issuance of any supplement, modification, amendment, renewal, or extension to any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(h) Uniform Customs and Practices/International Standby Practices 1998. The applicable Issuing Lender shall have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits (the "UCP") or the International Standby Practices 1998 (the "ISP98"), in either case as published as of the date of issue by the

International Chamber of Commerce, in which case the UCP or ISP98, as applicable, may be incorporated therein and deemed in all respects to be a part thereof.

### Section 2.3 Fees.

(a) Facility Fee. In consideration of the Revolving Commitments, the Borrower agrees to pay to the Administrative Agent for the ratable benefit of the Lenders a facility fee (the "Facility Fee") in an amount equal to the Applicable Percentage per annum on the Revolving Committed Amount, regardless of usage. The Facility Fee shall be payable quarterly in arrears on the 15th day following the last day of each calendar quarter for the prior calendar quarter and upon termination of the Revolving Commitments.

(b) Letter of Credit Fees. In consideration of issuance of standby Letters of Credit hereunder, the Borrower agrees to pay to the applicable Issuing Lender (i) a fee (the "Standby Letter of Credit Fee") on such Lender's Revolving Commitment Percentage of the average daily maximum amount available to be drawn under each such standby Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage, (ii) a fee (the "Trade Letter of Credit Fee") on such Lender's Revolving Commitment Percentage of the average daily maximum amount available to be drawn under each such trade Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage and (iii) an additional fronting fee (the "Fronting Fee") of one-eighth of one percent (0.125%) per annum on the average daily maximum amount available to be drawn under each standby Letter of Credit issued by it (such fronting fee shall be for the account of the applicable Issuing Lender without sharing by the other Lenders). The applicable Issuing Lender shall promptly pay over to the Administrative Agent for the ratable benefit of the Lenders (including the applicable Issuing Lender) the Standby Letter of Credit Fee and the Trade Letter of Credit Fee. The Standby Letter of Credit Fee, the Trade Letter of Credit Fee and the Fronting Fee shall be payable quarterly in arrears on the 15th day following the last day of each calendar quarter for the prior calendar quarter.

(c) Issuing Lender Fees. In addition to the Standby Letter of Credit Fees and Trade Letter of Credit Fees payable pursuant to subsection (b) above, the Borrower shall pay to the applicable Issuing Lender for its own account without sharing by the other Lenders the reasonable and customary charges from time to time of the applicable Issuing Lender with respect to the amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the "Issuing Lender Fees").

(d) Administrative Fee. The Borrower agrees to pay to the Administrative Agent the annual administrative fee as described in the Fee Letter.

### Section 2.4 Reduction or Increase of the Revolving Commitments.

(a) Voluntary Reductions. The Borrower shall have the right to terminate or permanently reduce the unused portion of the Revolving Committed Amount at any time or from time to time upon not less than five Business Days' prior notice to the Administrative Agent (which shall notify the Lenders thereof as soon as practicable) of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction which shall be in a minimum amount of \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof and shall be irrevocable and effective upon receipt by the Administrative Agent, provided that no such reduction or termination shall be permitted if after giving effect thereto, and to any prepayments of the Loans made on the effective date thereof, the sum of the then outstanding aggregate principal amount of the Revolving Loans plus LOC Obligations would exceed the Revolving Committed Amount after such proposed reduction.

(b) Maturity Date. The Revolving Commitments and the LOC Commitments shall automatically terminate 364 days from the Closing Date.

(c) Increase of Revolving Committed Amount. The Borrower shall have the right from time to time (but not later than sixty (60) days prior to the Maturity Date) to increase the Revolving Committed Amount up to a total amount of \$150,000,000 by adding to this Agreement one or more other lenders (which may include any Lender (with the consent of such Lender)) (each such lender an "Additional Lender") with the approval of the Administrative Agent (not to be unreasonably withheld) and with notice to each Lender; provided, however, that the Borrower shall provide the Lenders with the opportunity to participate

in such increase of the Revolving Committed Amount prior to soliciting other lenders. Each of the Additional Lenders shall have entered into an agreement in form and substance satisfactory to the Borrower and the Administrative Agent pursuant to which such Additional Lender shall undertake a Revolving Commitment (and if any such Additional Lender is a Lender, its Revolving Commitment shall be in addition to such Lender's Revolving Commitment hereunder) in an amount at least equal to \$10,000,000 or a larger integral multiple of \$1,000,000, and upon the effectiveness of such agreement (the date of the effectiveness of any

such agreement being hereinafter referred to as the "Increased Commitment Date") such Additional Lender shall thereupon become a "Lender" for all purposes of this Agreement.

On the Increased Commitment Date, each Additional Lender shall by assignments from the other Lenders (which assignments shall be deemed to occur hereunder automatically, and without any requirement for additional documentation, on the Increased Commitment Date) acquire a portion of the Revolving Loans and Participation Interests of the other Lenders (and the Lenders shall, through the Administrative Agent, make such other adjustments among themselves as shall be necessary) so that after giving effect to such assignments and adjustments the Lenders shall hold Revolving Loans and Participation Interests hereunder ratably in accordance with their respective Revolving Commitments and LOC Commitments. The Borrower shall compensate each Lender whose outstanding Revolving Loans have decreased as a result of the foregoing assignments and adjustments as if such decrease were a payment or prepayment referred to in Section 2.13 hereof.

Notwithstanding the foregoing, the increase in the aggregate Revolving Commitments hereunder pursuant to this Section 2.4 shall be effective only if:

- (i) the Borrower shall have given the Administrative Agent notice of any such increase at least thirty (30) days prior to any such Increased Commitment Date;
- (ii) no Default or Event of Default shall have occurred and be continuing as of the date of the notice referred to in the foregoing clause (i) or on the Increased Commitment Date; and
- (iii) the resulting aggregate amount of the Revolving Commitments is no greater than \$150,000,000.

#### Section 2.5 Prepayments.

(a) Optional Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided, however, that (i) each partial prepayment of Alternate Base Rate Loans or Index Rate Loans shall be in a minimum principal amount of \$1,000,000 and integral multiples of \$500,000 in excess thereof and (ii) each partial prepayment of LIBOR Rate Loans shall be in a minimum principal amount of \$3,000,000 and integral multiples of \$1,000,000 in excess thereof. The Borrower shall give irrevocable written notice (or telephone notice promptly confirmed in writing which confirmation may be by fax) to the Administrative Agent (which shall notify the Lenders thereof as soon as practicable) not later than 11:00 A.M. (Charlotte, North Carolina time) on the date of the requested prepayment in the case of Alternate Base Rate Loans or Index Rate Loans, and on the third Business Day prior to the date of the requested prepayment in the case of LIBOR Rate Loans. Subject to the foregoing terms, amounts prepaid under this Section 2.5(a) shall be applied as the Borrower may elect. Within the parameters of the applications set forth above, prepayments shall be applied first to Alternate Base Rate Loans, second to Index Rate Loans and then to LIBOR Rate Loans in direct order of Interest Period maturities. All prepayments under this Section 2.5(a) shall be subject to Section 2.15, but otherwise without premium or penalty. Interest on the principal amount prepaid shall be payable (a) at the time of such prepayment with respect to LIBOR Rate Loans, along with any costs then due and payable under Section 2.15, and (b) with respect to Alternate Base Rate Loans and Index Rate Loans, on the next occurring Interest Payment Date that would have occurred had such loan not been prepaid or, at the request of the Administrative Agent, interest on the principal amount of any Alternate Base Rate Loans or Index Rate Loans prepaid shall be payable on any date that a prepayment is made hereunder to the date of prepayment. Amounts prepaid on the Revolving Loans may be reborrowed in accordance with the terms hereof.

(b) Mandatory Prepayments. If at any time after the Closing Date, the sum of the aggregate principal amount of outstanding Revolving Loans plus LOC Obligations shall exceed the Revolving Committed Amount, the Borrower immediately shall prepay the Revolving Loans and (after all Revolving Loans have been repaid) cash



collateralize the LOC Obligations, in an amount sufficient to eliminate such excess. Such prepayments shall be applied first to Alternate Base Rate Loans, second to Index Rate Loans and then to LIBOR Rate Loans in direct order of Interest Period maturities. All prepayments under this Section 2.5(b) shall be subject to Section 2.15 and be accompanied by interest on the principal amount prepaid to the date of prepayment. Amounts prepaid on Revolving Loans may be reborrowed in accordance with the terms hereof.

Section 2.6 Minimum Borrowing Amounts and Principal Amounts of Tranches.

(a) Each Alternate Base Rate Loan borrowing and each Index Rate Loan borrowing shall be in a minimum amount of \$1,000,000 and whole multiples of \$500,000 in excess thereof.

(b) Each LIBOR Rate Loan borrowing shall be in a minimum amount of \$3,000,000 and whole multiples of \$1,000,000 in excess thereof.

(c) All borrowings, payments and prepayments in respect of Revolving Loans shall be in such amounts and be made pursuant to such elections so that after giving effect thereto the aggregate principal amount of the Revolving Loans comprising any LIBOR Tranche shall either be zero or shall not be less than \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof.

Section 2.7 Interest Payments; Default Interest; Interest Payment Dates.

(a) Interest Payments. Subject to the provisions of Section 2.7(b), all Loans shall bear interest as follows:

(i) Alternate Base Rate Loans. During such periods as Loans shall be comprised of Alternate Base Rate Loans, each such Alternate Base Rate Loan shall bear interest at a per annum rate equal to the sum of the Alternate Base Rate plus the Applicable Percentage;

(ii) Index Rate Loans. During such periods as Loans shall be comprised of Index Rate Loans, each such Index Rate Loan shall bear interest at a per annum rate equal to the sum of the Index Rate plus the Applicable Percentage; and

(iii) LIBOR Rate Loans. During such periods as Loans shall be comprised of LIBOR Rate Loans, each such LIBOR Rate Loan shall bear interest at a per annum rate equal to the sum of the LIBOR Rate plus the Applicable Percentage.

(b) Default Interest. Upon the occurrence, and during the continuance, of a Default or an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall (at the option of the Administrative Agent) bear interest, payable on demand, at a per annum rate 2% greater than the applicable rate then in effect or, if no rate is then in effect, at a per annum rate 2% greater than the Alternate Base Rate. Upon and during the continuance of an Event of Default, all Index Rate Loans and LIBOR Rate Loans shall be automatically converted to Alternate Base Rate Loans, to take effect immediately in the case of Index Rate Loans and in the case of LIBOR Rate Loans, on the last day of the applicable Interest Period for any such LIBOR Rate Loans.

(c) Interest Payment Date. Interest on Loans shall be payable in arrears on each Interest Payment Date, subject to Section 2.10.

Section 2.8 Conversion Options.

(a) The Borrower may elect from time to time to convert Alternate Base Rate Loans or Index Rate Loans to LIBOR Rate Loans by giving irrevocable written notice (or telephone notice promptly confirmed in writing which confirmation may be by fax) to the Administrative Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the third Business Day prior to the date of the requested conversion. A form of Notice of Conversion/ Extension is attached as Schedule 2.8. If the date upon which an Alternate Base Rate Loan or Index Rate Loan is to be converted to a LIBOR Rate Loan is not a Business Day, then such conversion shall be made on the next succeeding Business Day and during the period from such last day of an Interest Period to such succeeding Business Day such Loan shall bear interest as if it were an Alternate Base Rate Loan or Index Rate Loan, as applicable. All or any part of outstanding Alternate Base Rate Loans or Index Rate Loans may be converted as provided herein, provided that (i) no Loan may be converted into a LIBOR Rate Loan when any Default or

Event of Default has occurred and is continuing and (ii) partial conversions shall be in an aggregate principal amount of \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof.

(b) Any LIBOR Rate Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Borrower with the notice provisions contained in Section 2.8(a); provided, that no LIBOR Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, in which case such Loan shall be automatically converted to an Alternate Base Rate Loan at the end of the applicable Interest Period with respect thereto. If the Borrower shall fail to give timely notice of an election to continue a LIBOR Rate Loan, or the continuation of LIBOR Rate Loans is not permitted hereunder, \_\_\_ such LIBOR Rate Loans shall be automatically converted to Alternate Base Rate Loans at the end of the applicable Interest Period with respect thereto.

#### Section 2.9 Computation of Interest and Fees.

(a) Interest payable hereunder with respect to Alternate Base Rate Loans based on the Prime Rate shall be calculated on the basis of a year of 365 days (or 366 days, as applicable) for the actual days elapsed. All other interest and fees and all other interest amounts payable hereunder shall be calculated on the basis of a 360 day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a LIBOR Rate on the Business Day of the determination thereof. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate shall become effective. Any change in the interest rate on an Index Rate Loan resulting from a change in the Index Rate shall become effective as of the opening of business on the day on which such change in the Index Rate shall become effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the computations used by the Administrative Agent in determining any interest rate.

(c) It is the intent of the Lenders and the Credit Parties to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Credit Parties are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment or acceleration of the maturity of any obligation), shall the interest taken, reserved, contracted for, charged, or received under this Credit Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and such interest shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum nonusurious amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other Indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has

not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of such indebtedness does not exceed the maximum nonusurious amount permitted by applicable law.

#### Section 2.10 Pro Rata Treatment and Payments.

Each borrowing of Revolving Loans and any reduction of the Revolving Commitments shall be made pro rata according to the respective Commitment Percentages of the Lenders. Each payment under this Agreement or any Note shall be applied, first, to any fees then due and owing by the Borrower pursuant to Section 2.3, second, to interest then due and owing in respect of the Notes of the Borrower and, third, to principal then due and owing hereunder and under the Notes of the Borrower. Each payment on account of any fees pursuant to Section 2.3 shall be made pro rata in accordance with the respective amounts due and owing (except as to the portion of the Standby Letter of Credit Fee or Trade Letter of Credit Fee retained by the applicable Issuing Lender, the Issuing Lender Fees, the Fronting Fee and fees payable to the Administrative Agent). Each payment (other than prepayments) by the Borrower on account of principal of and interest on the Revolving Loans shall be made pro rata according to the respective amounts due and owing in accordance with Section 2.5(a) hereof. Each optional prepayment on account of principal of the Loans shall be applied to such of the Loans as the Borrower may designate (to be applied pro rata among the Lenders); provided, that prepayments made pursuant to Section 2.13 shall be applied in accordance with such section. Each mandatory prepayment on account of principal of the Loans shall be applied in accordance with Section 2.5(b). All payments (including prepayments) to be made by the Borrower on account of principal, interest and fees shall be made without defense, set-off or counterclaim (except as provided in Section 2.16(b)) and shall be made to the Administrative Agent for the account of the Lenders at the Administrative Agent's office specified on Schedule 9.2 in Dollars and in immediately available funds not later than 1:00 P.M. (Charlotte, North Carolina time) on the date when due. The Administrative Agent shall distribute such payments to the Lenders entitled thereto promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the LIBOR Rate Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a LIBOR Rate Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

Section 2.11 Non-Receipt of Funds by the Administrative Agent.

(a) Unless the Administrative Agent shall have been notified in writing by a Lender prior to the date a Loan is to be made by such Lender (which notice shall be effective upon receipt) that such

Lender does not intend to make the proceeds of such Loan available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such proceeds available to the Administrative Agent on such date, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Effective Rate.

(b) Unless the Administrative Agent shall have been notified in writing by the Borrower, prior to the date on which any payment is due from it hereunder (which notice shall be effective upon receipt) that the Borrower does not intend to make such payment, the Administrative Agent may assume that the Borrower has made such payment when due, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to each Lender on such payment date an amount equal to the portion of such assumed payment to which such Lender is entitled hereunder, and if the Borrower has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, repay to the Administrative Agent the amount made available to such Lender. If such amount is repaid to the Administrative Agent on a date after the date such amount was made available to such Lender, such Lender shall pay to the Administrative Agent on demand interest on such amount in respect of each day from the date such amount was made available by the Administrative Agent to such Lender to the date such amount is recovered by the Administrative Agent at a per annum rate equal to the Federal Funds Effective Rate.

(c) A certificate of the Administrative Agent submitted to the Borrower or any Lender with respect to any amount owing under this Section 2.11 shall be conclusive in the absence of manifest error.

Section 2.12 Inability to Determine Interest Rate.

Notwithstanding any other provision of this Agreement, if (i) the Administrative Agent shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that, by reason of circumstances affecting the relevant market, reasonable and adequate means do not exist for ascertaining LIBOR for an Interest Period, or (ii) the Required Lenders shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that the LIBOR Rate does not adequately and fairly reflect the cost to such Lenders of funding LIBOR Rate Loans that the Borrower has requested

be outstanding as a LIBOR Tranche during an Interest Period, the Administrative Agent shall forthwith give telephone notice of such determination, confirmed in writing, to the Borrower, and the Lenders at least two Business Days prior to the first day of such Interest Period. Unless the Borrower shall have notified the Administrative Agent upon receipt of such telephone notice that it wishes to rescind or modify its request regarding such LIBOR Rate Loans, any Loans that were requested to be made as LIBOR Rate Loans shall be made as Alternate Base Rate Loans and any Loans that were requested to be converted into or continued as LIBOR Rate Loans shall be converted into Alternate Base Rate Loans. Until any such notice has been withdrawn by the Administrative Agent, no further Loans shall be made as, continued as, or converted into, LIBOR Rate Loans for the Interest Periods so affected.

Section 2.13 Illegality.

Notwithstanding any other provision of this Agreement, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by the relevant Governmental Authority to any Lender shall make it unlawful for such Lender or its LIBOR Lending Office to make or maintain LIBOR Rate Loans as contemplated by this Agreement or to obtain in the interbank eurodollar market through its LIBOR Lending Office the funds with which to make such Loans, (a) such Lender shall promptly notify the Administrative Agent and the Borrower thereof, (b) the commitment of such Lender hereunder to make LIBOR Rate Loans or continue LIBOR Rate Loans as such shall forthwith be suspended until the Administrative Agent shall give notice that the condition or situation which gave rise to the suspension shall no longer exist, and (c) such Lender's Loans then outstanding as LIBOR Rate Loans, if any, shall be converted on the last day of the Interest Period for such Loans or within such earlier period as required by law as Alternate Base Rate Loans. The Borrower hereby agrees promptly to pay any Lender, upon its demand, any additional amounts necessary to compensate such Lender for actual and direct costs (but not including anticipated profits) reasonably incurred by such Lender in making any repayment in accordance with this Section including, but not limited to, any interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its LIBOR Rate Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender, through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its LIBOR Lending Office) to avoid or to minimize any amounts which may otherwise be payable pursuant to this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its sole discretion to be material.

Section 2.14 Requirements of Law.

(a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender 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 such Lender to any tax of any kind whatsoever with respect to any Letter of Credit or any application relating thereto, any LIBOR Rate Loan made by

it, or change the basis of taxation of payments to such Lender in respect thereof (except for changes in the rate of tax on the overall net income of such Lender);

(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 Lender which is not otherwise included in the determination of the LIBOR Rate hereunder; or

(iii) shall impose on such Lender any other condition; and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining LIBOR Rate Loans or the Letters of Credit or to reduce any amount receivable hereunder or under any Note, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such additional cost or reduced amount receivable which such Lender reasonably deems to be material as determined by such Lender with respect to its LIBOR Rate Loans or Letters of Credit. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender, through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its Domestic Lending Office or LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts which might otherwise be payable pursuant to this paragraph of this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its sole discretion to be material.

(b) If any Lender shall have reasonably determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount reasonably deemed by such Lender to be material, then from time to time, within fifteen (15) days after demand by such Lender, the Borrower shall pay to such Lender such additional amount as shall be certified by such Lender as being required to compensate it for such reduction. Such a certificate as to any additional amounts payable under this Section submitted by a Lender (which certificate shall include a description of the basis for the computation), through the Administrative Agent, to the Borrower shall be conclusive absent manifest error.

(c) The agreements in this Section 2.14 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

#### Section 2.15 Indemnity.

The Borrower hereby agrees to indemnify each Lender and to hold such Lender harmless from any funding loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment of the principal amount of or interest on any Loan by such Lender in accordance with the terms hereof, (b) default by the Borrower in accepting a borrowing after the Borrower has given a notice in accordance with the terms hereof, (c) default by the Borrower in making any prepayment after the Borrower has given a notice in accordance with the terms hereof, and/or (d) the making by the Borrower of any payment or prepayment of a Loan, or the conversion thereof, on a day which is not the last day of the Interest Period with respect thereto, in each case including, but not limited to, any such loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by it in order to maintain its Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender, through the Administrative Agent, to the Borrower (which certificate must be delivered to the Administrative Agent within thirty days following such default, prepayment or conversion) shall be conclusive in the absence of manifest error. The agreements in this Section shall survive termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

#### Section 2.16 Taxes.

(a) All payments made by the Borrower hereunder or under any Note will be, except as provided in Section 2.16(b), made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any Governmental Authority or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding any tax imposed on or measured by the net income or profits of a Lender) and all interest, penalties or similar liabilities with respect thereto (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as

"Taxes"). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. The Borrower will furnish to the Administrative Agent as soon as practicable after the date the payment of any Taxes is due pursuant to applicable law certified copies (to the extent reasonably available and required by law) of tax receipts evidencing such payment by the Borrower. The Borrower agrees to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender but excluding any interest or penalties caused by such

Lender's failure to pay any such taxes when due.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees to deliver to the Borrower and the Administrative Agent on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 9.6(d) (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) if the Lender is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, two accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001 (or successor forms) certifying such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, either Internal Revenue Service Form 1001 or 4224 as set forth in clause (i) above, or (x) a certificate substantially in the form of Schedule 2.16 (any such certificate, a "2.16 Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8 (or successor form) certifying such Lender's entitlement to an exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that it will deliver upon the Borrower's request updated versions of the foregoing, as applicable, whenever the previous certification has become obsolete or inaccurate in any material respect, together with such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note. Notwithstanding anything to the contrary contained in Section 2.16(a), but subject to the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 2.16(a) hereof to gross-up payments to be made to a Lender in respect of Taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section 2.16(b) or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such Taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 2.16, the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 2.16(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Closing Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of

Taxes.

(c) Each Lender agrees to use reasonable efforts (including reasonable efforts to change its Domestic Lending Office or LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts which might otherwise be payable pursuant to this Section; provided, however, that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its sole discretion to be material.

(d) If the Borrower pays any additional amount pursuant to this Section 2.16 with respect to a Lender, such Lender shall use reasonable efforts to obtain a refund of tax or credit against its tax liabilities on account of such payment; provided that such Lender shall have no obligation to use such reasonable efforts if either (i) it is in an excess foreign tax credit position or (ii) it believes in good faith, in its sole discretion, that claiming a refund or credit would cause adverse tax consequences to it. In the event that such Lender receives such a refund or credit, such Lender shall pay to the Borrower an amount that such Lender reasonably determines is equal to the net tax benefit obtained by such Lender as a result of such payment by the Borrower. In the event that no refund or credit is obtained with respect to the Borrower's payments to such Lender pursuant to this Section 2.16(d), then such Lender shall upon request provide a certification that such Lender has not received a refund or credit for such payments. Nothing contained in this Section 2.16(d) shall require a Lender to disclose or detail the basis of its calculation of the amount of any tax benefit or any other amount or the basis of its determination referred to in the proviso to the first sentence of this Section 2.16(d) to the Borrower or any other party.

(e) The agreements in this Section 2.16 shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

Section 2.17 Indemnification; Nature of Issuing Lender's Duties.

(a) In addition to its other obligations under Section 2.2, the Borrower hereby agrees to protect, indemnify, pay and save the applicable Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that the applicable Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit or (ii) the failure of the applicable Issuing Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions, herein called "Government Acts").

(b) As between the Borrower and the applicable Issuing Lender, the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. The applicable Issuing Lender shall not be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate,

fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order to draw upon a Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (vii) for any consequences arising from causes beyond the control of the applicable Issuing Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the applicable Issuing Lender's rights or powers hereunder.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the applicable Issuing Lender, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such applicable Issuing Lender under any resulting liability to the Borrower. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the applicable Issuing Lender against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any Government Authority. The applicable Issuing Lender shall not, in any way, be liable for any failure by the applicable Issuing Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of the applicable Issuing Lender.

(d) Nothing in this Section 2.17 is intended to limit the reimbursement obligation of the Borrower contained in Section 2.2(d) hereof. The obligations of the Borrower under this Section 2.17 shall survive the termination of this Agreement. No act or omissions of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the applicable Issuing Lender to enforce any right, power or benefit under this Agreement.

(e) Notwithstanding anything to the contrary contained in this Section 2.17, the Borrower shall have no obligation to indemnify the applicable Issuing Lender in respect of any liability incurred by the applicable Issuing Lender arising out of the gross negligence or willful misconduct of the applicable Issuing Lender (including action not taken by the applicable Issuing Lender), as determined by a court of competent jurisdiction.

Section 2.18 Waiver of Notice.

(a) Except as otherwise expressly provided herein, the Borrower hereby waives notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Credit Agreement), or of any demand for

any payment under this Credit Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Lenders under or in respect of any of the Credit Party Obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Credit Agreement. The Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Credit Party Obligations hereunder, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent or the Lenders at any time or times in respect of any default by the Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Credit Agreement or any other Credit Document, any and all other indulgences whatsoever by the Administrative Agent or the Lenders in respect of any of the Credit Party Obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such Credit Party Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, the Borrower assents to any other action or delay in acting or any failure to act on the part of the Administrative Agent or the Lenders, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this Section 2.18, afford grounds for terminating, discharging or relieving the Borrower, in whole or in part, from any of its obligations under this Agreement, it being the intention of the Borrower that, so long as any of the Credit Party Obligations remain unsatisfied, the obligations of the Borrower under this Agreement shall not be discharged except by performance and then only to the extent of such performance. The obligations of the Borrower under this Agreement shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to the Borrower or any Lender.

(b) The provisions of this Section 2.18 are made for the benefit of the Administrative Agent and the Lenders and their respective successors and assigns, and may be enforced by any such Person from time to time against the Borrower as often as occasion therefor may arise and without requirement on the part of any Lender first to marshal any of its claims or to resort to any other source or means of obtaining payment of any of the Credit Party Obligations or to elect any other remedy. Without limiting the generality of the foregoing, the Borrower hereby specifically waives the benefits of N.C. Gen. Stat. ss.26-7 through 26-9, inclusive, to the extent applicable. The provisions of this Section 2.18 shall remain in effect until all the Credit Party Obligations hereunder shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Credit Party Obligations, is rescinded or must otherwise be restored or returned by the Lenders upon the insolvency, bankruptcy or reorganization of the Borrower, or otherwise, the provisions of this Section 2.18 will forthwith be reinstated and in effect as though such payment had not been made.

(c) Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents or Hedging Agreements, the obligations of the Borrower hereunder shall be limited

to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548



of the Bankruptcy Code or any comparable provisions of any applicable state law.

Section 2.19 Defaulting Lenders; Limitation on Claims.

(a) Generally. In addition to the rights and remedies that may be available to the Administrative Agent or the Borrower under this Agreement or applicable law, if at any time a Lender is a Defaulting Lender such Defaulting Lender's right to participate in the administration of the Loans, this Agreement and the other Credit Documents, including without limitation, any right to vote in respect of, to consent to or to direct any action or inaction of the Administrative Agent or to be taken into account in the calculation of the Required Lenders, shall be suspended during the pendency of such failure or refusal. If a Lender is a Defaulting Lender because it has failed to make timely payment to the Administrative Agent of any amount required to be paid to the Administrative Agent hereunder (without giving effect to any notice or cure periods), in addition to other rights and remedies which the Administrative Agent or the Borrower may have under the immediately preceding provisions or otherwise, the Administrative Agent shall be entitled (i) to collect interest from such Defaulting Lender on such delinquent payment for the period from the date on which the payment was due until the date on which the payment is made at the Federal Funds Effective Rate, (ii) to withhold or setoff and to apply in satisfaction of the defaulted payment and any related interest, any amounts otherwise payable to such Defaulting Lender under this Agreement or any other Credit Document until such defaulted payment and related interest has been paid in full and such default no longer exists and (iii) to bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. Any amounts received by the Administrative Agent in respect of a Defaulting Lender's Loans shall not be paid to such Defaulting Lender and shall be held uninvested by the Administrative Agent and either applied against the purchase price of such Loans under the following subsection (b) or paid to such Defaulting Lender upon the default of such Defaulting Lender being cured.

(b) Purchase of Defaulting Lender's Commitment. Any Lender who is not a Defaulting Lender shall have the right, but not the obligation, in its sole discretion, to acquire all of a Defaulting Lender's Commitment. If more than one Lender exercises such right, each such Lender shall have the right to acquire such proportion of such Defaulting Lender's Commitment on a pro rata basis. Upon any such purchase, the Defaulting Lender's interest in the Loans and its rights hereunder (but not its liability in respect thereof or under the Credit Documents or this Agreement to the extent the same relate to the period prior to the effective date of the purchase) shall terminate on the date of purchase, and the Defaulting Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest to the purchaser thereof subject to and in accordance with the requirements set forth in Section 9.6, including an appropriate Commitment Transfer Supplement. The purchase price for the Commitment of a Defaulting Lender shall be equal to the sum of the amount of the principal balance of the Loans outstanding and owed by the Borrower to

the Defaulting Lender, plus any accrued interest with respect thereto, plus any fees or other amounts owed by the Borrower to the Defaulting Lender. Prior to payment of such purchase price to a Defaulting Lender, the Administrative Agent shall apply against such purchase price any amounts retained by the Administrative Agent pursuant to the last sentence of the immediately preceding subsection (a). The Defaulting Lender shall be entitled to receive all amounts owed to it by the Borrower on account of principal of and interest on the Loans and the Notes, and fees and other amounts due under the Credit Documents which accrued prior to the date of the default by the Defaulting Lender, to the extent the same are received by the Administrative Agent from or on behalf of the Borrower. There shall be no recourse against any Lender or the Administrative Agent for the payment of such sums by the Borrower except to the extent of the receipt of payments from any other party or in respect of the Loans.

Section 2.20 Replacement of Lenders.

If any Lender shall become affected by any of the changes or events described in Sections 2.12, 2.13, 2.14 or 2.16 (any such Lender being hereinafter referred to as a "Replaced Lender") and shall petition the Borrower for any increased cost or amounts thereunder, then in such case, the Borrower may, upon at least five (5) Business Days' notice to the Administrative Agent and such Replaced Lender, designate a replacement lender (a "Replacement Lender") acceptable to the Administrative Agent in its reasonable discretion, to which such Replaced Lender shall, subject to its receipt (unless a later date for the remittance thereof shall be agreed upon by the Borrower and the Replaced Lender) of all amounts owed to such Replaced Lender under Sections 2.12, 2.13, 2.14 or 2.16 assign all (but not less than all) of its rights, obligations,

Loans and Commitments hereunder; provided, that all amounts owed to such Replaced Lender by the Borrower (except liabilities which by the terms hereof survive the payment in full of the Loans and termination of this Agreement) shall be paid in full as of the date of such assignment. Upon any assignment by any Lender pursuant to this Section 2.20 becoming effective, the Replacement Lender shall thereupon be deemed to be a "Lender" for all purposes of this Agreement and such Replaced Lender shall thereupon cease to be a "Lender" for all purposes of this Agreement and shall have no further rights or obligations hereunder (other than pursuant to Sections 2.12, 2.13, 2.14, 2.16 and 9.5 while such Replaced Lender was a Lender).

Notwithstanding any Replaced Lender's failure or refusal to assign its rights, obligations, Loans and Commitments under this Section 2.20, the Replaced Lender shall cease to be a "Lender" for all purposes of this Agreement and the Replacement Lender substituted therefor upon payment to the Replaced Lender by the Replacement Lender of all amounts set forth in this Section 2.20 without any further action of the Replaced Lender.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make the Extensions of Credit herein provided for, the Credit Parties hereby represent and warrant to the Administrative Agent and to each Lender that:

##### Section 3.1 Financial Condition.

The consolidated balance sheets and the related statements of income, retained earnings and cash flows of the Parent Guarantor and its Subsidiaries for the fiscal year ending December 31, 2000, are complete and correct and present fairly, in all material respects, the financial condition of, and the results of operations for, such Persons as of such dates. All such financial statements have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). None of the Parent Guarantor nor its Subsidiaries have on the date hereof any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the balance sheets referred to above.

##### Section 3.2 No Change.

Since December 31, 2000 (and after delivery of annual audited financial statements in accordance with Section 5.1(a), from the date of the most recently delivered annual audited financial statements) there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect.

##### Section 3.3 Corporate Existence; Compliance with Law.

Each of the Parent Guarantor and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the requisite power and authority and the legal right to own and operate all its material property, to lease the material property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified to conduct business and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

##### Section 3.4 Corporate Power; Authorization; Enforceable Obligations.

Each of the Borrower and the other Credit Parties has full power and authority and the legal right to make, deliver and perform the Credit Documents

to which it is party and has taken all necessary action to authorize the execution, delivery and performance by it of the Credit Documents to which it is party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery or performance of any Credit Document by the Borrower and the other Credit Parties (other than those which have been obtained) or with the validity or enforceability of any Credit Document against the Borrower and the other Credit Parties (except such filings as are necessary in connection with the perfection of the Liens created by such Credit Documents). Each Credit Document to which it is a party has been duly executed and delivered on behalf of the Borrower and

the other Credit Parties, as the case may be. Each Credit Document to which it is a party constitutes a legal, valid and binding obligation of the Borrower and the other Credit Parties, as the case may be, enforceable against the Borrower and Credit Parties, as the case may be, in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 3.5 No Legal Bar; No Default.

The execution, delivery and performance of the Credit Documents, the borrowings thereunder and the use of the proceeds of the Loans will not violate any Requirement of Law or any Contractual Obligation of the Parent Guarantor or its Subsidiaries (except those as to which waivers or consents have been obtained), and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation other than the Liens arising under or contemplated in connection with the Credit Documents. Neither the Parent Guarantor nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

Section 3.6 No Material Litigation.

No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the best knowledge of the Credit Parties, threatened by or against the Parent Guarantor or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to the Credit Documents or any Loan or any of the transactions contemplated hereby, or (b) which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

Section 3.7 Government Acts.

(a) Neither the Parent Guarantor nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(b) Neither the Parent Guarantor nor any of its Subsidiaries is a "holding company", or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 3.8 Margin Regulations.

No part of the proceeds of any Loan hereunder will be used directly or indirectly for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. The aggregate value of all "margin stock" owned by the Parent Guarantor and its Subsidiaries taken as a group does not exceed 25% of the value of their assets.

Section 3.9 ERISA.

Except as could not reasonably be expected to have a Material Adverse Effect,

(a) neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code;

(b) no termination of a Single Employer Plan has occurred resulting in any liability that has remained underfunded, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period;

(c) the present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits; and

(d) neither the Parent Guarantor, nor any of its Subsidiaries, nor any Commonly Controlled Entity is currently subject to any liability for a complete or partial withdrawal from a Multiemployer Plan.

Section 3.10 Environmental Matters.

Except as to matters which could not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by the Parent Guarantor or any of its Subsidiaries (the "Real Properties") do not contain any Hazardous Materials in amounts or concentrations which (i) constitute a violation of, or (ii) could give rise to liability under, any Environmental Law;

(b) the Real Properties and all operations of the Parent Guarantor and/or its Subsidiaries at the Real Properties are in compliance, and have in the last five years been in compliance, in all

material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Real Properties or violation of any Environmental Law with respect to the Real Properties or the business operated by the Parent Guarantor or any of its Subsidiaries (the "Business");

(c) neither the Parent Guarantor nor any of its Subsidiaries has received any written or actual notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Real Properties or the Business, nor does the Parent Guarantor or any of its Subsidiaries have knowledge or reason to believe that any such notice will be received or is being threatened;

(d) Hazardous Materials have not been transported or disposed of from the Real Properties in violation of, or in a manner or to a location which could give rise to liability under any Environmental Law, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or under any of the Real Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(e) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Credit Parties, threatened, under any Environmental Law to which the Parent Guarantor or any Subsidiary is or will be named as a party with respect to the Real Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Real Properties or the Business; and

(f) there has been no release or threat of release of Hazardous Materials at or from the Real Properties, or arising from or related to the operations of the Parent Guarantor or any Subsidiary in connection with the Real Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

#### Section 3.11 Purpose of Loans.

The proceeds of the Loans hereunder shall be used solely by the Borrower to (i) refinance existing Indebtedness and (ii) provide for working capital and other general corporate purposes, including Permitted Acquisitions and repurchases of the Capital Stock of the Parent Guarantor. The Letters of Credit shall be used for general corporate purposes.

#### Section 3.12 Subsidiaries.

Set forth on Schedule 3.12 is a complete and accurate list of all Subsidiaries of the Parent Guarantor. Information on the attached Schedule includes state of incorporation; the number of shares of each class of Capital Stock or other equity interests outstanding; the number and percentage of outstanding shares of each class of stock owned by Parent Guarantor or its

Subsidiaries; and the number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and similar rights. The outstanding Capital Stock and other equity interests of all such Subsidiaries is validly issued, fully paid and non-assessable and is owned, free and clear of all Liens.

#### Section 3.13 Ownership.

Each of the Parent Guarantor and its Subsidiaries (a) is the owner of, and has good and marketable title to, all of its respective assets, except as may be permitted pursuant to Section 6.12 hereof, and none of such assets is subject to any Lien other than Permitted Liens and (b) enjoys peaceful and undisturbed possession of all leased and owned Real Properties that are necessary for the operation and conduct of its business.

Section 3.14 Indebtedness.

Except as otherwise permitted under Section 6.1, the Parent Guarantor and its Subsidiaries have no Indebtedness.

Section 3.15 Taxes.

Each of the Parent Guarantor and its Subsidiaries has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP or (iii) the failure to file and pay such taxes could not reasonably be expected to have a Material Adverse Effect. Neither the Parent Guarantor nor any of its Subsidiaries is aware of any proposed tax assessments against it or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

Section 3.16 Intellectual Property.

Each of the Parent Guarantor and its Subsidiaries owns, or has the legal right to use, all trademarks, tradenames, patents, copyrights, technology, know-how and processes (collectively, the "Intellectual Property") necessary for each of them to conduct its business as currently conducted. No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Parent Guarantor or any of its Subsidiaries know of any such claim, and, to the knowledge of the Credit Parties, the use of such Intellectual Property by the Parent Guarantor or any of its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 3.17 Solvency.

The fair saleable value of each Credit Party's assets, measured on a going concern basis, exceeds all probable liabilities, including those to be incurred pursuant to this Credit Agreement. None of the Credit Parties (a) has unreasonably small capital in relation to the business in which it is or proposes to be engaged or (b) has incurred, or believes that it will incur after giving effect to the transactions contemplated by this Credit Agreement, Indebtedness beyond its ability to pay such Indebtedness as it becomes due.

Section 3.18 Investments.

All Investments of each of the Parent Guarantor and its Subsidiaries are Permitted Investments.

Section 3.19 No Burdensome Restrictions.

None of the Parent Guarantor or any of its Subsidiaries is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 3.20 Brokers' Fees.

None of the Parent Guarantor nor any of its Subsidiaries has any obligation to any Person in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Credit Documents other than the closing and other fees payable pursuant to this Credit Agreement and the Fee Letter.

Section 3.21 Labor Matters.

None of the Parent Guarantor or any of its Subsidiaries (i) has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years or (ii) has knowledge of any potential or pending strike, walkout or work stoppage.

Section 3.22 Accuracy and Completeness of Information.

All factual information heretofore, contemporaneously or hereafter furnished by or on behalf of the Parent Guarantor or any of its Subsidiaries to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any other Credit Document, or any transaction contemplated hereby or thereby, is or will be true and accurate in all material respects and not incomplete by omitting to state any material fact necessary to make such information not misleading. There is no fact now known to the Parent Guarantor or any of its Subsidiaries which has, or could reasonably be expected to have, a Material Adverse Effect which fact has not been set forth herein, in the

financial statements of the Parent Guarantor and its Subsidiaries furnished to the Administrative Agent and/or the Lenders, or in any certificate, opinion or other written statement made or furnished by the Parent Guarantor or any of its Subsidiaries to the Administrative Agent and/or the Lenders.

#### ARTICLE IV

##### CONDITIONS PRECEDENT

###### Section 4.1 Conditions to Closing Date and Initial Revolving Loans.

This Agreement shall become effective upon, and the obligation of each Lender to make the initial Extension of Credit on the Closing Date is subject to, the satisfaction of the following conditions precedent:

(a) Execution of Agreement. The Administrative Agent shall have received (i) counterparts of this Agreement, executed by a duly authorized officer of each party hereto and (ii) for the account of each Lender, Revolving Notes, in each case conforming to the requirements of this Agreement and executed by a duly authorized officer of the Borrower.

(b) Authority Documents. The Administrative Agent shall have received a secretary's certificate substantially in the form of Schedule 4.1(b) with respect to the following:

(i) Charter Documents. Copies of the articles of incorporation or other organizational documents, as applicable, of each Credit Party and each corporate general partner or managing member of a Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state of its organization.

(ii) Resolutions. Copies of resolutions or certificate of authorization of the board of directors, general partner or managing member of each Credit Party approving and adopting the Credit Documents, the transactions contemplated therein and authorizing execution and delivery thereof, certified by an officer, general partner or managing member of such Credit Party as of the Closing Date to be true and correct and in force and effect as of such date.

(iii) Bylaws; Operating Agreements; Etc.. A copy of the bylaws, operating agreement or other governing document of each Credit Party and each corporate general partner or managing member of a Credit Party certified by an officer of such Credit Party or corporate general partner or managing member as of the Closing Date to be true and correct and in force and effect as of such date.

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to each Credit Party certified as of a recent date by the appropriate Governmental Authorities of the state of

incorporation and each other state in which the failure to so qualify and be in good standing could reasonably be expected to have a Material Adverse Effect on the business or operations of the Parent Guarantor and its Subsidiaries, taken as a whole.

(v) Incumbency. An incumbency certificate of each Credit Party and each corporate general partner or managing member of a Credit Party certified by a secretary or assistant secretary to be true and correct as of the Closing Date.

(c) Legal Opinions of Counsel. The Administrative Agent shall have received an opinion of legal counsel for the Credit Parties, dated the Closing Date and addressed to the Administrative Agent and the Lenders, in form and substance acceptable to the Administrative Agent.

(d) [Reserved].

(e) Liability and Casualty Insurance. The Administrative Agent shall have received copies of insurance policies or certificates of insurance evidencing liability and casualty insurance meeting the requirements set forth herein.

(f) Fees. The Administrative Agent shall have received

all fees, if any, owing pursuant to the Fee Letter and Section 2.3.

(g) Litigation. There shall not exist any pending litigation or investigation affecting or relating to the Parent Guarantor or any of its Subsidiaries, this Agreement and the other Credit Documents that in the reasonable judgment of the Administrative Agent could reasonably be expected to have a Material Adverse Effect on the Parent Guarantor or any of its Subsidiaries, this Agreement and the other Credit Documents, that has not been settled, dismissed, vacated, discharged or terminated prior to the Closing Date.

(h) Solvency Evidence. The Administrative Agent shall have received an officer's certificate for the Credit Parties prepared by the chief financial officer or treasurer of the Parent Guarantor and the Borrower as to the financial condition, solvency and related matters of the Credit Parties taken as a whole, after giving effect to the initial borrowings under the Credit Documents and the initial financings under the ELLF Facility Documents, in substantially the form of Schedule 4.1(h) hereto.

(i) Account Designation Letter. The Administrative Agent shall have received the executed Account Designation Letter in the form of Schedule 1.1(a) hereto.

(j) Corporate Structure. The corporate capital and ownership structure of the Parent Guarantor and its Subsidiaries shall be as described in Schedule 3.12. The Administrative Agent shall be satisfied with the management structure, legal structure, voting control, liquidity and capitalization of the Parent Guarantor and the Borrower as of the Closing Date.

(k) ELLF Facility. The ELLF Facility shall have become effective according to the terms thereof. The Administrative Agent shall have received a copy of the ELLF Facility Documents, certified by an officer of the Borrower to be true and correct and in full force and effect.

(l) [Reserved].

(m) Consents. The Administrative Agent shall have received evidence that all governmental, shareholder and material third party consents and approvals necessary in connection with the financings and other transactions contemplated hereby have been obtained and all applicable waiting periods have expired without any action being taken by any authority that could restrain, prevent or impose any material adverse conditions on such transactions or that could seek or threaten any of the foregoing.

(n) Compliance with Laws. The financings and other transactions contemplated hereby shall be in compliance with all applicable laws and regulations (including Environmental Laws and all applicable securities and banking laws, rules and regulations).

(o) Bankruptcy. There shall be no bankruptcy or insolvency proceedings with respect to the Parent Guarantor or any of its Subsidiaries.

(p) Financial Statements. The Administrative Agent shall have received copies of the financial statements referred to in Section 3.1 hereof.

(q) Material Adverse Change. Since December 31, 2000, there shall not have occurred any change or event which could reasonably be expected to have a Material Adverse Effect on the business, assets, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Parent Guarantor and its Subsidiaries taken as a whole, or the facts and information regarding such entities as represented to date.

(r) Officer's Certificates. The Administrative Agent shall have received a certificate or certificates executed by the chief financial officer or treasurer of the Parent Guarantor and the Borrower on behalf of the Credit Parties as of the Closing Date stating that (A) the Credit Parties and each of their Subsidiaries are in compliance with all existing material financial obligations, (B) all governmental, shareholder and third party consents and approvals, if any, with respect to the Credit Documents and the transactions contemplated thereby have been obtained, (C) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental instrumentality that purports to affect a Credit Party, any of the Credit Parties' Subsidiaries or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding would have or be reasonably expected to have a Material Adverse Effect, and (D)

immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated therein to occur on such date, including the initial financings under the ELLF Facility Documents, (1) no Default or Event of Default exists, (2) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (3) the Credit Parties are in compliance with each of the financial covenants set forth in Section 5.9.

(s) Projections. The Administrative Agent shall have received the five year financial and operational projections for the Parent Guarantor and its Subsidiaries for the fiscal years 2001 through 2005, together with a detailed explanation of all management assumptions contained therein, which projections shall be in form and substance satisfactory to the Administrative Agent.

(t) Additional Matters. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

#### Section 4.2 Conditions to All Extensions of Credit.

The obligation of each Lender to make any Extension of Credit hereunder is subject to the satisfaction of the following conditions precedent on the date of making such Extension of Credit:

(a) Representations and Warranties. The representations and warranties made by the Credit Parties herein or which are contained in any certificate furnished at any time under or in connection herewith shall be true and correct in all material respects on and as of the date of such Extension of Credit as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(b) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Extension of Credit to be made on such date unless such Default or Event of Default shall have been waived in accordance with this Agreement.

(c) Compliance with Commitments. Immediately after giving effect to the making of any such Extension of Credit (and the application of the proceeds thereof), (i) the sum of the aggregate principal amount of outstanding Revolving Loans plus LOC Obligations shall not exceed the Revolving Committed Amount and (ii) the LOC Obligations shall not exceed the LOC Committed Amount.

(d) Additional Conditions to Revolving Loans. If such Loan is made pursuant to Section 2.1, all conditions set forth in such Section shall have been satisfied.

(e) Additional Conditions to Letters of Credit. If such Extension of Credit is made pursuant to Section 2.2, all conditions set forth in such Section shall have been satisfied.

Each request for an Extension of Credit and each acceptance by the Borrower of any such Extension of Credit shall be deemed to constitute a representation and warranty by the Borrower as of the date of such Extension of Credit that the applicable conditions in paragraphs (a) through (e) of this Section have been satisfied.

## ARTICLE V

### AFFIRMATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note remains outstanding and unpaid and the Credit Party Obligations, together with interest, the Facility Fee and all other amounts owing to the Administrative Agent, any Issuing Lender or any Lender hereunder, are paid in full, the Credit Parties shall, and shall cause each of their respective Subsidiaries to:

#### Section 5.1 Financial Statements.

Furnish to the Administrative Agent and each of the Lenders:

(a) Annual Financial Statements. As soon as available and in any event within 90 days after the end of each fiscal year of the Parent Guarantor (i) consolidated statements of income, stockholders' equity and cash flows of the Parent Guarantor and its Subsidiaries for such fiscal year and (ii) the related consolidated balance sheet of the Parent Guarantor and its Subsidiaries as at the



end of such fiscal year, setting forth in each case in comparative form the corresponding consolidated figures for the preceding fiscal year, and accompanied by an unqualified opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such consolidated financial statements fairly present the consolidated financial condition and results of operations of the Parent Guarantor and its Subsidiaries, as at the end of, and for, such fiscal year in accordance with GAAP, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any Default or Event of Default; and

(b) Quarterly Financial Statements. As soon as available and in any event within 45 days after the end of each of the first three quarterly fiscal periods of each fiscal year of the Parent Guarantor, (i) consolidated statements of income and cash flows of the Parent Guarantor and its Subsidiaries and (ii) the related consolidated balance sheet of the Parent Guarantor and its Subsidiaries, in each case for such period and for the period from the beginning of the respective fiscal year to the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding periods in the preceding fiscal year, accompanied by a certificate of a Responsible Officer of the Parent Guarantor and the Borrower, which certificate shall state that such consolidated financial statements fairly present the consolidated financial condition and results of operations of the Parent Guarantor and its Subsidiaries, in accordance with GAAP consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments); and

all such financial statements to be accompanied by a description of, and an estimation of the effect on the financial statements on account of, a change, if any, in the application of accounting principles as provided in Section 1.3.

#### Section 5.2 Certificates; Other Information.

Furnish to the Administrative Agent and each of the Lenders:

(a) promptly upon their becoming available, copies of all registration statements and regular periodic reports, if any, that the Parent Guarantor or any Subsidiary shall have filed with the SEC or any national securities exchange;

(b) promptly upon mailing thereof to the shareholders of the Parent Guarantor generally, copies of all financial statements, reports and proxy statements so mailed;

(c) at the time it furnishes each set of financial statements pursuant to Sections 5.1(a) and 5.1(b) above, a certificate of a Responsible Officer of the Parent Guarantor and the Borrower (i) certifying that (A) each of the Credit Parties during such period observed or performed in all material respects all of its covenants and other agreements, and satisfied in all material respects every condition contained in this Agreement to be observed, performed or satisfied by it, and (B) no Default or Event of Default has occurred and is continuing (or, if any Default or Event of Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Parent Guarantor or the Borrower has taken or proposes to take with respect thereto) and (ii) setting forth in reasonable detail the computations necessary to determine whether the Credit Parties are in compliance with Section 5.9 hereof as of the end of the respective quarterly fiscal period or fiscal year;

(d) from time to time such other information regarding the financial condition, operations, business or prospects of the Parent Guarantor or any of its Subsidiaries (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender or the Administrative Agent may reasonably request.

#### Section 5.3 Payment of Obligations.

Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, in accordance with industry practice (subject, where applicable, to specified grace periods) all of its material obligations of whatever nature and any additional costs that are imposed as a result of any failure to so pay, discharge or otherwise satisfy such obligations, except when the amount or validity of such obligations and costs is currently being contested in good faith by appropriate proceedings and reserves, if applicable, in conformity with GAAP with respect thereto have been provided on the books of the Parent Guarantor or its Subsidiaries, as the case may be, or failure to pay could not reasonably be expected to have a Material Adverse Effect.

#### Section 5.4 Conduct of Business and Maintenance of Existence.

(a) Preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises (provided that nothing in this Section 5.4 shall prohibit any transaction expressly permitted under Section 6.4 hereof).

(b) Pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its assets prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained or where failure to pay any such tax, assessment, charge or levy could not reasonably be expected to have a Material Adverse Effect.

Section 5.5 Maintenance of Property; Insurance.

(a) Keep all material property used or useful in its business in good working order and condition (ordinary wear and tear and obsolescence excepted).

(b) Maintain insurance with financially sound and reputable insurance companies, and with respect to Property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations, including self-insurance.

Section 5.6 Inspection of Property; Books and Records; Discussions.

(a) Keep adequate records and books of account in which complete entries in accordance with GAAP consistently applied and all Requirements of Law shall be made of all dealings and transactions in relation to its businesses and activities.

(b) Upon reasonable prior notice, permit representatives of any Lender or the Administrative Agent, during normal business hours, to examine, copy and make extracts from its books and records, to inspect any of its Real Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Lender or the Administrative Agent (as the case may be).

Section 5.7 Notices.

Give prompt notice in writing to the Administrative Agent (which shall promptly transmit such notice to each Lender) of:

(a) within five Business Days after any Credit Party knows or has reason to know thereof, the occurrence of any Default or Event of Default;

(b) any default or event of default under any Contractual Obligation of the Parent Guarantor or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect;

(c) any legal or arbitral proceedings before any Governmental Authority and any material development in respect of such legal or other proceedings affecting the Parent Guarantor or any of its Subsidiaries, except proceedings that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect;

(d) as soon as possible, and in any event within ten days after any Credit Party or any of its Subsidiaries knows or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a Responsible Officer of the Parent Guarantor or such Credit Party setting forth details respecting such event or condition and the action, if any, that the Parent Guarantor, any Credit Party or any ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Parent Guarantor, any other Credit Party or any ERISA Affiliate with respect to such event or condition):

(i) any Reportable Event with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event

regardless of the issuance of any waivers in accordance with Section 412(d) of the Code) and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041 of ERISA of a notice of intent to terminate any Plan or any action taken by any Credit Party or any of its Subsidiaries or any ERISA Affiliate to terminate any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by any Credit Party or any of its Subsidiaries or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by any Credit Party or any of its Subsidiaries or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by any Credit Party or any of its Subsidiaries or any ERISA Affiliate of notice from a

Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against any Credit Party or any of its Subsidiaries or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days; and

(vi) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if any Credit Party or any of its Subsidiaries or any ERISA Affiliate fails to timely provide security to the Plan in accordance with the provisions of said Sections;

(e) any assertion of any Environmental Claim by any Person against, or with respect to the activities of, the Parent Guarantor or any of its Subsidiaries and notice of any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations, other than any Environmental Claim or alleged violation that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect; and

(f) any other development or event which could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Parent Guarantor or the Borrower proposes to take with respect thereto. In the case of any notice of a Default or Event of Default, the Borrower shall specify that such notice is a Default or Event of Default notice on the face thereof.

#### Section 5.8 Environmental Laws.

Without limiting the general terms set forth in Section 5.11:

(a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the

same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not reasonably be expected to

have a Material Adverse Effect; and

(c) Defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective employees, agents, officers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Parent Guarantor any of its Subsidiaries or the Real Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. The agreements in this paragraph shall survive repayment of the Notes and all other amounts payable hereunder.

Section 5.9 Financial Covenants.

Commencing on the day immediately following the Closing Date, the Parent Guarantor shall, and shall cause each of its Subsidiaries to, comply with the following financial covenants:

(a) Leverage Ratio. The Leverage Ratio, as of the last day of each fiscal quarter of the Parent Guarantor and its Subsidiaries, shall be less than or equal to 1.50 to 1.0.

(b) Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio, as of the last day of each fiscal quarter of the Parent Guarantor and its Subsidiaries, shall be greater than or equal to 2.75 to 1.0.

Section 5.10 Obligations Regarding Subsidiaries; Additional Subsidiary Guarantors.

(a) Except as permitted by Section 6.4, the Parent Guarantor will, and will cause each of its Subsidiaries to take such action from time to time as shall be necessary to ensure that each of its Subsidiaries remains a Subsidiary at all times.

(b) The Credit Parties will cause each of their Domestic Subsidiaries, whether newly formed, after acquired or otherwise existing, to promptly become a Guarantor hereunder by way of execution of a Joinder Agreement and take such other action as may be required pursuant to the terms of Section 5.12.

Section 5.11 Compliance with Law.

Each Credit Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its assets if noncompliance with any such law, rule, regulation, order or restriction could reasonably be expected to have a Material Adverse Effect.

Section 5.12 Additional Credit Parties.

Subject to Section 5.13, as soon as practicable and in any event within 30 days after any Person (whether newly formed, acquired or otherwise) becomes a Subsidiary of any Credit Party, the Borrower shall provide the Administrative Agent with written notice thereof and shall (a) if such Person is a Domestic Subsidiary of a Credit Party, cause such Person to execute a Joinder Agreement in substantially the same form as Schedule 5.12, and (b) deliver such other documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, certified resolutions and other organizational and authorizing documents of such Person and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above).

Section 5.13 Covenants Related to Certain Subsidiaries.

Within six months following the Closing Date, the Parent Guarantor shall cause Dollar Express, Inc., DE&S Finance Company, Dollar Express Stores, Inc., Dollar Express Management, Inc. and Dollar Express Royalties, Inc. to either (a) be liquidated and dissolved or (b) become Guarantors pursuant to Section 5.12

ARTICLE VI

NEGATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note remains outstanding and unpaid and the Credit Party Obligations, together with interest, the Facility Fee and all other amounts owing to the Administrative Agent or any Lender hereunder, are paid in full, the Credit Parties shall, and shall cause each of their respective Subsidiaries, to act in accordance with the following:

Section 6.1 Indebtedness.

The Parent Guarantor will not, nor will it permit any Subsidiary to, contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising or existing under this Agreement and the other Credit Documents;

(b) Indebtedness of the Parent Guarantor and its Subsidiaries existing as of the Closing Date as referenced in the financial statements referenced in Section 3.1 (and set out more specifically in Schedule 6.1(b)) hereto and renewals, refinancings or

extensions thereof in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension;

(c) Indebtedness (including Capital Lease Obligations) incurred to finance the purchase of equipment, and other Capital Lease Obligations, not to exceed, when added to Indebtedness outstanding pursuant to Section 6.1(e) hereof, 10% of Consolidated Net Worth in the aggregate outstanding at any time; provided that (i) such Indebtedness when incurred shall not exceed the purchase price or cost of construction of such asset and (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(d) intercompany Indebtedness of one Credit Party to another Credit Party;

(e) additional Indebtedness of the Credit Parties up to but not exceeding, when added to Indebtedness outstanding pursuant to Section 6.1(c) hereof, 10% of Consolidated Net Worth in the aggregate outstanding at any time;

(f) Indebtedness in respect of Hedging Agreements to the extent permitted hereunder; and

(g) Indebtedness evidenced by the ELLF Facility Documents in an aggregate amount not to exceed \$165,000,000, provided that the aggregate amount thereunder may be increased from time to time by the parties thereto with the prior written consent of the Required Lenders.

Section 6.2 Liens.

The Parent Guarantor will not, nor will it permit any Subsidiary to, contract, create, incur, assume or permit to exist any Lien with respect to any of its assets (other than "margin stock" within the meaning of Regulation U), whether now owned or hereafter acquired, except for Permitted Liens.

Section 6.3 Nature of Business.

Neither the Parent Guarantor nor any of its Subsidiaries will engage in any line or lines of business activity other than those conducted as of the Closing Date, except for lines of business which generate less than 1% of the gross revenues of the Parent Guarantor and its Subsidiaries on a consolidated basis.

Section 6.4 Consolidation, Merger, Sale or Purchase of Assets, etc.

The Parent Guarantor will not, nor will it permit any Subsidiary to,

(a) except as provided in Section 5.12, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution);

(b) acquire any business or assets from, or Capital Stock of, or be a party to any acquisition of, any Person except:

(i) for purchases of inventory and other assets to be sold or used in the ordinary course of business; and

(ii) Investments permitted under Section 6.5 hereof;

(c) convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its business or assets, whether now owned or hereafter acquired (including, without limitation, receivables and leasehold interests), but excluding:

(i) any Excluded Disposition;

(ii) obsolete or worn-out Property, tools or equipment no longer used or useful in its business (other than any Excluded Disposition) or real Property no longer used or useful in its business;

(iii) any sale, lease or transfer of assets from a Credit Party to another Credit Party; and

(iv) other assets provided that the aggregate current market value of all assets so sold or transferred (in each case determined at the time of such sale or transfer) shall not at any time exceed, when added to the assets sold or transferred pursuant to Section 6.12 hereof, 10% of the current market value of the total assets of the Parent Guarantor and its Subsidiaries and immediately after giving effect to such transaction, the Parent Guarantor and its Subsidiaries shall be in compliance with the financial covenants set forth in Section 5.9 hereof on a Pro Forma Basis; provided, that in each case with respect to subsection (iv) above at least 85% of the consideration received therefor by the Parent Guarantor or any such Subsidiary is in the form of cash or Cash Equivalents; and

(d) Notwithstanding the foregoing provisions of this Section 6.4, so long as no Default or Event of Default shall have occurred and be continuing, and after giving effect to any of the succeeding transactions, no Default or Event of Default would exist hereunder:

(i) (A) any Credit Party may be merged or consolidated with or into another Credit Party; provided, that if one of the parties to such merger or consolidation is the Borrower, the Borrower shall be the continuing or surviving corporation, (B) any Subsidiary may be merged or consolidated with or into another Credit Party so long as the surviving party is either (x) a Credit Party or (y) an Additional Credit Party; provided, that if one of the parties to such merger or consolidation is the Borrower, the Borrower shall be the continuing or surviving corporation and (C) any of the Parent Guarantor or any Subsidiary may merge or consolidate with or

into any Person that is not a Credit Party, provided that the applicable conditions set forth in Section 6.4(b) regarding acquisitions are complied with in connection with any such acquisition by merger, the Parent Guarantor or any such Subsidiary shall be the continuing or surviving corporation and immediately after giving effect to such transaction, the Parent Guarantor and its Subsidiaries shall be in compliance with the financial covenants set forth in Section 5.9 hereof on a Pro Forma Basis; and

(ii) any Subsidiary of the Parent Guarantor (other than the Borrower) may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any Credit Party.

#### Section 6.5 Advances, Investments and Loans.

The Parent Guarantor will not, nor will it permit any Subsidiary to, lend money or extend credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person except for Permitted Investments.

#### Section 6.6 Transactions with Affiliates.

Except as expressly permitted by this Agreement, the Parent Guarantor will not, nor will it permit any of its Subsidiaries to, directly or indirectly: (a) make any investment in an Affiliate other than Permitted Investments; (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate; (c) merge into or consolidate with or purchase or acquire assets from an Affiliate other than Permitted Acquisitions; or (d) enter into any other transaction directly or indirectly with or for the benefit of an Affiliate (including, without limitation, guarantees and assumptions of obligations of an Affiliate); provided that (i) any Affiliate who is an individual may serve as a director, officer or employee of the Parent Guarantor or any of its Subsidiaries and receive reasonable compensation for his or her services in such capacity and

(ii) the Parent Guarantor and its Subsidiaries may enter into transactions (other than extensions of credit by the Parent Guarantor or any of its Subsidiaries to an Affiliate) if the monetary or business consideration arising therefrom would be substantially as advantageous to the Parent Guarantor and its Subsidiaries as the monetary or business consideration that would be obtained in a comparable transaction with a Person not an Affiliate.

Section 6.7            Ownership of Subsidiaries; Restrictions.

The Parent Guarantor will not, nor will it permit any Subsidiary to, create, form or acquire any Subsidiaries, except for wholly-owned Domestic Subsidiaries which are joined as Additional Credit Parties in accordance with the terms hereof. The Parent Guarantor will not, nor will it permit its Subsidiaries to, sell, transfer, pledge or otherwise dispose of any Capital Stock or other equity interests in any of its Subsidiaries, nor will it permit

any of its Subsidiaries to issue, sell, transfer, pledge or otherwise dispose of any of its Capital Stock or other equity interests, except in a transaction permitted by Section 6.4.

Section 6.8            Fiscal Year; Organizational Documents; Material Contracts.

The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, change its fiscal year, except to adopt a retail fiscal year end which is no more than 65 days from December 31. The Borrower will promptly notify the Agent of such change in fiscal year. The Parent Guarantor will not, nor will it permit any Subsidiary to, amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document) or bylaws (or other similar document) in any manner that could adversely affect the rights of the Lenders hereunder. The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, without the prior written consent of the Administrative Agent, amend, modify, cancel or terminate or fail to renew or extend or permit the amendment, modification, cancellation or termination of any of the Material Contracts, except in the event that such amendments, modifications, cancellations or terminations could not reasonably be expected to have a Material Adverse Effect.

Section 6.9            Limitation on Actions.

(a)            The Parent Guarantor will not, nor will it permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a Guarantor pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing under or by reason of (i) this Agreement and the other Credit Documents, (ii) applicable law, (iii) any document or instrument governing Indebtedness incurred pursuant to Section 6.1(c), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (iv) any Permitted Lien or any document or instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien, or (v) the ELLF Facility Documents.

(b)            The Parent Guarantor will not, nor will it permit any Subsidiary to, enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation except (i) pursuant to this Agreement and the other Credit Documents, (ii) pursuant to applicable law, (iii) pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 6.1(c), provided that in the case of Section 6.1(c) any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (iv) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or assets pending such sale, provided such restrictions and conditions apply only to the Subsidiary or assets that are to be sold and such

sale is permitted hereunder, (v) restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the assets securing such Indebtedness, (vi) customary provisions in leases and other contracts restricting the assignment thereof, (vii) pursuant to

the ELLF Facility Documents, (viii) restrictions in any document or instrument governing any Permitted Lien, provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien and (ix) any indenture agreement, instrument or other arrangement relating to the assets or business of any Subsidiary and existing prior to the consummation of the Permitted Acquisition in which such Subsidiary was acquired.

Section 6.10 Restricted Payments.

The Parent Guarantor will not, nor will it permit any Subsidiary to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment, except (a) to make dividends payable solely in the same class of Capital Stock of such Person, (b) to make dividends or other distributions payable to any Credit Party (directly or indirectly through Subsidiaries), (c) as permitted by Section 6.11, (d) to make dividends to or repurchases from the Parent Guarantor or the parent of such Subsidiary (provided that such parent company is a Credit Party) the proceeds of which shall be used to pay taxes that are then due and payable, and (e) provided that no Default or Event of Default shall have occurred and be continuing or be directly or indirectly caused as a result thereof after giving effect to such repurchases on a Pro Forma Basis, the Parent Guarantor may repurchase shares of its Capital Stock on the open market in an aggregate amount not to exceed 20% of Consolidated Net Worth, determined at the time of any such repurchase, during the term of this Agreement.

Section 6.11 Prepayments of Indebtedness, etc.

(a) The Parent Guarantor will not, nor will it permit any of its Subsidiaries to, amend or modify (or permit the amendment or modification of) any of the terms of the documents evidencing its or their Indebtedness if such amendment or modification would add or change any terms in a manner adverse to the issuer of such Indebtedness, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof.

(b) The Borrower will furnish to the Administrative Agent a copy of each modification, supplement or waiver of any provisions of an agreement, instrument or other document evidencing or relating to the charter or bylaws of the Parent Guarantor or any of its Subsidiaries promptly upon the effectiveness thereof (and the Administrative Agent will promptly furnish a copy thereof to each Lender).

Section 6.12 Sale Leasebacks.

The Parent Guarantor will not, nor will it permit any Subsidiary to, directly or indirectly, enter into any arrangement, directly or indirectly, whereby the Parent Guarantor or any Subsidiary shall sell or transfer any property owned by it to a Person (other than the Parent Guarantor or any Subsidiary) in order then or thereafter to lease such property or lease other property which the Parent Guarantor or any Subsidiary intends to use for substantially the same purpose as the property being sold or transferred. Notwithstanding the foregoing provisions of this Section 6.12, the Parent Guarantor or any Subsidiary may sell or transfer any property owned by it as described in the preceding sentence provided that the aggregate current market value of all assets so sold or transferred (in each case determined at the time of such sale or transfer) shall not at any time exceed, when added to the assets sold or transferred pursuant to Section 6.4(c)(iv) hereof, 10% of the current market value of the total assets of the Parent Guarantor and its Subsidiaries and immediately after giving effect to such transaction, the Parent Guarantor and its Subsidiaries shall be in compliance with the financial covenants set forth in Section 5.9 hereof on a Pro Forma Basis.

Section 6.13 Use of Proceeds.

The Borrower will not use the proceeds of the Loans and Letters of Credit in a manner inconsistent with the uses permitted under Section 3.11 hereof.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1 Events of Default.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) (i) The Borrower shall fail to pay any principal on any Note when due in accordance with the terms thereof or hereof; or (ii) the Borrower shall fail to reimburse the applicable Issuing Lender



for any LOC Obligations when due in accordance with the terms hereof; or (iii) the Borrower shall fail to pay any interest on any Note or any fee or other amount payable hereunder when due in accordance with the terms thereof or hereof and any such failure shall continue unremedied for three (3) Business Days; or (iv) any Guarantor shall fail to pay on the Guaranty in respect of any of the foregoing or in respect of any other Guaranty Obligations thereunder; or

(b) Any representation or warranty made or deemed made herein or in any of the other Credit Documents or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect, false or misleading in any material respect on or as of the date made or deemed made; or

(c) (i) Any Credit Party shall fail to perform, comply with or observe any term, covenant or agreement applicable to it contained in Sections 5.4(a), 5.6(b), 5.7(a) or 5.9 or Article VI hereof; or (ii) any Credit Party shall fail to comply with any other covenant, contained in this Credit Agreement or the other Credit Documents or any other agreement, document or instrument among any Credit Party, the Administrative Agent and the Lenders or executed by any Credit Party in favor of the Administrative Agent or the Lenders (other than as described in Sections 7.1(a) or 7.1(c) (i) above), and in the event any such breach or failure to comply is capable of cure, is not cured within thirty (30) days of its occurrence; or

(d) The Parent Guarantor or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Notes) in a principal amount outstanding of at least \$500,000 in the aggregate for the Parent Guarantor and any of its Subsidiaries beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness was created; or (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness in a principal amount outstanding of at least \$500,000 in the aggregate for the Parent Guarantor and its Subsidiaries or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity; or

(e) (i) The Parent Guarantor or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Parent Guarantor or any Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Parent Guarantor or any Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Parent Guarantor or any Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Parent Guarantor or any Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Parent Guarantor or any

Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(f) One or more judgments or decrees shall be entered against the Parent Guarantor or any of its Subsidiaries involving in the aggregate a liability (to the extent not paid when due or covered by insurance) of \$2,000,000 or more and all such judgments or decrees shall not have been paid and satisfied, vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan (other than a Permitted Lien) shall arise on the assets of the Parent Guarantor, any of its Subsidiaries or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a Trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Parent Guarantor, any of its Subsidiaries or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, any Multiemployer Plan or (vi) any other similar event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could have a Material Adverse Effect; or

(h) A reasonable basis shall exist for the assertion against the Parent Guarantor or any of its Subsidiaries, or any predecessor in interest of the Parent Guarantor or any of its Subsidiaries, of (or there shall have been asserted against the Parent Guarantor or any of its Subsidiaries) an Environmental Claim that, in the judgment of the Required Lenders, is reasonably likely to be determined adversely to the Parent Guarantor or any of its Subsidiaries, and the amount thereof (either individually or in the aggregate) is reasonably likely to have a Material Adverse Effect (insofar as such amount is payable by the Parent Guarantor or any of its Subsidiaries but after deducting any portion thereof that is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor); or

(i) A Change of Control shall occur; or

(j) The Guaranty or any provision thereof shall cease to be in full force and effect or any Guarantor or any Person acting by or on behalf of any Guarantor shall deny or disaffirm any Guarantor's obligations under the Guaranty; or

(k) Any other Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the security interests, liens, rights, powers and privileges purported to be created thereby (except as such documents may be terminated or no longer in force and effect in accordance with the terms thereof, other than those indemnities and provisions which by their terms shall survive); or

(l) There shall occur and be continuing any "Default" or "Event of Default" under and as defined in the ELLF Facility Documents or in the Note Purchase Agreement.

#### Section 7.2 Acceleration; Remedies.

Upon the occurrence of an Event of Default, then, and in any such event, (a) if such event is an Event of Default specified in Section 7.1(e) above, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon), and all other amounts under the Credit Documents (including without limitation the maximum amount of all contingent liabilities under Letters of Credit) shall immediately become due and payable, the Administrative Agent shall have the right to enforce any and all other rights and interests created and existing under the Credit Documents, including, without limitation, all rights and remedies against a Guarantor and all rights of set-off, and the Administrative Agent shall have the right to enforce any and all other rights and remedies of a creditor under applicable law, and (b) if such event is any other Event of Default, with the written consent of the Required Lenders, the Administrative Agent may, or upon the written request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, take any or all of the following actions: (i) declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; (ii) declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes to be due and payable forthwith and direct the Borrower to pay to the Administrative Agent cash collateral as security for the LOC Obligations for subsequent drawings under then outstanding Letters of Credit in an amount equal to the maximum amount of which may be drawn under Letters of Credit then outstanding, whereupon the same shall immediately become due and payable; (iii) enforce any and all other rights and interests created and existing under the Credit Documents, including, without limitation, all rights and remedies against a Guarantor and all rights of set-off; and (iv) enforce any and all other rights and remedies of a creditor under applicable

law. Except as expressly provided above in this Section 7.2, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

## ARTICLE VIII

### THE AGENT

#### Section 8.1 Appointment.

Each Lender hereby irrevocably designates and appoints First Union National Bank as the Administrative Agent of such Lender under this Agreement, and each such Lender irrevocably authorizes First Union National Bank, as the

Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

#### Section 8.2 Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. Without limiting the foregoing, the Administrative Agent may appoint one of its Affiliates as its agent to perform the functions of the Administrative Agent hereunder relating to the advancing of funds to the Borrower and distribution of funds to the Lenders and to perform such other related functions of the Administrative Agent hereunder as are reasonably incidental to such functions.

#### Section 8.3 Exculpatory Provisions.

Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Credit Party or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Credit Documents or for any failure of any Credit Party to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance by the Credit Parties of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Credit Parties.

#### Section 8.4 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Credit Parties), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner

thereof for all purposes unless (a) a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent and (b) the Administrative Agent shall have received the written agreement of such assignee to be bound hereby as fully and to the same extent as if such assignee were an original Lender party hereto, in each case in form satisfactory to the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under any of the Credit Documents in accordance with a request of the Required Lenders

or all of the Lenders, as may be required under this Agreement, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

Section 8.5 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, however, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders except to the extent that this Credit Agreement expressly requires that such action be taken, or not taken, only with the consent or upon the authorization of the Required Lenders, or all of the Lenders, as the case may be.

Section 8.6 Non-Reliance on Administrative Agent and Other Lenders.

Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representation or warranty to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Credit Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and the Guarantors and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform

itself as to the business, operations, property, financial and other condition and creditworthiness of the Parent Guarantor and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Credit Parties which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.7 Indemnification.

The Lenders agree to indemnify the Administrative Agent in its capacity hereunder (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought under this Section, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of any Credit Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the Administrative Agent's gross negligence or willful misconduct, as determined by a court of competent jurisdiction. The agreements in this Section 8.7 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 8.8 Administrative Agent in Its Individual Capacity.

The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and the Guarantors as though the Administrative Agent were not the Administrative Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 8.9 Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 30 days' prior notice to the Borrower and the Lenders. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the Notes, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrower, so long as no Default or Event of Default has occurred and is continuing, whereupon such successor agent shall succeed to the rights, powers and duties of the

Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Notes. If no successor Administrative Agent has accepted appointment as Administrative Agent within sixty (60) days after the retiring Administrative Agent's giving notice of resignation, the retiring Administrative Agent's resignation shall nevertheless become effective and the Lenders shall perform all duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 8.10 Documentation Agent and Syndication Agent.

Fleet National Bank, in its capacity as Syndication Agent, and Suntrust Bank, in its capacity as Documentation Agent, shall not have any rights, powers, duties, liabilities, fiduciary relationships or obligations under this agreement or any of the other documents related hereto.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Amendments and Waivers.

Neither this Agreement, nor any of the Notes, nor any of the other Credit Documents, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this Section nor may be released except as specifically provided herein or in accordance with the provisions of this Section 9.1. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights or obligations of the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, waiver, supplement or modification shall:

(i) reduce the amount or extend the scheduled date of maturity of any Loan or Note, or any installment thereon, or reduce the stated rate of any interest or fee payable hereunder (other than interest at the increased post-default rate) or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Lender's Commitment or waive any Event of Default under

Section 7.1(a) hereof, in each case without the written consent of each Lender directly affected thereby; or

(ii) amend, modify or waive any provision of this Section 9.1, or reduce the percentage specified in the definition of Required Lenders, without the written consent of all the Lenders; or

(iii) amend, modify or waive any provision of Article VIII without the written consent of the then Administrative Agent; or

(iv) release any Guarantor from its obligations under the Guaranty without the written consent of all of the Lenders; or

(v) amend, modify or waive the requirement that any issue be resolved or determined with the consent, approval or upon the request of the Required Lenders or all Lenders, without the written consent of all of the Lenders to

the change of such voting requirement and, provided, further, that no amendment, waiver or consent affecting the rights or duties of the Administrative Agent or the Issuing Lender(s) under any Credit Document shall in any event be effective, unless in writing and signed by the Administrative Agent and/or the Issuing Lender(s), as applicable, in addition to the Lenders required hereinabove to take such action.

Any such waiver, any such amendment, supplement or modification and any such release shall apply equally to each of the Lenders and shall be binding upon the Borrower, the other Credit Parties, the Lenders, the Administrative Agent and all future holders of the Notes. In the case of any waiver, the Borrower, the other Credit Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Loans and Notes and other Credit Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding any of the foregoing to the contrary, the consent of the Credit Parties shall not be required for any amendment, modification or waiver of the provisions of Article VIII (other than the provisions of Section 8.9); provided, however, that the Administrative Agent will provide written notice to the Borrower of any such amendment, modification or waiver. In addition, the Borrower and the Lenders hereby authorize the Administrative Agent to modify this Credit Agreement by unilaterally amending or supplementing Schedule 2.1(a) from time to time in the manner requested by the Borrower, the Administrative Agent or any Lender in order to reflect any assignments or transfers of the Loans as provided for hereunder; provided, however, that the Administrative Agent shall promptly deliver a copy of any such modification to the Borrower and each Lender.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of

Section 1126(c) of the Bankruptcy Code supersede the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

#### Section 9.2 Notices.

Except as otherwise provided in Article II, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (a) when delivered by hand, (b) when transmitted via telecopy (or other facsimile device) to the number set out herein, (c) the day following the day on which the same has been delivered prepaid or pursuant to an invoice arrangement to a reputable national overnight air courier service, or (d) the fifth Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case, addressed as follows in the case of the Borrower, the other Credit Parties and the Administrative Agent, and as set forth on Schedule 9.2 in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Borrower and the other Credit Parties: Dollar Tree Distribution, Inc.  
500 Volvo Parkway  
Chesapeake, Virginia 23320  
Attention: Frederick C. Coble  
Telecopier: (757) 321-5111  
Telephone: (757) 321-5007

The Administrative Agent: First Union National Bank  
Charlotte Plaza  
201 S. College Street, CP-6  
Charlotte, North Carolina 28288  
Attention: Syndication Agency Services  
Telecopier: (704) 383-0835  
Telephone: (704) 383-3721

with a copy to:

First Union National Bank  
1339 Chestnut Street  
12th Floor - Widener Building  
PA 4843  
Philadelphia, Pennsylvania 19107  
Attention: Tom Harper  
Telecopier: (215) 973-1887  
Telephone: (215) 973-5213

Section 9.3 No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 9.4 Survival of Representations and Warranties.

All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans, provided that all such representations and warranties shall terminate on the date upon which the Commitments have been terminated and all amounts owing hereunder and under any Notes have been paid in full.

Section 9.5 Payment of Expenses and Taxes.

The Credit Parties agree (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, printing and execution of, and any amendment, supplement or modification to, this Agreement and the other Credit Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, together with the reasonable fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent and to the Lenders (including reasonable allocated costs of in-house legal counsel), (c) on demand, to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, the Credit Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their Affiliates harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of the Credit Documents and any such other documents and the use, or proposed use, of proceeds of the Loans and whether or not the Administrative Agent, the relevant Lenders and their Affiliates are parties to the claim, demand, action, cause of action or proceeding from which any of the aforementioned arises (all of the foregoing, collectively, the "indemnified liabilities"); provided, however, that the Borrower shall not have any obligation hereunder to the Administrative Agent or any Lender with respect to indemnified liabilities arising from the gross

negligence or willful misconduct of the Administrative Agent or any such Lender, as determined by a court of competent jurisdiction. The agreements in this Section 9.5 shall survive repayment or assignment of the Loans, Notes and all other amounts payable hereunder.

Section 9.6 Successors and Assigns; Participations; Purchasing Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign or transfer any of their rights or obligations under this Agreement or the other Credit Documents without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender, or any other interest or obligation of such Lender hereunder. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and

obligations under this Agreement. No Lender shall transfer or grant any participation under which the Participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the scheduled maturity of any Loan or Note, or any installment thereon in which such Participant is participating, or reduce the stated rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of interest at the increased post-default rate) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without consent of any Participant if the Participant's participation is not increased as a result thereof), (ii) release all or substantially all of the Guarantors from their obligations under the Guaranty, or (iii) consent to the assignment or transfer by the Borrower of any of their rights and obligations under this Agreement. In the case of any such participation, the Participant shall not have any rights under this Agreement or any of the other Credit Documents (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation; provided that each Participant shall be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 9.5 with respect to its participation in the Commitments and the Loans outstanding from time to time, but no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time, sell or assign to any Lender or any affiliate thereof or special purpose entity created thereby and with the consent of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower (in each case, which consent shall not be unreasonably withheld), to one or more additional banks or financial institutions ("Purchasing Lenders"), all or any part of its rights and obligations under this Agreement and the Notes in minimum amounts of \$5,000,000 with respect to its Revolving Commitment and its Revolving Loans (or, if less, the entire amount of such Lender's obligations), pursuant to a Commitment Transfer Supplement, executed by such Purchasing Lender and such transferor Lender (and, in the case of a Purchasing Lender that is not then a Lender or an affiliate thereof, the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower), and delivered to the Administrative Agent for its acceptance and recording in the Register; provided, however, that any sale or assignment to an existing Lender shall not require the consent of the Administrative Agent or the Borrower nor shall any such sale or assignment be subject to the minimum assignment amounts specified herein. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date specified in such Commitment Transfer Supplement, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the transferor Lender thereunder shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement (and, in the case of a Commitment Transfer Supplement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Notes. On or prior to the Transfer Effective Date specified in such Commitment Transfer Supplement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the Notes delivered to the Administrative Agent pursuant to such Commitment Transfer Supplement new Notes to the order of such Purchasing Lender in an amount equal to the Commitment assumed by it pursuant to such Commitment Transfer Supplement and, unless the transferor Lender has not retained a Commitment hereunder, new Notes to the order of the transferor Lender in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be dated the Closing Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Administrative Agent to the Borrower marked "canceled".



(d) The Administrative Agent shall maintain at its address referred to in Section 9.2 a copy of each Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly executed Commitment Transfer Supplement, together with payment to the Administrative Agent by the transferor Lender or the Purchasing Lender, as agreed between them, of a registration and processing fee of \$3,500 for each Purchasing Lender listed in such Commitment Transfer Supplement and the Notes subject to such Commitment Transfer Supplement, the Administrative Agent shall (i) accept such Commitment Transfer Supplement, (ii) record the information contained therein in the Register and (iii) give prompt notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Credit Parties authorize each Lender to disclose to any Participant or Purchasing Lender (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning the Credit Parties, their Subsidiaries and their Affiliates which has been delivered to such Lender by or on behalf of the Credit Parties pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Credit Parties in connection with such Lender's credit evaluation of the Credit Parties and their Affiliates prior to becoming a party to this Agreement, in each case subject to Section 9.16.

(g) At the time of each assignment pursuant to this Section 9.6 to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate Internal Revenue Service Forms (and, if applicable, a 2.16 Certificate) described in Section 2.16.

(h) Nothing herein shall prohibit any Lender from pledging or assigning any of its rights under this Agreement (including, without limitation, any right to payment of principal and interest under any Note) to any Federal Reserve Bank in accordance with applicable laws.

#### Section 9.7 Adjustments; Set-off.

(a) Each Lender agrees that if any Lender (a "benefited Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to

events or proceedings of the nature referred to in Section 7.1(e), or otherwise) in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law (including, without limitation, other rights of set-off), each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon the occurrence of any Event of Default, to setoff and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or

contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, or any part thereof in such amounts as such Lender may elect, against and on account of the obligations and liabilities of the Borrower to such Lender hereunder and claims of every nature and description of such Lender against the Borrower, in any currency, whether arising hereunder, under the Notes or under any documents contemplated by or referred to herein or therein, as such Lender may elect, whether or not such Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The aforesaid right of set-off may be exercised by such Lender against the Borrower or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of the Borrower, or against anyone else claiming through or against the Borrower or any such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the occurrence of any Event of Default. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

Section 9.8 Table of Contents and Section Headings.

The table of contents and the Section and subsection headings herein are intended for convenience only and shall be ignored in construing this Agreement.

Section 9.9 Counterparts.

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

Section 9.10 Effectiveness.

This Credit Agreement shall become effective on the date on which all of the parties have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent pursuant to Section 9.2 or, in the case of the Lenders, shall have given to the Administrative Agent written, telecopied or telex notice (actually received) at such office that the same has been signed and mailed to it.

Section 9.11 Severability.

Any provision of this Agreement which is 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.

Section 9.12 Integration.

This Agreement, the Notes and the other Credit Documents represent the agreement of the Borrower, the Guarantors, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, the Borrower, the Guarantors or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the Notes.

Section 9.13 Governing Law.

This Agreement and the Notes and the rights and obligations of the parties under this Agreement and the Notes shall be governed by, and construed and interpreted in accordance with, the law of the State of North Carolina.

Section 9.14 Consent to Jurisdiction and Service of Process.

All judicial proceedings brought against the Borrower and/or any other Credit Party with respect to this Agreement, any Note or any of the other Credit Documents may be brought in any state or federal court of competent jurisdiction in the State of North Carolina, and, by execution and delivery of this Agreement, the Borrower and the other Credit Parties accepts, for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and irrevocably agrees to be bound by any

final judgment rendered thereby in connection with this Agreement from which no appeal has been taken or is available. The Borrower and the other Credit Parties

irrevocably agrees that all service of process in any such proceedings in any such court may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 9.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto, such service being hereby acknowledged by the Borrower and the other Credit Parties to be effective and binding service in every respect. The Borrower, the other Credit Parties, the Administrative Agent and the Lenders irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have to the bringing of any such action or proceeding in any such jurisdiction. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of any Lender to bring proceedings against the Borrower or the other Credit Parties in the court of any other jurisdiction.

Section 9.15 Arbitration.

(a) Notwithstanding the provisions of Section 9.14 to the contrary, upon demand of any party hereto, whether made before or within three (3) months after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement and other Credit Documents ("Disputes") between or among parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Credit Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in Charlotte, North Carolina. A hearing shall begin within 90 days of demand for arbitration and all hearings shall be concluded within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then no more than a total extension of 60 days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties hereto do not waive applicable Federal or state substantive law except as provided herein. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to Hedging Agreements.

(b) Notwithstanding the preceding binding arbitration provisions, the Administrative Agent, the Lenders, the Borrower and the other Credit Parties agree to preserve, without diminution, certain remedies that the Administrative Agent on behalf of the Lenders may employ or exercise freely, independently or in connection with an

arbitration proceeding or after an arbitration action is brought. The Administrative Agent on behalf of the Lenders shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Credit Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; and (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

(c) The parties hereto agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

(d) By execution and delivery of this Agreement, each of the parties hereto accepts, for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction relating to any arbitration proceedings conducted under the Arbitration Rules in Charlotte, North Carolina and irrevocably

agrees to be bound by any final judgment rendered thereby in connection with this Agreement from which no appeal has been taken or is available.

Section 9.16 Confidentiality.

The Administrative Agent and each of the Lenders agrees that it will use its best efforts not to disclose without the prior consent of the Borrower (other than to its employees, affiliates, auditors or counsel or to another Lender) any information with respect to the Parent Guarantor and its Subsidiaries which is furnished pursuant to this Agreement, any other Credit Document or any documents contemplated by or referred to herein or therein and which is designated by the Borrower to the Lenders in writing as confidential or as to which it is otherwise reasonably clear such information is not public, except that any Lender may disclose any such information (a) as has become generally available to the public other than by a breach of this Section 9.16, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or federal regulatory body having or claiming to have jurisdiction over such Lender or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or the OCC or the NAIC or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena or any law, order, regulation or ruling applicable to such Lender, (d) to any prospective Participant or assignee in connection with any contemplated transfer pursuant to Section 9.6, provided that such prospective transferee shall have been made aware of this Section 9.16 and shall have agreed to be bound by its provisions as if it were a party to this Agreement or (e) to Gold Sheets and other similar bank trade publications; such information to consist of deal terms and other information regarding the credit facilities evidenced by this Credit Agreement customarily found in such publications.

Section 9.17 Acknowledgments.

The Borrower and the other Credit Parties each hereby acknowledge that:

(a) it has been advised by counsel in the negotiation, execution and delivery of each Credit Document;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or any other Credit Party arising out of or in connection with this Agreement and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower and the other Credit Parties, on the other hand, in connection herewith is solely that of debtor and creditor; and

(c) no joint venture exists among the Lenders or among the Borrower or the other Credit Parties and the Lenders.

Section 9.18 Waivers of Jury Trial.

THE BORROWER, THE OTHER CREDIT PARTIES, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

ARTICLE X

GUARANTY

Section 10.1 The Guaranty.

In order to induce the Lenders to enter into this Agreement and to extend credit hereunder and in recognition of the direct benefits to be received by the Guarantors from the Extensions of Credit hereunder, each of the Guarantors hereby agrees with the Administrative Agent and the Lenders as follows: each Guarantor hereby unconditionally and irrevocably jointly and severally guarantees as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, by acceleration or otherwise, of any and all indebtedness of the Borrower to the Administrative Agent and the Lenders. If any or all of the indebtedness of the Borrower to the Administrative Agent and the Lenders becomes due and payable hereunder, each Guarantor unconditionally promises to pay such indebtedness to the Administrative Agent and the Lenders, on order, on demand, together with any and all reasonable expenses which may be incurred by the Administrative Agent or the Lenders in collecting any of the indebtedness. The word "indebtedness" is used in this Article X in its most comprehensive sense and includes any and all advances,

debts, obligations and liabilities of the Borrower arising in connection with this Agreement, in each case, heretofore, now, or hereafter made, incurred or created, whether voluntarily or involuntarily, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether or not such indebtedness is from time to time reduced, or extinguished and thereafter

increased or incurred, whether the Borrower may be liable individually or jointly with others, whether or not recovery upon such indebtedness may be or hereafter become barred by any statute of limitations, and whether or not such indebtedness may be or hereafter become otherwise unenforceable.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents, to the extent the obligations of a Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of each such Guarantor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Code).

#### Section 10.2 Bankruptcy.

Additionally, each of the Guarantors unconditionally and irrevocably guarantees jointly and severally the payment of any and all indebtedness of the Borrower to the Lenders whether or not due or payable by the Borrower upon the occurrence of any of the events specified in Section 7.1(e), and unconditionally promises to pay such indebtedness to the Administrative Agent for the account of the Lenders, or order, on demand, in lawful money of the United States. Each of the Guarantors further agrees that to the extent that the Borrower or a Guarantor shall make a payment or a transfer of an interest in any property to the Administrative Agent or any Lender, which payment or transfer or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, or otherwise is avoided, and/or required to be repaid to the Borrower or a Guarantor, the estate of the Borrower or a Guarantor, a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such avoidance or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made.

#### Section 10.3 Nature of Liability.

The liability of each Guarantor hereunder is exclusive and independent of any security for or other guaranty of the indebtedness of the Borrower whether executed by any such Guarantor, any other guarantor or by any other party, and no Guarantor's liability hereunder shall be affected or impaired by (a) any direction as to application of payment by the Borrower or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the indebtedness of the Borrower, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, or (e) any payment made to the Administrative Agent or the Lenders on the indebtedness which the Administrative Agent or such Lenders repay the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each of the Guarantors waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding. The obligations of the

Guarantors hereunder are absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Credit Documents or any other agreement or instrument referred to therein, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor.

#### Section 10.4 Independent Obligation.

The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor or the Borrower, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other Guarantor or the Borrower and whether or not any other Guarantor or the Borrower is joined in any such action or actions.

#### Section 10.5 Authorization.

Each of the Guarantors authorizes the Administrative Agent and each Lender without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to (a) renew, compromise, extend, increase, accelerate or otherwise change the time for payment of, or otherwise change the terms of the indebtedness or any part thereof in accordance with this Agreement, including any increase or decrease of the rate of interest thereon, (b) take and hold security from any Guarantor or any other party for the payment of this Guaranty or the indebtedness and exchange, enforce, waive and release any such security, (c) apply such security and direct the order or manner of sale thereof as the Administrative Agent and the Lenders in their discretion may determine and (d) release or substitute any one or more endorsers, guarantors, the Borrower or other obligors.

#### Section 10.6 Reliance.

It is not necessary for the Administrative Agent or the Lenders to inquire into the capacity or powers of the Borrower or the officers, directors, partners or agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 10.7 Waiver.

(a) Each of the Guarantors waives any right (except as shall be required by applicable statute and cannot be waived) to require the Administrative Agent or any Lender to (i) proceed against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other guarantor or any other party, or (iii) pursue any other remedy in the Administrative Agent's or any Lender's power whatsoever. Each of the Guarantors waives any defense based on or arising out of any defense of the Borrower, any other Guarantor or any other party other than payment in full of the indebtedness, including without limitation any defense based on or arising out of the disability of the Borrower, any other guarantor or any other party, or the unenforceability of the indebtedness or any part thereof from any cause, or the cessation from

any cause of the liability of the Borrower other than payment in full of the indebtedness. Without limiting the generality of the provisions of this Article X, each of the Guarantors hereby specifically waives the benefits of N.C. Gen. Stat. ss. 26-7 through 26-9, inclusive. The Administrative Agent or any of the Lenders may, at their election, foreclose on any security held by the Administrative Agent or a Lender by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent and any Lender may have against the Borrower or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the indebtedness has been paid. Each of the Guarantors waives any defense arising out of any such election by the Administrative Agent and each of the Lenders, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantors against the Borrower or any other party or any security.

(b) Each of the Guarantors waives all presentments, demands for performance, protests and notices of nonperformance, notices of amendments or modifications to this Agreement or any of the other Credit Documents, notice of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional indebtedness. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the indebtedness and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and agrees that neither the Administrative Agent nor any Lender shall have any duty to advise such Guarantor of information known to it regarding such circumstances or risks.

(c) Each of the Guarantors hereby agrees it will not exercise any rights of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the U.S. Bankruptcy Code, or otherwise) to the claims of the Lenders against the Borrower or any other guarantor of the indebtedness of the Borrower owing to the Lenders (collectively, the "Other Parties") and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty until such time as the Loans hereunder shall have been paid and the Commitments have been terminated. Each of the Guarantors hereby further agrees not to exercise any right to enforce any other remedy which the Administrative Agent and the Lenders now have or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the indebtedness of the Borrower and any benefit of, and any right to participate in, any security or collateral given to or for the benefit of the Lenders to secure payment of the indebtedness of the Borrower until such time as the Loans hereunder shall have been paid and the Commitments have been terminated.

Section 10.8 Limitation on Enforcement.

The Lenders agree that this Guaranty may be enforced only by the action of the Administrative Agent acting upon the instructions of the Required Lenders and that no Lender shall have any right individually to seek to enforce or to enforce this Guaranty, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent for the benefit of the Lenders upon the terms of this Agreement. The Lenders further agree that this

Guaranty may not be enforced against any director, officer, employee or stockholder of the Guarantors.

Section 10.9 Confirmation of Payment.

The Administrative Agent and the Lenders will, upon request after payment of the indebtedness and obligations which are the subject of this Guaranty and termination of the commitments relating thereto, confirm to the Borrower, the Guarantors or any other Person that such indebtedness and obligations have been paid and the commitments relating thereto terminated, subject to the provisions of Section 10.2.

IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement to be duly executed and delivered by its proper and duly authorized officers as of the day and year first above written.

BORROWER: DOLLAR TREE DISTRIBUTION, INC.  
- - - - -

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

PARENT GUARANTOR: DOLLAR TREE STORES, INC.,  
- - - - -

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

GUARANTORS: DOLLAR TREE MANAGEMENT, INC.  
- - - - -

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

DOLLAR TREE AIR, INC.  
DT KEYSTONE MANAGEMENT INC.  
DT KEYSTONE DISTRIBUTION, INC.  
DOLLAR TREE PROPERTIES, INC.  
DTD TENNESSEE, INC.

By: /s/ Frederick C. Coble  
-----  
Name: Frederick C. Coble  
-----  
Title: Senior Vice President  
-----  
of each of the foregoing corporations

DT KEYSTONE DISTRIBUTION, LLC

By: DT Keystone Distribution, Inc.,  
its sole member

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

DT KEYSTONE DISTRIBUTION, R.L.L.L.P.

By: DT Keystone Management, Inc.,  
its general partner

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

AGENT:  
- - - - -

FIRST UNION NATIONAL BANK,  
  
as Agent and a Lender  
  
By: /s/ Martha M. Winters  
-----  
Name: Martha M. Winters  
-----  
Title: Vice President  
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LENDERS:  
- - - - -

SUNTRUST BANK,  
  
as Documentation Agent and as a Lender  
  
By: /s/ Vernon M. Towler  
-----  
Name: Vernon M. Towler  
-----  
Title: Vice President  
-----

FLEET NATIONAL BANK,  
as Syndication Agent and as a Lender  
  
By: /s/ Judith C. E. Kelly  
-----  
Name: Judith C. E. Kelly  
-----  
Title: Director  
-----

BANK OF AMERICA, N.A.  
  
By: /s/ Timothy H. Spanos  
-----  
Name: Timothy H. Spanos  
-----  
Title: Managing Director  
-----

NATIONAL CITY BANK  
  
By: /s/ Brian T. Strayton  
-----  
Name: Brian T. Strayton  
-----  
Title: Vice President  
-----



FIRSTAR BANK, N.A.

By: /s/ Amanda Smith

-----  
Name: Amanda Smith

-----  
Title: Banking Officer  
-----

CREDIT AGREEMENT  
 Dated as of March 12, 2001

among

First Security Bank, National Association,  
 as Owner Trustee under the DTSD Realty Trust 1999-1,  
 as the Borrower,

The Several Lenders  
 from Time to Time Parties Hereto,

and

FIRST UNION NATIONAL BANK,  
 as the Agent

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## CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of March 12, 2001 (as amended, modified, extended, supplemented, restated and/or replaced from time to time, the "Agreement") is among FIRST SECURITY BANK, NATIONAL ASSOCIATION, as Owner Trustee under the DTSD Realty Trust 1999-1 (the "Owner Trustee" or the "Borrower"), the several banks and other financial institutions from time to time parties to this Agreement (the "Lenders") and FIRST UNION NATIONAL BANK, a national banking association, as a Lender and as the agent for the Lenders (the "Agent").

The parties hereto hereby agree as follows:

### SECTION 1. DEFINITIONS

#### 1.1 Definitions.

For purposes of this Agreement, capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in Appendix A to that certain Participation Agreement dated as of March 12, 2001 (as amended, modified, extended, supplemented, restated and/or replaced from time to time in accordance with the applicable provisions thereof, the "Participation Agreement") among the various parties thereto from time to time, as the Lessees and the Construction Agents, the various parties thereto from time to time, as the Guarantors, the Borrower, the various banks and other lending institutions which are parties thereto from time to time, as the Holders, the various banks and other lending institutions which are parties thereto from time to time, as the Lenders, and First Union National Bank, as agent for the Lenders and respecting the Security Documents, as the agent for the Secured Parties. Unless otherwise indicated, references in this Agreement to articles, sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in this Agreement.

#### 1.2 Interpretation.

The rules of usage set forth in Appendix A to the Participation Agreement shall apply to this Agreement.

### SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

#### 2.1 Commitments.

(a) \_\_\_\_\_ Subject to the terms and conditions hereof, each of the Lenders severally agrees to make the portion of the Tranche A Loans and the Tranche B Loans to the Borrower from time to time during the Commitment Period in an amount up to such Lender's Commitment as is set forth adjacent to such Lender's name in Schedule 2.1 hereto for the purpose of enabling the Borrower to purchase the Properties and to pay Property Acquisition Costs, Property Costs and Transaction Expenses, provided, that the aggregate principal amount at any one (1) time outstanding with respect to each of the Tranche A Loans and the Tranche B Loans shall not exceed the amount of the Tranche A Commitments and the Tranche B Commitments respectively and; provided, further, that at no time shall the pro rata share of the principal portion of the Tranche A Loans and Tranche B Loans of any Lender exceed such Lender's pro rata share of the Tranche A Commitments and the Tranche B Commitments, respectively. Any prepayments of the Loans, whether mandatory or at the Borrower's election, shall not be subject to reborrowing except as set forth in Section 5.2(d) of the Participation Agreement.

(b) \_\_\_\_\_ The Loans may from time to time be (i) Eurodollar Loans, (ii) ABR Loans, or (iii) a combination thereof, as determined by the Borrower and notified to the Agent in accordance with Sections 2.3 and 2.7. In the event the Borrower fails to provide notice pursuant to Section 2.3, the Loan shall be an ABR Loan. Further, any Loans by the Lenders on a given date in an aggregate amount less than \$100,000 shall be ABR Loans, unless the remaining Available Commitment for the Lenders in the aggregate is less than \$100,000, in which case, the Borrower may elect a Eurodollar Loan for such remaining amount.

(c) \_\_\_\_\_ The Commitment of each Lender to make Tranche A Loans and Tranche B Loans shall be pro rata.

#### 2.2 Notes.

The Loans made by each Lender shall be evidenced by promissory notes of the Borrower, substantially in the form of Exhibit A-1 in the case of the Tranche A Loans (each, a "Tranche A Note") or Exhibit A-2 in the case of the Tranche B Loans (each, a "Tranche B Note," and with the Tranche A Notes, the "Notes"), with appropriate insertions as to payee and date, payable to the order of such Lender and in a principal amount up to the Tranche A Commitment or Tranche B Commitment, as the case may be, of such Lender. Each Lender is hereby

authorized to record the date, Type and amount of each Loan made by such Lender, each continuation thereof, each conversion of all or a portion thereof to another Type, and the date and amount of each payment or prepayment of principal thereof on the schedule annexed to and constituting a part of its Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded, provided, that the failure to make any such recordation or any error in such recordation shall not affect the Borrower's obligations hereunder or under such Note. Each Note shall (i) be dated the Initial Closing Date, (ii) be stated to mature on the Maturity Date and (iii) provide for the payment of principal in accordance with Section 2.6(d) and the payment of interest in accordance with Section 2.8.

### 2.3 Procedure for Borrowing.

(a) Subject to the terms and conditions hereof, the Borrower may borrow under the Commitments during the Commitment Period on any Business Day that an Advance may be requested pursuant to the terms of Section 5.2 of the Participation Agreement, provided, that the Borrower shall give the Agent irrevocable notice (which must be received by the Agent prior to 12:00 Noon, Charlotte, North Carolina time, at least three (3) Business Days prior to the requested Borrowing Date specifying (i) the amount to be borrowed (which on any date shall not be in excess of the then Available Commitments), (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans or a combination thereof, (iv) if the borrowing is to be a combination of Eurodollar Loans and ABR Loans, the respective amounts of each Type of Loan and (v) the Interest Period applicable to each Eurodollar Loan. Pursuant to the terms of the Participation Agreement, the Borrower shall be deemed to have delivered such notice upon the delivery of a notice by the applicable Construction Agent or the applicable Lessee containing such required information. Upon receipt of any such notice from the Borrower (or the Construction Agent on behalf of the Borrower), the Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Agent for the account of the Borrower at the office of the Agent specified in Section 9.2 prior to 12:00 Noon, Charlotte, North Carolina time, on the Borrowing Date requested by the Borrower in funds immediately available to the Agent. Such borrowing will then be made available to the Borrower by the Agent crediting an account designated, subject to Section 9.1 of the Participation Agreement, by the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent. No amount of any Loan which is repaid or prepaid by the Borrower may be reborrowed hereunder, except as set forth in Section 5.2(d) of the Participation Agreement.

(b) Interest accruing on each Loan during the Construction Period with respect to any Property shall, subject to the limitations set forth in Section 5.1(b) of the Participation Agreement be added to the principal amount of such Loan on the relevant Scheduled Interest Payment Date. On each such Scheduled Interest Payment Date, the Loan Property Cost shall be increased by the amount of interest added to the Loans.

### 2.4 Lender Facility Fees.

Promptly after receipt from the Lessee of the payment of the Lender Facility Fee payable pursuant to Section 7.4 of the Participation Agreement, the Agent shall distribute such payments to the Lenders pro rata in accordance with their respective Commitments.

### 2.5 Termination or Reduction of Commitments.

(a) The Borrower shall have the right, upon not less than three (3) Business Days' written notice to the Agent, to terminate the Commitments or, from time to time, to reduce the amount of the Commitments, provided, that (i) after giving effect to such reduction, the aggregate outstanding principal amount of the Loans shall not exceed the aggregate Commitments and (ii) such notice shall be accompanied by a certificate of the Construction Agent stating that the amount equal to ninety-six percent (96%) of aggregate Budgeted Total Property Costs as of the date of such reduction does not exceed the aggregate amount of Available Commitments as of such date after giving effect to such reduction. Any such reduction (A) shall be in an amount equal to the lesser of (1) \$1,000,000 (or an even multiple thereof) or (2) the remaining Available Commitments, (B) shall reduce permanently the Commitments then in effect and (C) shall be pro rata for the Commitments of all Lenders and pro rata between the Tranche A Loans and the Tranche B Loans.

(b) The Commitments respecting any particular Property shall automatically be reduced to zero (0) upon the occurrence of the Rent Commencement Date respecting such Property. On any date on which the Commitments shall automatically be reduced to zero (0) pursuant to Section 6, the Borrower shall prepay all outstanding Loans, together with accrued unpaid interest thereon and all other amounts owing thereunder.

### 2.6 Prepayments and Payments.

(a) Subject to Sections 11.2(e), 11.3 and 11.4 of the Participation Agreement, the Borrower may at any time and from time to time

prepay the Loans, in whole or in part, without premium or penalty, upon at least three (3) Business Days' irrevocable notice to the Agent, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, ABR Loans or a combination thereof, and, if a combination thereof, the amount allocable to each. Upon receipt of any such notice the Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein. Amounts prepaid may not be reborrowed, and shall reduce the Commitments and the Available Commitments, except in each case as set forth in Section 5.2(d) of the Participation Agreement.

(b) If on any date the Agent or the Lessor shall receive any payment in respect of (i) any Casualty, Condemnation or Environmental Violation pursuant to Sections 15.1(a) or 15.1(g) or Article XVI of the Lease (excluding any payments in respect thereof which are payable to the Lessee with respect to the Property to which such payment relates in accordance with the Lease), or (ii) the Termination Value of any Property in connection with the delivery of a Termination Notice pursuant to Article XVI of the Lease, or (iii) the Termination Value of any Property in connection with the exercise of the Purchase Option under Article XX of the Lease or the exercise of the option of the Lessor to transfer the Properties to the Lessee respecting such Properties pursuant to Section 20.3 of the Lease, or (iv) any payment required to be made or elected to be made by the Construction Agent with respect to the Property to which such payment relates to the Lessor pursuant to the terms of the Agency Agreement, then in each case, the Borrower shall pay such amounts to the Agent and the Agent shall be required to apply and pay such amounts in accordance with the provisions of Section 8.7(b) (ii) of the Participation Agreement.

(c) Each prepayment of the Loans pursuant to Section 2.6(a) shall be allocated to reduce the respective Loan Property Costs of all Properties pro rata according to the Loan Property Costs of such Properties immediately before giving effect to such prepayment. Each prepayment of the Loans pursuant to Section 2.6(b) shall be allocated to reduce the Loan Property Cost of the Property or Properties subject to the respective Casualty, Condemnation, Environmental Violation, termination, purchase, transfer or other circumstance giving rise to such prepayment.

(d) The outstanding principal balance of the Loans and all other amounts then due and owing under this Agreement or otherwise with respect to the Loans shall be due and payable in full on the Maturity Date.

## 2.7 Conversion and Continuation Options.

(a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Agent irrevocable notice of such election prior to 11:00 a.m., Charlotte, North Carolina time, on the date of such conversion; provided, that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto, and provided, further, to the extent an Event of Default has occurred and is continuing on the last day of any such Interest Period, the applicable Eurodollar Loan shall automatically be converted to an ABR Loan. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Agent at least three (3) Business Days' prior irrevocable notice of such election. Upon receipt of any such notice, the Agent shall promptly notify each Lender thereof. All or any part of outstanding Eurodollar Loans or ABR Loans may be converted as provided herein, provided, that (i) no ABR Loan may be converted into a Eurodollar Loan after the date that is one (1) month prior to the Maturity Date or at any time when an Event of Default has occurred and is continuing and (ii) such notice of conversion regarding any Eurodollar Loan shall contain an election by the Borrower of an Interest Period for such Eurodollar Loan to be created by such conversion and such Interest Period shall be in accordance with the terms of the definition of the term "Interest Period" including without limitation subparagraphs (A) through (D) thereof.

(b) Subject to the restrictions set forth in Section 2.3 hereof, any Eurodollar Loan may be continued as such upon the expiration of the current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Agent, in accordance with the applicable notice provision for the conversion of ABR Loans to Eurodollar Loans set forth herein, of the length of the next Interest Period to be applicable to such Loans, provided, that no Eurodollar Loan may be continued as such after the date that is one (1) month prior to the Maturity Date, provided, further, no Eurodollar Loans may be continued as such if an Event of Default has occurred and is continuing as of the last day of the Interest Period for such Eurodollar Loan, and provided, further, that if the Borrower shall fail to give any required notice as described above or otherwise herein, or if such continuation is not permitted pursuant to the proceeding proviso, such Loan shall automatically be converted to an ABR Loan on the last day of such then expiring Interest Period.

## 2.8 Interest Rates and Payment Dates.

(a) The Loans outstanding hereunder from time to time shall bear interest at a rate per annum equal to either (i) with respect to a Eurodollar Loan, the Eurodollar Rate determined for the applicable Interest Period plus the Applicable Percentage or (ii) with respect to an ABR Loan, the ABR, as selected

by the Borrower at the direction of the Credit Parties in accordance with the provisions hereof; provided, however, (A) upon delivery by the Agent of the notice described in Section 2.9(c), the Loans of each of the Lenders shall bear interest at the ABR from and after the dates and during the periods specified in Section 2.9(c), (B) upon the delivery by a Lender of the notice described in Section 11.3(e) of the Participation Agreement, the Loans of such Lender shall bear interest at the ABR from and after the dates and during the periods specified in Section 11.3(e) of the Participation Agreement and (C) in such other circumstances as expressly provided herein, the Loans shall bear interest at the ABR.

(b) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is the lesser of (x) the ABR plus two percent (2%) and (y) the highest interest rate permitted by applicable law, in each case from the date of such non-payment until such amount is paid in full (whether after or before judgment).

(c) Interest shall be payable in arrears on the applicable Scheduled Interest Payment Date, provided, that (i) interest accruing pursuant to paragraph (b) of this Section 2.8 shall be payable from time to time on demand and (ii) each prepayment of the Loans shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

#### 2.9 Computation of Interest.

(a) Whenever it is calculated on the basis of the Prime Lending Rate, interest shall be calculated on the basis of a year of three hundred sixty-five (365) days (or three hundred sixty-six (366) days, as the case may be) for the actual days elapsed; and, otherwise, interest shall be calculated on the basis of a year of three hundred sixty (360) days for the actual days elapsed. The Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the day on which such change becomes effective. The Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

(c) If the Eurodollar Rate (i) cannot be determined by the Agent in the manner specified in the definition of the term "Eurodollar Rate", or (ii) the Majority Lenders determine that the Eurodollar Rate no longer fairly reflects the cost of making and maintaining Eurodollar Loans, the Agent shall give teletype or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. Until such time as the Eurodollar Rate can be determined by the Agent in the manner specified in the definition of such term or the Majority Lenders rescind the above-referenced cost determination, no further Eurodollar Loans shall be made or shall be continued as such at the end of the then current Interest Period nor shall the Borrower have the right to convert ABR Loans to Eurodollar Loans.

#### 2.10 Pro Rata Treatment and Payments.

(a) Each borrowing by the Borrower from the Lenders hereunder and any reduction of the Commitments of the Lenders shall be made pro rata according to their respective Commitments. Subject to the provisions of Section 8.7 of the Participation Agreement and Section 2.11(b) hereof, each payment (including without limitation each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts on the Loans then held by the Lenders. All payments (including without limitation prepayments) to be made by the Borrower hereunder and under the Notes, whether on account of principal, interest or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, Charlotte, North Carolina time, on the due date thereof to the Agent, for the account of the Lenders, at the Agent's office specified in Section 9.2, in Dollars and in immediately available funds. The Agent shall endeavor to distribute such payments to the Lenders promptly within two (2) days after receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day; provided, however, if such payment includes an amount of interest calculated with reference to the Eurodollar Rate and the result of such extension would be to extend such payment into another calendar month, then such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two (2) sentences, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make its share of such borrowing available to the Agent, the Agent may assume that such Lender is

making such amount available to the Agent, and the Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Agent. A certificate of the Agent submitted to any Lender with respect to any amounts owing under this Section 2.10(b) shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Agent by such Lender within three (3) Business Days of such Borrowing Date, the Agent shall also be entitled to recover such amount with interest thereon at the rate as set forth above on demand from the Borrower.

#### 2.11 Notice of Amounts Payable; Mandatory Assignment.

(a) In the event that any Lender becomes aware that any amounts are or will be owed to it pursuant to Sections 11.2(e) or 11.3 of the Participation Agreement or that it is unable to make Eurodollar Loans, then it shall promptly notify the Borrower, the Lessee and the Agent thereof and, as soon as possible thereafter, such Lender shall submit to the Borrower (with a copy to the Agent) a certificate indicating the amount owing to it and the calculation thereof. The amounts set forth in such certificate shall be prima facie evidence of the obligations of the Borrower hereunder.

(b) In the event that any Lender delivers to the Borrower a certificate in accordance with Section 2.11(a) in connection with amounts payable pursuant to Sections 11.2(e) or 11.3 of the Participation Agreement or such Lender is required to make Loans as ABR Loans in accordance with Section 11.3(e) of the Participation Agreement then, subject to Section 9.1 of the Participation Agreement, the Borrower may, at its own expense (provided, such amounts shall be reimbursed or paid entirely (as elected by the Borrower) by one or more of the Credit Parties, as Supplemental Rent) and in the discretion of the Borrower, (i) require such Lender to transfer or assign, in whole or (with such Lender's consent) in part, without recourse (in accordance with Section 9.8), all or (with such Lender's consent) part of its interests, rights (except for rights to be indemnified for actions taken while a party hereunder) and obligations under this Agreement to a replacement bank or institution if the Borrower (subject to Section 9.1 of the Participation Agreement), with the full cooperation of such Lender, can identify a Person who is ready, willing and able to be such replacement bank or institution with respect thereto and such replacement bank or institution (which may be another Lender) shall assume such assigned obligations, or (ii) during such time as no Default or Event of Default has occurred and is continuing, terminate the Commitment of such Lender and prepay all outstanding Loans of such Lender; provided, however, that (x) subject to Section 9.1 of the Participation Agreement, the Borrower or such replacement bank or institution, as the case may be, shall have paid to such Lender in immediately available funds the principal of and interest accrued to the date of such payment on the Loans made by it hereunder and all other amounts owed to it hereunder (and, if such Lender is also a Holder, all Holder Advances and Holder Yield accrued and unpaid thereon), (y) any termination of Commitments shall be subject to the terms of Section 2.5(a) and (z) such assignment or termination of the Commitment of such Lender and prepayment of Loans does not conflict with any law, rule or regulation or order of any court or Governmental Authority.

### SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Agent and the Lenders to enter into this Agreement and to make the Loans, each of the Trust Company and the Owner Trustee hereby makes and affirms the representations and warranties set forth in Section 6.1 of the Participation Agreement to the same extent as if such representations and warranties were set forth in this Agreement in their entirety.

### SECTION 4. CONDITIONS PRECEDENT

#### 4.1 Conditions to Effectiveness.

The effectiveness of this Agreement is subject to the satisfaction of all conditions precedent set forth in Section 5.3 of the Participation Agreement required by said Section to be satisfied on or prior to the Initial Closing Date.

#### 4.2 Conditions to Each Loan.

The agreement of each Lender to make any Loan requested to be made by it on any date is subject to the satisfaction of all conditions precedent set forth in Section 5.3 and 5.4 of the Participation Agreement required by said Sections to be satisfied on or prior to the date of the applicable Loan.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such Loan that the conditions contained in this Section 4.2 have been satisfied.



## SECTION 5. COVENANTS

Unless the Agent and each Lender have otherwise given their express written consent during such period that any Loan or Note remains outstanding and unpaid or any other amount is owing to any Lender or the Agent hereunder:

### 5.1 Other Activities.

Except as otherwise expressly contemplated by the Trust Agreement, the Borrower shall not conduct, transact or otherwise engage in, or commit to transact, conduct or otherwise engage in, any business or operations other than the entry into, and exercise of rights and performance of obligations in respect of, the Operative Agreements and other activities incidental or related to the foregoing.

### 5.2 Ownership of Properties, Indebtedness.

Except as otherwise expressly contemplated by the Trust Agreement, the Borrower shall not own, lease, manage or otherwise operate any properties or assets other than in connection with the activities described in Section 5.1, or incur, create, assume or suffer to exist any Indebtedness or other consensual liabilities or financial obligations other than as may be incurred, created or assumed or as may exist in connection with the activities described in Section 5.1 (including without limitation the Loans and other obligations incurred by the Borrower hereunder).

### 5.3 Disposition of Assets.

The Borrower shall not convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets, whether now owned or hereafter acquired, except to the extent expressly contemplated by the Operative Agreements.

### 5.4 Compliance with Operative Agreements.

The Borrower shall at all times (a) observe and perform all of the covenants, conditions and obligations required to be performed by it (whether in its capacity as the Lessor, the Owner Trustee or otherwise) under each Operative Agreement to which it is a party and (b) observe and perform, or cause to be observed and performed, all of the covenants, conditions and obligations of the Lessor under the Lease, even in the event that the Lease is terminated at stated expiration following a Lease Event of Default or otherwise.

### 5.5 Further Assurances.

At any time and from time to time, upon the written request of the Agent, and at the expense of the Borrower (provided, such amounts shall be reimbursed or paid entirely (as elected by the Borrower) by the Lessee, as Supplemental Rent), the Borrower will promptly and duly execute and deliver such further instruments and documents and take such further action as the Agent or the Majority Lenders may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and the other Operative Agreements and of the rights and powers herein or therein granted.

### 5.6 Notices.

If on any date, a Responsible Officer of the Borrower shall obtain actual knowledge of the occurrence of a Default or Event of Default, the Borrower will give written notice thereof to the Agent within five (5) Business Days after such date.

### 5.7 Discharge of Liens.

Neither the Borrower nor the Trust Company will create or permit to exist at any time, and will, at its own expense, promptly take such action as may be necessary duly to discharge, or cause to be discharged, all Lessor Liens attributable to it, provided, that the Borrower and the Trust Company shall not be required to discharge any Lessor Lien while the same is being contested in good faith by appropriate proceedings diligently prosecuted so long as such proceedings shall not involve any material danger of impairment of any of the Liens contemplated by the Security Documents or of the sale, forfeiture or loss of, and shall not materially interfere with the disposition of, any Property or title thereto or any interest therein or the payment of Rent.

### 5.8 Trust Agreement.

Without prejudice to any right under the Trust Agreement of the Owner Trustee to resign, the Owner Trustee (a) agrees not to terminate or revoke the trust created by the Trust Agreement except as permitted by Article VIII of the Trust Agreement, (b) agrees not to amend, supplement, terminate, revoke or otherwise modify any provision of the Trust Agreement in any manner which could reasonably be expected to have an adverse effect on the rights or interests of the Agent or the Lenders hereunder or under the other Operative Agreements and (c) agrees to comply with all of the terms of the Trust Agreement.

SECTION 6. EVENTS OF DEFAULT

Upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Except as provided in Section 6(c), the Borrower shall (i) default in the payment when due of any principal on the Loans or (ii) default in the payment when due of any interest on the Loans, and such default in such payment of interest shall continue for three (3) or more Business Days; or

(b) Except as provided in Sections 6(a) and 6(c), the Borrower shall default, and such default shall continue for three (3) or more Business Days, in the payment of any amount owing under any Credit Document; or

(c) (i) The Borrower shall default in the payment of any amount due on the Maturity Date owing under any Credit Document or (ii) the Borrower shall default in the payment when due of any principal or interest on the Loans payable with regard to any obligation of any Credit Party to pay Termination Value when due or to pay Basic Rent or Supplemental Rent at such time as any Termination Value is due; or

(d) The Borrower shall default in the due performance or observance by it of any term, covenant or agreement contained in any Credit Document to which it is a party (other than those referred to in paragraphs (a), (b) and (c) above), provided, that in the case of any such default under Sections 5.4, 5.5 or 5.8(c), such default shall have continued unremedied for a period of at least thirty (30) days after notice to the Borrower by the Agent or the Majority Lenders, provided, further, if any such default under Sections 5.4, 5.5 or 5.8(c) is not capable of remedy within such thirty (30) day period but may be remedied with further diligence and if the Borrower in the opinion of the Majority Lenders has and continues to pursue diligently such remedy, then the Borrower shall be granted additional time to pursue such remedy but in no event more than an additional thirty (30) days.

(e) Any representation, warranty or statement made or deemed made by the Borrower or the Trust Company herein or in any other Credit Document or by the Borrower or the Trust Company or any Credit Party in the Participation Agreement, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto, shall prove to be untrue in any material respect on the date as of which made or deemed made; or

(f) (i) Any Lease Event of Default shall have occurred and be continuing, or (ii) the Owner Trustee shall default in the due performance or observance by it of any term, covenant or agreement contained in the Participation Agreement or in the Trust Agreement to or for the benefit of the Agent or a Lender, provided, that in the case of this clause (ii) such default shall have continued unremedied for a period of at least fifteen (15) days after notice to the Owner Trustee and Lessee by the Agent or the Majority Lenders, provided, further, that in the case of this clause (ii), if such default is not capable of remedy within such fifteen (15) day period but may be remedied with further diligence and if the Borrower in the opinion of the Majority Lenders has and continues to pursue diligently such remedy, then the Borrower shall be granted additional time to pursue such remedy but in no event more than an additional thirty (30) days; or

(g) The Borrower shall commence a voluntary case concerning itself under the Bankruptcy Code or an involuntary case is commenced against the Borrower and the petition is not controverted within ten (10) days after commencement of the case or an involuntary case is commenced against the Borrower and the petition is not dismissed within sixty (60) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Borrower; or the Borrower commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Borrower, or there is commenced against the Borrower any such proceeding which remains undismissed for a period of sixty (60) days; or the Borrower is adjudicated insolvent or bankrupt, or any order of relief or other order approving any such case or proceeding is entered; or the Borrower suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of sixty (60) days; or the Borrower makes a general assignment for the benefit of creditors; or any corporate or partnership action is taken by the Borrower for the purpose of effecting any of the foregoing; or the Borrower is unable generally to pay its debts as they become due; or

(h) Any Security Document shall cease to be in full force and effect, or shall cease to give the Agent the Liens, rights, powers and privileges purported to be created thereby (including without limitation a first priority perfected security interest in, and Lien on, all of the Properties), in favor of the Agent on behalf of the Lenders and the Holders, superior to and prior to the rights of all third Persons and subject to no other Liens (except in each case to the extent expressly permitted herein or in any Operative Agreement) other than any Ground Lease; or

(i) The Lease shall cease to be enforceable against any Lessee; or

(j) One (1) or more judgments or decrees shall be entered against the Borrower involving a liability of \$100,000 or more in the aggregate for all such judgments and decrees for the Borrower and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof,

then, and in any such event, (A) if such event is an Event of Default specified in paragraph (g) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Majority Lenders, the Agent may, or upon the request of the Majority Lenders, the Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Majority Lenders, the Agent may, or upon the request of the Majority Lenders, the Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable (any of the foregoing occurrences or actions referred to in clause (A) or (B) above, an "Acceleration"). Except as expressly provided above in this Section 6, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

Upon the occurrence of any Event of Default and at any time thereafter so long as any Event of Default shall be continuing, the Agent shall, upon the written instructions of the Majority Secured Parties, exercise any or all of the rights and powers and pursue any and all of the remedies available to it hereunder and (subject to the terms thereof) under the other Credit Documents, the Lease and the other Operative Agreements and shall have any and all rights and remedies available under the Uniform Commercial Code or any provision of law.

Upon the occurrence of any Event of Default and at any time thereafter so long as any Event of Default shall be continuing, the Agent may, and upon request of the Majority Secured Parties shall, proceed to protect and enforce this Agreement, the Notes, the other Credit Documents and the Lease by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Property or for the recovery of judgment for the indebtedness secured thereby or for the enforcement of any other proper, legal or equitable remedy available under applicable laws.

The Borrower shall be liable for any and all accrued and unpaid amounts due hereunder before, after or during the exercise of any of the foregoing remedies, including without limitation all reasonable legal fees and other reasonable costs and expenses incurred by the Agent or any Lender by reason of the occurrence of any Event of Default or the exercise of remedies with respect thereto.

## SECTION 7. THE AGENT

### 7.1 Appointment.

Each Lender hereby irrevocably designates and appoints the Agent as the agent of such Lender under this Agreement and the other Operative Agreements, and each such Lender irrevocably authorizes the Agent, in such capacity, to execute the Operative Agreements as agent for and on behalf of such Lender, to take such action on behalf of such Lender under the provisions of this Agreement and the other Operative Agreements and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and other Operative Agreements, together with such other powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, each of the Lenders hereby specifically acknowledges the terms and provisions of the Participation Agreement and directs the Agent to exercise such powers, make such decisions and otherwise perform such duties as are delegated to the Agent thereunder without being required to obtain any specific consent with respect thereto from any Lender, unless the matter under consideration is a Unanimous Vote Matter or otherwise requires the consent of the Majority Lenders and/or the Majority Secured Parties. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Operative Agreement or otherwise exist against the Agent.

### 7.2 Delegation of Duties.

The Agent may execute any of its duties under this Agreement and the

other Operative Agreements by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

#### 7.3 Exculpatory Provisions.

Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Operative Agreement (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any Credit Party or any officer thereof contained in this Agreement or any other Operative Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Operative Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Operative Agreement or for any failure of the Borrower or any Credit Party to perform its obligations hereunder or thereunder. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Operative Agreement, or to inspect the properties, books or records of the Borrower or any Credit Party.

#### 7.4 Reliance by the Agent.

The Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including without limitation counsel to the Borrower or the Lessee), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Operative Agreement unless it shall first receive such advice or concurrence of the Majority Lenders, the Majority Secured Parties or all Secured Parties, as the case may be, as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Operative Agreements in accordance with a request of the Majority Lenders, the Majority Secured Parties or all Secured Parties, as the case may be, and such and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes (or all Secured Parties, as the case may be).

#### 7.5 Notice of Default.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give notice thereof to the Lenders. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Secured Parties; provided, that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Secured Parties; provided, further, the foregoing shall not limit (a) the rights of the Majority Secured Parties to elect remedies as set forth in Section 6 and/or (b) the rights of the Majority Secured Parties or all Secured Parties, as the case may be, as described in the Participation Agreement (including without limitation Sections 8.2(h) and 8.6 of the Participation Agreement).

#### 7.6 Non-Reliance on the Agent and Other Lenders.

Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including without limitation any review of the affairs of the Borrower or any Credit Party, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and the Credit Parties and made its own decision to make its Loans hereunder and enter

into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Operative Agreements, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and the Credit Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower or Credit Parties which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

#### 7.7 Indemnification.

The Lenders agree to indemnify the Agent, in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought under this Section 7.7 (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with their Commitment Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against any of them in any way relating to or arising out of, the Commitments, this Agreement, any of the other Operative Agreements or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any of them under or in connection with any of the foregoing; provided, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent. The agreements in this Section 7.7 shall survive the payment of the Notes and all other amounts payable hereunder.

#### 7.8 The Agent in Its Individual Capacity.

The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Credit Party as though the Agent were not the Agent hereunder and under the other Operative Agreements. With respect to its Loans made or renewed by it and any Note issued to it, the Agent shall have the same rights and powers under this Agreement and the other Operative Agreements as any Lender and may exercise the same as though it were not the Agent, and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity.

#### 7.9 Successor Agent.

The Agent may resign at any time as the Agent upon thirty (30) days' notice to the Lenders, the Borrower and, so long as no Lease Event of Default shall have occurred and be continuing, the Lessee. If the Agent shall resign as the Agent under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor Agent which successor Agent shall be subject to the approval of the Borrower and, so long as no Lease Event of Default shall have occurred and be continuing, the Lessee, such approval not to be unreasonably withheld or delayed. If no successor Agent is appointed prior to the effective date of the resignation of the resigning Agent, the Agent may appoint, after consulting with the Lenders and subject to the approval of the Borrower and, so long as no Lease Event of Default shall have occurred and be continuing, the Lessee, such approval not to be unreasonably withheld or delayed, a successor Agent from among the Lenders. If no successor Agent has accepted appointment as the Agent by the date which is thirty (30) days following a retiring Agent's notice of resignation, the retiring Agent's notice of resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Agent until such time, if any, as the Majority Lenders appoint a successor Agent, as provided for above. Upon the effective date of such resignation, only such successor Agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's rights, powers and duties in such capacity shall be terminated. After any retiring Agent resigns hereunder as the Agent, the provisions of this Article VII and Section 9.5 shall inure to their respective benefit as to any actions taken or omitted to be taken by it while it was the Agent under this Agreement.

#### 7.10 Actions of the Agent on Behalf of Holders.

The parties hereto specifically acknowledge and consent to the Agent's acting on behalf of the Holders as provided in the Participation Agreement, and, in any such case, the Lenders acknowledge that the Holders shall be entitled to vote as "Secured Parties" hereunder to the extent required or permitted by the

Operative Agreements (including without limitation Sections 8.2(h) and 8.6 of the Participation Agreement).

7.11 The Agent's Duty of Care.

Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Agent hereunder or under any other Operative Agreement, the Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Credit Parties shall be responsible for preservation of all rights in the Collateral, and the Agent shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to any of the Credit Parties. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Agent shall not have responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Collateral.

SECTION 8. MATTERS RELATING TO PAYMENT AND COLLATERAL

8.1 Collection and Allocation of Payments and Other Amounts.

The Credit Parties, the Agent, the Lenders, the Holders and the Borrower have agreed pursuant to the terms of Section 8.7 of the Participation Agreement to a procedure for the allocation and distribution of certain payments and distributions, including without limitation the proceeds of Collateral.

8.2 Certain Remedial Matters.

Notwithstanding any other provision of this Agreement or any other Credit Document:

(a) the Borrower shall at all times retain to the exclusion of all other parties, all rights to Excepted Payments payable to it and to demand, collect or commence an action at law to obtain such payments and to enforce any judgment with respect thereto; and

(b) the Borrower and each Holder shall at all times retain the right, but not to the exclusion of the Agent, (i) to retain all rights with respect to insurance that Article XIV of the Lease specifically confers upon the "Lessor", (ii) to provide such insurance as any Credit Party shall have failed to maintain or as the Borrower or any Holder may desire, and (iii) to enforce compliance by each Lessee with the provisions of Articles VIII, IX, X, XI, XIV and XVII of the Lease.

8.3 Excepted Payments.

Notwithstanding any other provision of this Agreement or the Security Documents, any Excepted Payment received at any time by the Agent shall be distributed promptly to the Person entitled to receive such Excepted Payment.

SECTION 9. MISCELLANEOUS

9.1 Amendments and Waivers.

None of the terms or provisions of this Agreement may be terminated, amended, supplemented, waived or modified except in accordance with the terms of Section 12.4 of the Participation Agreement.

9.2 Notices.

All notices required or permitted to be given under this Agreement shall be given in accordance with Section 12.2 of the Participation Agreement.

9.3 No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4 Survival of Representations and Warranties.

All representations and warranties made by the Borrower under the Operative Agreements shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans hereunder.

9.5 Payment of Expenses and Taxes.

The Borrower agrees to (with funds provided by the Credit Parties as Supplemental Rent): (a) pay all reasonable out-of-pocket costs and expenses of (i) the Agent whether or not the transactions herein contemplated are consummated, in connection with the negotiation, preparation, execution and delivery of the Operative Agreements and the documents and instruments referred to therein (including without limitation the reasonable fees and disbursements of Moore & Van Allen, PLLC) and any amendment, waiver or consent relating thereto (including without limitation the reasonable fees and disbursements of counsel to the Agent) and (ii) the Agent and each of the Lenders in connection with the enforcement of the Operative Agreements and the documents and instruments referred to therein (including without limitation the reasonable fees and disbursements of counsel for the Agent and for each of the Lenders) and (b) pay and hold each of the Lenders harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes.

9.6 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement except in accordance with Section 10.1 of the Participation Agreement and the other applicable provisions of the Operative Agreements.

9.7 Participations.

Subject to and in accordance with Section 10.1 of the Participation Agreement, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one (1) or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest or obligation of such Lender hereunder and under the other Operative Agreements; provided, that any such sale of a participating interest shall be in a principal amount of at least \$2,000,000 or such lesser amount constituting such Lender's entire interest in this Agreement and the Notes. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement and the Notes, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the Notes. In no event shall any Participant have any right to approve any amendment or waiver of any provision of this Agreement or any other Operative Agreement, or any consent to any departure by the Borrower or any other Person therefrom. The Borrower agrees that, while an Event of Default shall have occurred and be continuing, if amounts outstanding under this Agreement and the Notes are due or unpaid, or shall become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interests in amounts owing directly to it as a Lender under this Agreement or any Note, provided, that in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 9.10(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 11.2(e), 11.3 and 11.4 of the Participation Agreement with respect to its participation in the Commitments and the Loans outstanding from time to time as if it was a Lender; provided, that such Participant shall have complied with the requirements of said Sections and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

9.8 Assignments.

(a) Subject to and in accordance with Section 10.1 of the Participation Agreement, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time and from time to time assign to any Lender or any affiliate of any Lender or to an additional bank, financial institution or other entity that is either organized under the laws of the United States or any state thereof or is a foreign bank that operates a branch office in the United States (each, a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the other Operative Agreements pursuant to an Assignment and Acceptance, substantially in the form of Exhibit B, executed by such Purchasing Lender, such assigning Lender (and, in the case of a Purchasing Lender that is not a Lender or an affiliate thereof, subject to Section 9.1 of the Participation Agreement, by the Borrower (so long as no Event of Default shall have occurred and then be continuing) and the

Agent) and delivered to the Agent for its acceptance and recording in the Register; provided, that no such assignment to a Purchasing Lender (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount less than \$5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement and the Notes). Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). Notwithstanding anything to the contrary in this Agreement, the consent of the Borrower shall not be required, and, unless requested by the relevant Purchasing Lender and/or assigning Lender, new Notes shall not be required to be executed and delivered by the Borrower, for any assignment which occurs at any time when any of the events described in Section 6(g) shall have occurred and be continuing.

(b) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and a Purchasing Lender (and, in the case of a Purchasing Lender that is not a Lender or an affiliate thereof, by the Borrower and the Agent) together with payment to the Agent of a registration and processing fee of \$2,500 (which shall not be payable by the Borrower or any Credit Party, except as otherwise provided in connection with an assignment requested in accordance with Section 2.11(b)), the Agent shall (i) promptly accept such Assignment and Acceptance and (ii) promptly after the effective date determined pursuant thereto, record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower. On or prior to such effective date, the Borrower, at its own expense, shall execute and deliver to the Agent new Notes (in exchange for the Notes of the assigning Lender), each in an amount equal to the Commitment assumed or Loans purchased by the relevant Purchasing Lender pursuant to such Assignment and Acceptance, and, if the assigning Lender has retained a Commitment or any Loan hereunder, new Notes to the order of the assigning Lender, each in an amount equal to the Commitment or Loans retained by it hereunder. Such new Notes shall be dated the effective date of the applicable Assignment and Acceptance and shall otherwise be in the form of the Notes replaced thereby.

(c) Each Purchasing Lender (other than any Lender organized and existing under the laws of the U.S. or any political subdivision in or of the U.S.), by executing and delivering an Assignment and Acceptance,

(i).....agrees to execute and deliver to the Agent, as promptly as practicable, four (4) signed copies (two (2) for the Agent and two (2) for delivery by the Agent to the Borrower) of Form 1001 or Form 4224 (or any successor form or comparable form) (it being understood that if the applicable form is not so delivered, payments under or in respect of this Agreement may be subject to withholding and deduction);

(ii).....represents and warrants to the Borrower and the Agent that the form so delivered is true and accurate and that, as of the effective date of the applicable Assignment and Acceptance, each of such Purchasing Lender's lending offices is entitled to receive payments of principal and interest under or in respect of this Agreement without withholding or deduction for or on account of any taxes imposed by the U.S. Federal government;

(iii)....agrees to annually hereafter deliver to each of the Borrower and the Agent not later than December 31 of the year preceding the year to which it will apply, two (2) further properly completed signed copies of Form 1001 or Form 4224 (or any successor form or comparable form), as appropriate, unless an event has occurred which renders the relevant form inapplicable (it being understood that if the applicable form is not so delivered, payments under or in respect of this Agreement may be subject to withholding and deduction);

(iv)....agrees to promptly notify the Borrower and the Agent in writing if it ceases to be entitled to receive payments of principal and interest under or in respect of this Agreement without withholding or deduction for or on account of any taxes imposed by the U.S. or any political subdivision in or of the U.S. (it being understood that payments under or in respect of this Agreement may be subject to withholding and deduction in such event);

(v).....acknowledges that in the event it ceases to be exempt from withholding and/or deduction of such taxes, the Agent may withhold and/or deduct the applicable amount from any payments to which such assignee Lender would otherwise be entitled, without any liability to such assignee Lender therefor; and

(vi)....agrees to indemnify the Borrower and the Agent from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs or expenses that result from such assignee Lender's breach of any such representation, warranty or agreement.



(d) Any Lender party to this Agreement may, from time to time and without the consent of the Borrower or any other Person, pledge or assign for security purposes any portion of its Loans or any other interests in this Agreement and the other Credit Documents to any Federal Reserve Bank.

9.9 The Register; Disclosure; Pledges to Federal Reserve Banks.

(a) The Agent shall maintain for the benefit of the Lenders at its address referred to in Section 9.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders, the Commitments of the Lenders, and the principal amount of the Loans owing to each Lender from time to time. The entries in the Register shall be conclusive, in the absence of clearly demonstrable error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable notice.

(b) Nothing herein shall prohibit any Lender from pledging or assigning any Note to any Federal Reserve Bank in accordance with applicable law.

9.10 Adjustments; Set-off.

(a) Except as otherwise expressly provided in Section 8.1 hereof and Section 8.7 of the Participation Agreement where, and to the extent, one (1) Lender is entitled to payments prior to other Lenders, if any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 6(g), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the event of such recovery, but without interest.

(b) In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, the Agent and each Lender are hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by the Agent or such Lender (including without limitation by branches and agencies of the Agent or such Lender wherever located) to or for the credit or the account of the Borrower against and on account of the obligations and liabilities of the Borrower to the Agent or such Lender under this Agreement or under any of the other Operative Agreements, including without limitation all interests in obligations of the Borrower purchased by any such Lender pursuant to Section 9.10(a), and all other claims of any nature or description arising out of or connected with this Agreement or any other Operative Agreement, irrespective of whether or not the Agent or such Lender shall have made any demand and although said obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

9.11 Counterparts.

This Agreement may be executed by one (1) or more of the parties to this Agreement on any number of separate counterparts (including without limitation by telecopy), and all of said counterparts taken together shall be deemed to constitute one (1) and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Agent.

9.12 Severability.

Any provision of this Agreement which is 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.

9.13 Integration.

This Agreement and the other Credit Documents represent the agreement of the Borrower, the Agent, and the Lenders with respect to the subject matter

hereof and thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

9.14 GOVERNING LAW.

THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE LAWS OF THE STATE WHERE A PARTICULAR PROPERTY IS LOCATED ARE REQUIRED TO APPLY.

9.15 SUBMISSION TO JURISDICTION; VENUE; ARBITRATION.

THE PROVISIONS OF THE PARTICIPATION AGREEMENT RELATING TO SUBMISSION TO JURISDICTION, VENUE AND ARBITRATION ARE HEREBY INCORPORATED BY REFERENCE HEREIN, MUTATIS MUTANDIS.

9.16 Acknowledgements.

The Borrower hereby acknowledges that:

(a) neither the Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between the Agent and the Lenders, on one (1) hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(b) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

9.17 WAIVERS OF JURY TRIAL.

THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

9.18 Nonrecourse.

In addition to and not in limitation of Section 12.9 of the Participation Agreement, anything to the contrary contained in this Agreement or in any other Operative Agreement notwithstanding, no Exculpated Person shall be personally liable in any respect for any liability or obligation hereunder or under any other Operative Agreement including without limitation the payment of the principal of, or interest on, the Notes, or for monetary damages for the breach of performance of any of the covenants contained in this Agreement, the Notes or any of the other Operative Agreements. The Agent and the Lenders agree that, in the event any of them pursues any remedies available to them under this Agreement, the Notes or any other Operative Agreement, neither the Agent nor the Lenders shall have any recourse against the Borrower, nor any other Exculpated Person, for any deficiency, loss or claim for monetary damages or otherwise resulting therefrom and recourse shall be had solely and exclusively against the Trust Estate and the Credit Parties; but nothing contained herein shall be taken to prevent recourse against or the enforcement of remedies against the Trust Estate in respect of any and all liabilities, obligations and undertakings contained in this Agreement, the Notes or any other Operative Agreement. The Agent and the Lenders further agree that the Borrower shall not be responsible for the payment of any amounts owing hereunder (excluding principal and interest (other than Overdue Interest) in respect of the Loans) (such non-excluded amounts, "Supplemental Amounts") except to the extent that payments of Supplemental Rent designated by any Lessee for application to such Supplemental Amounts shall have been paid by such Lessee pursuant to the Lease (it being understood that the failure by any Lessee for any reason to pay any Supplemental Rent in respect of such Supplemental Amounts shall nevertheless be deemed to constitute a default by the Borrower for the purposes of Section 6). Notwithstanding the foregoing provisions of this Section 9.18, nothing in this Agreement or any other Operative Agreement shall (a) constitute a waiver, release or discharge of any obligation evidenced or secured by this Agreement or any other Credit Document, (b) limit the right of the Agent or any Lender to name the Borrower as a party defendant in any action or suit for judicial foreclosure and sale under any Security Document, or (c) affect in any way the validity or enforceability of any guaranty (whether of payment and/or performance) given to the Lessor, the Agent or the Lenders, or of any indemnity agreement given by the Borrower, in connection with the Loans made hereunder.

9.19 USURY SAVINGS PROVISION.

IT IS THE INTENT OF THE PARTIES HERETO TO CONFORM TO AND CONTRACT IN STRICT COMPLIANCE WITH APPLICABLE USURY LAW FROM TIME TO TIME IN EFFECT AND THAT N.C. GEN. STAT. ss. 24-9 SHALL APPLY WITH RESPECT TO THIS AGREEMENT. TO THE EXTENT N.C. GEN. STAT. ss. 24-9 IS HEREAFTER DEEMED NOT TO APPLY BY A COURT OF

COMPETENT JURISDICTION AND ANY PAYMENTS HEREUNDER ARE HEREINAFTER CHARACTERIZED BY ANY COURT OF COMPETENT JURISDICTION AS THE REPAYMENT OF PRINCIPAL AND INTEREST THEREON, THE FOLLOWING PROVISIONS OF THIS SECTION 9.19 SHALL APPLY. ANY SUCH PAYMENTS SO CHARACTERIZED AS INTEREST MAY BE REFERRED TO HEREIN AS "INTEREST." ALL AGREEMENTS AMONG THE PARTIES HERETO ARE HEREBY LIMITED BY THE PROVISIONS OF THIS PARAGRAPH WHICH SHALL OVERRIDE AND CONTROL ALL SUCH AGREEMENTS, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER WRITTEN OR ORAL. IN NO WAY, NOR IN ANY EVENT OR CONTINGENCY (INCLUDING WITHOUT LIMITATION PREPAYMENT OR ACCELERATION OF THE MATURITY OF ANY OBLIGATION), SHALL ANY INTEREST TAKEN, RESERVED, CONTRACTED FOR, CHARGED, OR RECEIVED UNDER THIS AGREEMENT OR OTHERWISE, EXCEED THE MAXIMUM NONUSURIOUS AMOUNT PERMISSIBLE UNDER APPLICABLE LAW. IF, FROM ANY POSSIBLE CONSTRUCTION OF ANY OF THE OPERATIVE AGREEMENTS OR ANY OTHER DOCUMENT OR AGREEMENT, INTEREST WOULD OTHERWISE BE PAYABLE IN EXCESS OF THE MAXIMUM NONUSURIOUS AMOUNT, ANY SUCH CONSTRUCTION SHALL BE SUBJECT TO THE PROVISIONS OF THIS PARAGRAPH AND SUCH AMOUNTS UNDER SUCH DOCUMENTS OR AGREEMENTS SHALL BE AUTOMATICALLY REDUCED TO THE MAXIMUM NONUSURIOUS AMOUNT PERMITTED UNDER APPLICABLE LAW, WITHOUT THE NECESSITY OF EXECUTION OF ANY AMENDMENT OR NEW DOCUMENT OR AGREEMENT. IF THE AGENT OR ANY LENDER SHALL EVER RECEIVE ANYTHING OF VALUE WHICH IS CHARACTERIZED AS INTEREST WITH RESPECT TO THE OBLIGATIONS OWED HEREUNDER OR UNDER APPLICABLE LAW AND WHICH WOULD, APART FROM THIS PROVISION, BE IN EXCESS OF THE MAXIMUM LAWFUL AMOUNT, AN AMOUNT EQUAL TO THE AMOUNT WHICH WOULD HAVE BEEN EXCESSIVE INTEREST SHALL, WITHOUT PENALTY, BE APPLIED TO THE REDUCTION OF THE COMPONENT OF PAYMENTS DEEMED TO BE PRINCIPAL AND NOT TO THE PAYMENT OF INTEREST, OR REFUNDED TO THE BORROWER OR ANY OTHER PAYOR THEREOF, IF AND TO THE EXTENT SUCH AMOUNT WHICH WOULD HAVE BEEN EXCESSIVE EXCEEDS THE COMPONENT OF PAYMENTS DEEMED TO BE PRINCIPAL. THE RIGHT TO DEMAND PAYMENT OF ANY AMOUNTS EVIDENCED BY ANY OF THE OPERATIVE AGREEMENTS DOES NOT INCLUDE THE RIGHT TO RECEIVE ANY INTEREST WHICH HAS NOT OTHERWISE ACCRUED ON THE DATE OF SUCH DEMAND, AND NEITHER THE AGENT NOR ANY LENDER INTENDS TO CHARGE OR RECEIVE ANY UNEARNED INTEREST IN THE EVENT OF SUCH DEMAND. ALL INTEREST PAID OR AGREED TO BE PAID TO THE AGENT OR ANY LENDER SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE AMORTIZED, PRORATED, ALLOCATED, AND SPREAD THROUGHOUT THE FULL STATED TERM (INCLUDING WITHOUT LIMITATION ANY RENEWAL OR EXTENSION) OF THIS AGREEMENT SO THAT THE AMOUNT OF INTEREST ON ACCOUNT OF SUCH PAYMENTS DOES NOT EXCEED THE MAXIMUM NONUSURIOUS AMOUNT PERMITTED BY APPLICABLE LAW.

[signature pages follow]

DTSD Realty Trust 1999-1

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FIRST SECURITY BANK,  
NATIONAL ASSOCIATION, as  
Owner Trustee under the  
DTSD Realty Trust 1999-1

By: /s/ Val T. Orton

-----  
Name: Val T. Orton

-----  
Title: Vice President  
-----

[signature pages continue]

FIRST UNION NATIONAL BANK, as the Agent and a Lender

By: /s/ Evander S. Jones, Jr.

-----  
Name: Evander S. Jones, Jr.

-----  
Title: Vice President  
-----

[signature pages continue]

FLEET NATIONAL BANK, as a Lender

By: /s/ Judith C. E. Kelly

-----  
Name: Judith C. E. Kelly

-----  
Title: Director  
-----

[signature pages continue]

NATIONAL CITY BANK, as a Lender

By: /s/ Brian T. Strayton

-----  
Name: Brian T. Strayton

-----  
Title: Vice President  
-----

[signature pages continue]

BANK OF AMERICA, N.A., as a Lender

By: /s/ Timothy H. Spanos

-----  
Name: Timothy H. Spanos

-----  
Title: Managing Director  
-----

[signature pages continue]

FIRSTAR BANK, N.A., as a Lender

By: /s/ Amanda Smith

-----  
Name: Amanda Smith

-----  
Title: Banking Officer  
-----

[signature pages continue]

SUNTRUST BANK, as a Lender

By: /s/ Vernon M. Towler

-----  
Name: Vernon M. Towler  
-----

Title: Vice President  
-----

[signature pages end]

<TABLE>  
<CAPTION>

Schedule 2.1

	Tranche A Commitment		Tranche B Commitment	
	Amount	Percentage	Amount	Percentage
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
First Union National Bank c/o First Union Securities, Inc. 301 South College Street, TW-6 Charlotte, North Carolina 28288-0166 Attention: Tim Ritch Telephone: 704-383-0819 Telecopy: 704-383-8108	\$28,700,145.35	20.9566%	\$4,495,203.49	20.9566%
Fleet National Bank 100 Federal Street MA DE 10008F Boston, MA 02110 Attention: Judith Kelly Telephone: 617-434-5280 Telecopy: 617-434-6685	\$29,858,824.88	21.8023%	\$4,676,598.84	21.8023%
National City Bank 155 East Broad Street Columbus, OH 43251-0034 Attention: Brian T. Strayton Telephone: 614-463-8386 Telecopy: 614-463-8572	\$14,929,142.44	10.9012%	\$2,338,299.42	10.9012%
Bank of America, N.A. 100 North Tryon Street Charlotte, NC 28255 Attention: Timothy H. Spanos Telephone: 704-386-4507 Telecopy: 704-388-8268	\$20,635,392.44	15.0678%	\$3,232,049.42	15.0678%
Firststar Bank, N.A. One Firststar Plaza St. Louis, MO 63101 Attention: Amanda Smith Telephone: 314-418-3638 Telecopy: 314-418-1963	\$14,265,625.00	10.4167%	\$2,234,375.00	10.4167%
SunTrust Bank Commercial Division 500 Main Street Norfolk, VA 23510-2205 Attention: Vernon M. Towler Telephone: 757-624-5514 Telecopy: 757-624-5457	\$28,561,409.88	20.8554%	\$4,473,473.84	20.8554%
	-----	-----	-----	-----
TOTAL	\$136,950,000	100%	\$21,450,000	100%
	=====	===	=====	===

</TABLE>

Exhibit A-1

TRANCHE A NOTE

(DTSD Realty Trust 1999-1)

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as the Owner Trustee under the DTSD Realty Trust 1999-1 (the "Borrower"), hereby unconditionally promises to pay to the order of [Lender] (the "Lender"), at the office of First Union National Bank, located at c/o First Union Securities, Inc., TW-6, 301 South College Street, Charlotte, North Carolina 28288-0166 or at such other address as may be specified by First Union National Bank, in lawful money of the United States of America and in immediately available funds, on the Maturity Date, the aggregate unpaid principal amount of all Tranche A Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Credit Agreement (as defined below). The Borrower agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in Section 2.8 of such Credit Agreement.

The holder of this Note is authorized to endorse on the schedules annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, Type and amount of each Tranche A Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof, each continuation thereof and each conversion of all or a portion thereof to another Type. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement or any error in such endorsement shall not affect the obligations of the Borrower in respect of such Loan.

This Note (a) is one (1) of the Notes referred to in the Credit Agreement dated as of March 12, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Lender, the other banks and financial institutions from time to time parties thereto and First Union National Bank, as the Agent, (b) is subject to the provisions of the Credit Agreement (including without limitation Section 9.18 thereof) and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement. Reference is hereby made to the Credit Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof.

Upon the occurrence of any one (1) or more of the Events of Default, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Credit Agreement.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE LAWS OF THE STATE WHERE A PARTICULAR PROPERTY IS LOCATED ARE REQUIRED TO APPLY.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the undersigned authorized officer of the Borrower has executed this Note as of the date first set forth above.

FIRST SECURITY BANK,  
NATIONAL ASSOCIATION, as  
Owner Trustee under the  
DTSD Realty Trust 1999-1

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

TRANCHE B NOTE

(DTSD Realty Trust 1999-1)

[\_\_\_\_\_, 200\_\_]

FOR VALUE RECEIVED, the undersigned, FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as the Owner Trustee under the DTSD Realty Trust 1999-1 (the "Borrower"), hereby unconditionally promises to pay to the order of [Lender] (the "Lender") at the office of First Union National Bank located at c/o First Union Securities, Inc., TW-6, 301 South College Street, Charlotte, North Carolina 28288-0166 or at such other address as may be specified by First Union National Bank, in lawful money of the United States of America and in immediately available funds, on the Maturity Date, the aggregate unpaid principal amount of all Tranche B Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Credit Agreement (as defined below). The Borrower agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in Section 2.8 of such Credit Agreement.

The holder of this Note is authorized to endorse on the schedules annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, Type and amount of each Tranche B Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof, each continuation thereof and each conversion of all or a portion thereof to another Type. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement or any error in such endorsement shall not affect the obligations of the Borrower in respect of such Loan.

This Note (a) is one (1) of the Notes referred to in the Credit Agreement dated as of March 12, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Lender, the other banks and financial institutions from time to time parties thereto and First Union National Bank, as the Agent, (b) is subject to the provisions of the Credit Agreement (including without limitation Section 9.18 thereof) and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement. Reference is hereby made to the Credit Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof.

Upon the occurrence of any one (1) or more of the Events of Default, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Credit Agreement.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE LAWS OF THE STATE WHERE A PARTICULAR PROPERTY IS LOCATED ARE REQUIRED TO APPLY.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the undersigned authorized officer of the Borrower has executed this Note as of the date first set forth above.

FIRST SECURITY BANK,  
NATIONAL ASSOCIATION, as  
Owner Trustee under the  
DTSD Realty Trust 1999-1

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

B-5  
Exhibit B

ASSIGNMENT AND ACCEPTANCE

THIS ASSIGNMENT AND ACCEPTANCE dated as of \_\_\_\_\_, 200\_\_ (as amended, modified, supplemented, restated and/or replaced from time to time, the "Assignment and Acceptance") is between [\_\_\_\_\_] (the "Assignor") and [\_\_\_\_\_] (the "Assignee").

Reference is made to the Credit Agreement, dated as of March 12, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as the Owner Trustee under the DTSD Realty Trust 1999-1 (the "Owner Trustee" or the "Borrower"), the Lenders named therein and FIRST UNION NATIONAL BANK, as the Agent. Unless otherwise defined herein, terms defined in the Credit Agreement (or pursuant to Section 1 of the Credit Agreement, defined in other agreements) and used herein shall have the meanings given to them in or pursuant to the Credit Agreement.

The Assignor and the Assignee agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date (as defined below), a [\_\_\_%] interest (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement with respect to the credit facility contained in the Credit Agreement as are set forth on Schedule 1 hereto (the "Assigned Facility"), in a principal amount for the Assigned Facility as set forth on Schedule 1.

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Operative Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Operative Agreement or any other instrument or document furnished pursuant thereto, other than that it has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, or any other obligor or the performance or observance by the Borrower, or any other obligor of any of their respective obligations under the Credit Agreement or any other Operative Agreement or any other instrument or document furnished pursuant hereto or thereto; and (c) attaches the Note held by it evidencing the Assigned Facility and requests that the Agent exchange such Note for a new Note payable to the Assignee and (if the Assignor has retained any interest in the Assigned Facility) a new Note payable to the Assignor in the respective amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received copies of the Operative Agreements, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, the other Operative Agreements or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, the other Operative Agreements or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and the other Operative Agreements to which Assignee is a party and will perform in accordance herewith all the obligations



which by the terms of the Credit Agreement and the other Operative Agreements to which Assignee is a party are required to be performed by it as a Lender including without limitation, if it is organized under the laws of a jurisdiction outside the U.S., its obligation pursuant to Section 11.2(e) of the Participation Agreement.

4. The effective date of this Assignment and Acceptance shall be [\_\_\_\_\_, 200\_\_] (the "Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by it and recording by the Agent pursuant to Section 9.9 of the Credit Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Agent, be earlier than five (5) Business Days after the date of such acceptance and recording by the Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including without limitation payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to the Effective Date or accrue subsequent to the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Operative Agreements and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement and the other Operative Agreements.

7. This Assignment and Acceptance shall be governed by, and construed, INTERPRETED AND ENFORCED in accordance with the INTERNAL LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE LAWS OF THE STATE WHERE A PARTICULAR PROPERTY IS LOCATED ARE REQUIRED TO APPLY.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

[Name of Assignor]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Name of Assignee]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE 1

TO ASSIGNMENT AND ACCEPTANCE  
RELATING TO THE CREDIT AGREEMENT,  
DATED AS OF MARCH 12, 2001,

AMONG

FIRST SECURITY BANK, NATIONAL ASSOCIATION  
AS OWNER TRUSTEE,

THE LENDERS NAMED THEREIN

AND

FIRST UNION NATIONAL BANK, AS THE AGENT  
FOR THE LENDERS (IN SUCH CAPACITY, THE "AGENT")

Name of Assignor: \_\_\_\_\_

Name of Assignee: \_\_\_\_\_

Effective Date of Assignment: \_\_\_\_\_

Credit Principal Facility Assigned	Commitment Amount Assigned	Percentage Assigned
-----	-----	-----
.....	\$	%
.....	\$	%

[Name of Assignor]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Name of Assignee]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

LEASE AGREEMENT

Dated as of March 12, 2001

between

FIRST SECURITY BANK, NATIONAL ASSOCIATION,  
as Owner Trustee under the DTSD Realty Trust 1999-1,  
as Lessor

and

Respecting each particular Property, the Lessee referenced on the signature pages hereto which has executed a Lease Supplement with respect to such Property or such other Credit Party designated as Lessee in any Lease Supplement respecting such Property

This Lease Agreement is subject to a security interest in favor of First Union National Bank, as the agent for the Lenders and respecting the Security Documents, as the agent for the Secured Parties (the "Agent") under a Security Agreement dated as of March 12, 2001 between First Security Bank, National Association, as Owner Trustee under the DTSD Realty Trust 1999-1 and the Agent, as amended, modified, extended, supplemented, restated and/or replaced from time to time in accordance with the applicable provisions thereof. This Lease Agreement has been executed in several counterparts. To the extent, if any, that this Lease Agreement 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 Agreement may be created through the transfer or possession of any counterpart other than the original counterpart containing the receipt therefor executed by the Agent on the signature page hereof.

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EXHIBITS

- EXHIBIT A - Lease Supplement No. \_\_\_\_\_  
EXHIBIT B - Memorandum of Lease and Lease Supplement No. \_\_\_\_\_

LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of March 12, 2001 (as amended, modified, extended, supplemented, restated and/or replaced from time to time, this "Lease") is between FIRST SECURITY BANK, NATIONAL ASSOCIATION, a national banking association, having its principal office at 79 South Main Street, MAC: U1254-031, Salt Lake City, Utah 84111, as Owner Trustee under the DTSD Realty Trust 1999-1, as lessor (the "Lessor"), and respecting each particular Property subject to this Lease as of the date hereof, the Credit Party referenced on the signature pages hereto which has executed a Lease Supplement with respect to such Property and respecting any other Property which becomes subject to this Lease after the date hereof, each other Credit Party designated as a Lessee in any Lease Supplement respecting any such Property, as lessee (each such entity with respect to each such Property may be referred to herein as the "Lessee").

W I T N E S S E T H:

A. WHEREAS, subject to the terms and conditions of the Participation Agreement and the Agency Agreement, Lessor will (i) purchase or ground lease various parcels of real property, some of which will (or may) have existing Improvements thereon, from one (1) or more third parties designated by the applicable Lessee and (ii) fund the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of each Property by the applicable Construction Agent; and

B. WHEREAS, the Term shall commence with respect to each Property upon the Property Closing Date with respect thereto; provided, Basic Rent with respect thereto shall not be payable until the applicable Rent Commencement Date; and

C. WHEREAS, Lessor desires to lease to each applicable Lessee, and each applicable Lessee desires to lease from Lessor, each Property for which such Lessee has executed a Lease Supplement;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

1.1 Definitions.

For purposes of this Lease, capitalized terms used in this Lease and not otherwise defined herein shall have the meanings assigned to them in Appendix A to that certain Participation Agreement dated as of March 12, 2001 (as amended, modified, extended, supplemented, restated and/or replaced from time to time in accordance with the applicable provisions thereof, the "Participation Agreement") among Lessees, the various parties thereto from time to time, as the Guarantors, Lessor, the various banks and other lending institutions which are parties thereto from time to time, as the Holders, the various banks and other lending institutions which are parties thereto from time to time, as the Lenders, and First Union National Bank, as agent for the Lenders and respecting the Security Documents, as the agent for the Secured Parties. Unless otherwise indicated, references in this Lease to articles, sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in this Lease.

1.2 Interpretation.

The rules of usage set forth in Appendix A to the

Participation Agreement shall apply to this Lease.

## ARTICLE II

### 2.1 Property.

Subject to the terms and conditions hereinafter set forth and contained in the respective Lease Supplement relating to each Property, Lessor hereby leases to each applicable Lessee and such Lessee hereby leases from Lessor, each Property with respect to which such Lessee has executed a Lease Supplement.

### 2.2 Lease Term.

The term of this Lease with respect to each Property (the "Term") shall begin upon the earlier to occur of (a) the Completion Date for such Property and (b) the date any Agency Agreement Event of Default shall occur (in each case the "Commencement Date") and shall end on the fifth annual anniversary of the Initial Closing Date, unless the Term is earlier terminated; provided, this Lease shall be in full force and effect from and after the date hereof, notwithstanding that the Term for any particular Property shall not commence until the Commencement Date for such Property. Notwithstanding the foregoing, no Lessee shall be obligated to pay Basic Rent until the Rent Commencement Date with respect to such Property.

### 2.3 Title.

Each Property is leased to the Lessee that has executed a Lease Supplement with respect to such Property without any representation or warranty, express or implied, by Lessor and subject to the rights of parties in possession (if any), the existing state of title (including without limitation the Permitted Liens) and all applicable Legal Requirements. No Lessee shall in any event have any recourse against Lessor for any defect in Lessor's title to any Property or any interest of such Lessee therein other than for Lessor Liens.

### 2.4 Lease Supplements.

On or prior to the Property Closing Date for each Property, each applicable Lessee and Lessor shall each execute and deliver a Lease Supplement for the Property to be leased effective as of the Commencement Date for such Property in substantially the form of Exhibit A hereto.

## ARTICLE III

### 3.1 Rent.

(a) Each applicable Lessee shall pay Basic Rent in arrears on each Payment Date, and on any date on which this Lease shall terminate with respect to each Property with respect to which such Lessee has executed a Lease Supplement during the Term; provided, however, no Lessee shall have any obligation to pay Basic Rent with respect to such Property until the Rent Commencement Date with respect to such Property (notwithstanding that Basic Rent for such Property shall accrue from and including the Scheduled Interest Payment Date immediately preceding such Rent Commencement Date).

(b) Basic Rent shall be due and payable in lawful money of the United States and shall be paid by wire transfer of immediately available funds on the due date therefor (or within the applicable grace period) to such account or accounts at such bank or banks as Lessor shall from time to time direct.

(c) The inability or failure of any Lessee to take possession of all or any portion of any Property with respect to which such Lessee has executed a Lease Supplement when delivered by Lessor, whether or not attributable to any act or omission of Lessor, such Lessee in its capacity as Construction Agent or as Lessee or any other Person or for any other reason whatsoever, shall not delay or otherwise affect such Lessee's obligation to pay Rent for such Property in accordance with the terms of this Lease.

(d) Each applicable Lessee shall make all payments of Rent allocable to such Lessee prior to 12:00 Noon, Charlotte, North Carolina time, on the applicable date for payment of such amount.

### 3.2 Payment of Basic Rent.

Basic Rent shall be paid absolutely net to Lessor or its designee, so that this Lease shall yield to Lessor the full amount thereof, without setoff, deduction or reduction.

### 3.3 Supplemental Rent.

Each applicable Lessee shall pay to the Agent (on behalf of

the Person entitled thereto) any and all Supplemental Rent when and as the same shall become due and payable, and if such Lessee fails to pay any Supplemental Rent within three (3) days after the same is due, Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Basic Rent. All such payments of Supplemental Rent shall be in the full amount thereof, without setoff, deduction or reduction. Each applicable Lessee shall pay to the appropriate Person, as Supplemental Rent due and owing to such Person, among other things, on demand, (a) any and all payment obligations (except for amounts payable as Basic Rent) owing from time to time under the Operative Agreements by any Person to the Agent, any Lender, any Holder or any other Person, (b) interest at the applicable Overdue Rate on any installment of Basic Rent not paid when due (subject to the applicable grace period) for the period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded by the appropriate Person (subject to any applicable grace period) for the period from the due date or the date of any such demand, as the case may be, until the same shall be paid and (c) amounts referenced as Supplemental Rent obligations pursuant to Section 8.3 of the Participation Agreement. It shall be an additional Supplemental Rent obligation of each applicable Lessee to pay to the appropriate Person all rent and other amounts when such become due and owing from time to time under each Ground Lease with respect to each Property subject to a Ground Lease and for which such Lessee has executed a Lease Supplement and without the necessity of any notice from Lessor with regard thereto. The expiration or other termination of any Lessee's obligations to pay Basic Rent hereunder shall not limit or modify the obligations of such Lessee with respect to Supplemental Rent. Unless expressly provided otherwise in this Lease, in the event of any failure on the part of any Lessee to pay and discharge any Supplemental Rent as and when due, such Lessee shall also promptly pay and discharge any fine, penalty, interest or cost which may be assessed or added for nonpayment or late payment of such Supplemental Rent, all of which shall also constitute Supplemental Rent.

#### 3.4 Performance on a Non-Business Day.

If any Basic Rent is required hereunder on a day that is not a Business Day, then such Basic Rent shall be due on the corresponding Scheduled Interest Payment Date or, to the extent such Basic Rent is not due on a Scheduled Interest Payment Date, then on the next succeeding Business Day. If any Supplemental Rent is required hereunder on a day that is not a Business Day, then such Supplemental Rent shall be due on the next succeeding Business Day.

#### 3.5 Rent Payment Provisions.

Each applicable Lessee shall make payment of all Basic Rent and Supplemental Rent when due (subject to the applicable grace periods) regardless of whether any of the Operative Agreements pursuant to which same is calculated and is owing shall have been rejected, avoided or disavowed in any bankruptcy or insolvency proceeding involving any of the parties to any of the Operative Agreements. Such provisions of such Operative Agreements and their related definitions are incorporated herein by reference and shall survive any termination, amendment or rejection of any such Operative Agreements.

### ARTICLE IV

#### 4.1 Taxes; Utility Charges.

From and after the Commencement Date for any Property, each applicable Lessee shall pay or cause to be paid all Impositions with respect to each Property with respect to which such Lessee has executed a Lease Supplement and/or the use, occupancy, operation, repair, access, maintenance or operation thereof and all charges for electricity, power, gas, oil, water, telephone, sanitary sewer service and all other rents, utilities and operating expenses of any kind or type used in or on any Property with respect to which such Lessee has executed a Lease Supplement and related real property during the Term. Prior to the Commencement Date for any Property, Lessor (at the direction of the Agent) shall make the payments referenced in the foregoing sentence (but only to the extent amounts are available therefor with respect to the Available Commitments and the Available Holder Commitments or the Lenders and Holders increase the amounts of Available Commitments and Available Holder Commitments, respectively, to fund such costs). Upon Lessor's request, each applicable Lessee shall provide from time to time Lessor with evidence of all such payments referenced in the foregoing sentence. Each applicable Lessee shall be entitled to receive any credit or refund with respect to any Imposition or utility charge paid by such Lessee. Unless an Event of Default shall have occurred and be continuing, the amount of any credit or refund received by Lessor on account of any Imposition or utility charge paid by any Lessee, net of the costs and expenses incurred by Lessor in obtaining such credit or refund, shall be promptly paid over to such Lessee. All charges for Impositions or utilities imposed with respect to any Property for a period during which this Lease expires or terminates shall be adjusted and prorated on a daily basis between Lessor and such Lessee, and each party shall pay or reimburse the other for such party's pro rata share thereof.

### ARTICLE V

5.1 Quiet Enjoyment.

Subject to the rights of Lessor contained in Sections 17.2, 17.3 and 20.3 and the other terms of this Lease and the other Operative Agreements and so long as no Event of Default shall have occurred and be continuing, each applicable Lessee shall peaceably and quietly have, hold and enjoy each Property with respect to which such Lessee has executed a Lease Supplement for the applicable Term, free of any claim or other action by Lessor or anyone rightfully claiming by, through or under Lessor (other than such Lessee) with respect to any matters arising from and after the applicable Commencement Date.

ARTICLE VI

6.1 Net Lease.

This Lease shall constitute a net lease, and the obligations of each applicable Lessee hereunder are absolute and unconditional. Each applicable Lessee shall pay all operating expenses arising out of the use, operation and/or occupancy of each Property with respect to which such Lessee has executed a Lease Supplement. Any present or future law to the contrary notwithstanding, this Lease shall not terminate, nor shall any Lessee be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to the Rent, nor shall the obligations of any Lessee hereunder be affected (except as expressly herein permitted and by performance of the obligations in connection therewith) for any reason whatsoever, including without limitation by reason of: (a) any damage to or destruction of any Property or any part thereof; (b) any taking of any Property or any part thereof or interest therein by Condemnation or otherwise; (c) any prohibition, limitation, restriction or prevention of any Lessee's use, occupancy or enjoyment of any Property or any part thereof, or any interference with such use, occupancy or enjoyment by any Person or for any other reason; (d) any title defect, Lien or any matter affecting title to any Property; (e) any eviction by paramount title or otherwise; (f) any default by Lessor hereunder; (g) any action for bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding relating to or affecting the Agent, any Lender, Lessor, Lessee, any Holder or any Governmental Authority; (h) the impossibility or illegality of performance by Lessor, any Lessee or all of them; (i) any action of any Governmental Authority or any other Person; (j) any Lessee's acquisition of ownership of all or part of any Property; (k) breach of any warranty or representation with respect to any Property or any Operative Agreement; (l) any defect in the condition, quality or fitness for use of any Property or any part thereof; or (m) any other cause or circumstance whether similar or dissimilar to the foregoing and whether or not any Lessee shall have notice or knowledge of any of the foregoing. The parties intend that the obligations of each applicable Lessee hereunder shall be covenants, agreements and obligations that are separate and independent from any obligations of Lessor hereunder and shall continue unaffected unless such covenants, agreements and obligations shall have been modified or terminated in accordance with an express provision of this Lease. Lessor and each Lessee acknowledge and agree that the provisions of this Section 6.1 have been specifically reviewed and subject to negotiation.

6.2 No Termination or Abatement.

Each applicable Lessee shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease, notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution, or other proceeding affecting any Person or any Governmental Authority, or any action with respect to this Lease or any Operative Agreement which may be taken by any trustee, receiver or liquidator of any Person or any Governmental Authority or by any court with respect to any Person, or any Governmental Authority. Each Lessee hereby waives all right (a) to terminate or surrender this Lease (except as permitted under the terms of the Operative Agreements) or (b) to avail itself of any abatement, suspension, deferment, reduction, setoff, counterclaim or defense with respect to any Rent. Each Lessee shall remain obligated under this Lease in accordance with its terms and each Lessee hereby waives any and all rights now or hereafter conferred by statute or otherwise to modify or to avoid strict compliance with its obligations under this Lease. Notwithstanding any such statute or otherwise, each Lessee shall be bound by all of the terms and conditions contained in this Lease.

ARTICLE VII

7.1 Ownership of the Properties.

(a) Lessor and each Lessee intend that (i) for financial accounting purposes with respect to each Lessee (A) this Lease will be treated as an "operating lease" pursuant to Statement of Financial Accounting Standards No. 13, as amended, (B) Lessor will be treated as the owner and lessor of each Property and (C) the Lessee



that has executed a Lease Supplement respecting a particular Property will be treated as the lessee of such Property, but (ii) for federal and all state and local income tax purposes and bankruptcy purposes (A) this Lease will be treated as a financing arrangement and (B) the Lessee that has executed a Lease Supplement respecting a particular Property will be treated as the owner of such Property and will be entitled to all tax benefits ordinarily available to owners of property similar to such Property for such tax purposes. Notwithstanding the foregoing, neither party hereto has made, or shall be deemed to have made, any representation or warranty as to the availability of any of the foregoing treatments under applicable accounting rules, tax, bankruptcy, regulatory, commercial or real estate law or under any other set of rules. The applicable Lessee shall claim the cost recovery deductions associated with each Property, and Lessor shall not, to the extent not prohibited by Law, take on its tax return a position inconsistent with such Lessee's claim of such deductions.

(b) In order to secure the obligations of any Lessee now existing or hereafter arising under any and all Operative Agreements, each Lessee hereby conveys, grants, assigns, transfers, hypothecates, mortgages and sets over to Lessor, for the benefit of all Financing Parties, a first priority security interest (but subject to the security interest in the assets granted by such Lessee in favor of the Agent in accordance with the Security Documents) in and lien on all right, title and interest of such Lessee (now owned or hereafter acquired) in and to all Properties, to the extent such is personal property and irrevocably grants and conveys a lien, deed of trust, deed to secure debt and mortgage, as appropriate, on all right, title and interest of such Lessee (now owned or hereafter acquired) in and to all Properties to the extent such is real property. Lessor and each Lessee further intend and agree that, for the purpose of securing the obligations of any Lessee and/or any Construction Agent now existing or hereafter arising under the Operative Agreements, (i) the Lease and each Lease Supplement shall be a security agreement and financing statement respecting each of the Properties and all proceeds (including without limitation insurance proceeds thereof) to the extent such is personal property and an irrevocable grant and conveyance of a lien, deed of trust, deed to secure debt and mortgage, as appropriate, on each of the Properties and all proceeds (including without limitation insurance proceeds thereof) to the extent such is real property; (ii) the acquisition of title (or to the extent applicable, a leasehold interest pursuant to a Ground Lease) in each Property referenced in Article II constitutes a grant by each Lessee to Lessor of a security interest, lien, deed of trust, deed to secure debt and mortgage, as appropriate, in all of such Lessee's right, title and interest in and to each Property and all proceeds (including without limitation insurance proceeds thereof) of the conversion, voluntary or involuntary, of the foregoing into cash, investments, securities or other property, whether in the form of cash, investments, securities or other property, and an assignment of all rents, profits and income produced by each Property; and (iii) notifications to Persons holding such property, and acknowledgments, receipts or confirmations from financial intermediaries, bankers or agents (as applicable) of any Lessee shall be deemed to have been given for the purpose of perfecting such lien, security interest, mortgage lien, grant of deed to secure debt and deed of trust under applicable law. Each Lessee shall promptly take such actions as Lessor may reasonably request (including without limitation the filing of Uniform Commercial Code Financing Statements, Uniform Commercial Code Fixture Filings and memoranda (or short forms) of this Lease and the various Lease Supplements) to ensure that the lien, security interest, mortgage lien, grant of deed to secure debt and deed of trust in each Property and the other items referenced above will be deemed to be a perfected lien, security interest, mortgage lien, grant of deed to secure debt and deed of trust of first priority under applicable law and will be maintained as such throughout the Term.

#### ARTICLE VIII

##### 8.1 Condition of the Properties.

EACH APPLICABLE LESSEE ACKNOWLEDGES AND AGREES THAT IT IS LEASING EACH PROPERTY WITH RESPECT TO WHICH SUCH LESSEE HAS EXECUTED A LEASE SUPPLEMENT "AS-IS WHERE-IS" WITHOUT REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) BY LESSOR (EXCEPT THAT LESSOR SHALL KEEP EACH SUCH PROPERTY FREE AND CLEAR OF LESSOR LIENS) AND IN EACH CASE SUBJECT TO (A) THE EXISTING STATE OF TITLE, (B) THE RIGHTS OF ANY PARTIES IN POSSESSION THEREOF (IF ANY), (C) ANY STATE OF FACTS REGARDING ITS PHYSICAL CONDITION OR WHICH AN ACCURATE SURVEY MIGHT SHOW, (D) ALL APPLICABLE LEGAL REQUIREMENTS AND (E) VIOLATIONS OF LEGAL REQUIREMENTS WHICH MAY EXIST ON THE DATE HEREOF AND/OR THE DATE OF THE APPLICABLE LEASE SUPPLEMENT. NEITHER LESSOR NOR THE AGENT NOR ANY LENDER NOR ANY HOLDER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) (EXCEPT THAT LESSOR SHALL KEEP EACH PROPERTY FREE AND CLEAR OF LESSOR LIENS) OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER

AS TO THE TITLE, VALUE, HABITABILITY, USE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF ANY PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY PROPERTY (OR ANY PART THEREOF), AND NEITHER LESSOR NOR THE AGENT NOR ANY LENDER NOR ANY HOLDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREON OR THE FAILURE OF ANY PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY LEGAL REQUIREMENT. EACH APPLICABLE LESSEE HAS OR PRIOR TO THE COMMENCEMENT DATE WILL HAVE BEEN AFFORDED FULL OPPORTUNITY TO INSPECT EACH PROPERTY WITH RESPECT TO WHICH SUCH LESSEE HAS EXECUTED A LEASE SUPPLEMENT AND THE IMPROVEMENTS THEREON (IF ANY), IS OR WILL BE (INsofar AS LESSOR, THE AGENT, EACH LENDER AND EACH HOLDER ARE CONCERNED) SATISFIED WITH THE RESULTS OF ITS INSPECTIONS AND IS ENTERING INTO THIS LEASE SOLELY ON THE BASIS OF THE RESULTS OF ITS OWN INSPECTIONS, AND ALL RISKS INCIDENT TO THE MATTERS DESCRIBED IN THE PRECEDING SENTENCE, AS BETWEEN LESSOR, THE AGENT, THE LENDERS AND THE HOLDERS, ON THE ONE (1) HAND, AND SUCH LESSEE, ON THE OTHER HAND, ARE TO BE BORNE BY SUCH LESSEE.

## 8.2 Possession and Use of the Properties.

(a) At all times during the Term with respect to each Property, such Property shall be a Permitted Facility and shall be used by the applicable Lessee in the ordinary course of its business. Each applicable Lessee shall pay, or cause to be paid, all charges and costs required in connection with the use of each Property with respect to which such Lessee has executed a Lease Supplement as contemplated by this Lease. No Lessee shall commit or permit any waste of the Properties or any part thereof.

(b) The address of the applicable Lessee stated on the signature page in each applicable Lease Supplement is the principal place of business and chief executive office of such Lessee (as such terms are used in Section 9-103(3) of the Uniform Commercial Code of any applicable jurisdiction), and such Lessee will provide Lessor with prior written notice of any change of location of its principal place of business or chief executive office. Regarding a particular Property, each Lease Supplement correctly identifies the initial location of the related Equipment (if any) and Improvements (if any) and contains an accurate legal description for the related parcel of Land or a copy of the Ground Lease (if any). The Equipment and Improvements respecting each particular Property will be located only at the location identified in the applicable Lease Supplement.

(c) No Lessee will attach or incorporate any item of Equipment to or in any other item of equipment or personal property or to or in any real property in a manner that could give rise to the assertion of any Lien on such item of Equipment by reason of such attachment or the assertion of a claim that such item of Equipment has become a fixture and is subject to a Lien in favor of a third party that is prior to the Liens thereon created by the Operative Agreements.

(d) On the Property Closing Date for each Property, Lessor and the applicable Lessee shall execute a Lease Supplement in regard to such Property which shall contain an Equipment Schedule that has a general description of the Equipment which shall comprise the Property, an Improvement Schedule that has a general description of the Improvements which shall comprise the Property and a legal description of the Land to be leased hereunder (or in the case of any Property subject to a Ground Lease to be subleased hereunder) as of the Commencement Date for such Property. Each Property subject to a Ground Lease shall be deemed to be ground subleased from Lessor to the applicable Lessee as of the Commencement Date for such Property, and such ground sublease shall be in effect until this Lease is terminated or expires, in each case in accordance with the terms and provisions hereof. Such Lessee shall satisfy and perform all obligations imposed on Lessor under each Ground Lease. Simultaneously with the execution and delivery of each Lease Supplement, such Equipment, Improvements, Land, ground subleasehold interest, all additional Equipment and all additional Improvements which are financed under the Operative Agreements after the Commencement Date and the remainder of such Property shall be deemed to have been accepted by such Lessee for all purposes of this Lease and to be subject to this Lease.

(e) At all times from the Property Closing Date for each Property and thereafter during the Term with respect to such Property with respect to which a particular Lessee has executed a Lease Supplement, such Lessee will comply with all obligations under and (to the extent no Event of Default exists and provided that such exercise will not impair the value, utility or remaining useful life of such Property) shall be permitted to exercise all rights and remedies under, all operation and easement agreements and related or similar agreements applicable to such Property.

## 8.3 Integrated Properties.

On the Rent Commencement Date for each Property with respect

to which a particular Lessee has executed a Lease Supplement, such Lessee shall, at its sole cost and expense, cause such Property and the applicable property subject to a Ground Lease to constitute (and for the duration of the Term shall continue to constitute) all of the equipment, facilities, rights, other personal property and other real property necessary or appropriate to operate, utilize, maintain and control a Permitted Facility in a commercially reasonable manner.

#### ARTICLE IX

##### 9.1 Compliance With Legal Requirements, Insurance Requirements and Manufacturer's Specifications and Standards.

Subject to the terms of Article XIII relating to permitted contests, each applicable Lessee, at its sole cost and expense, shall (a) comply with all applicable Legal Requirements (including without limitation all Environmental Laws) and all Insurance Requirements relating to each Property with respect to which such Lessee has executed a Lease Supplement, (b) procure, maintain and comply with all licenses, permits, orders, approvals, consents and other authorizations required for the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of each Property with respect to which such Lessee has executed a Lease Supplement, and (c) comply with all manufacturer's specifications and standards, including without limitation the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of each Property with respect to which such Lessee has executed a Lease Supplement, whether or not compliance therewith shall require structural or extraordinary changes in any Property or interfere with the use and enjoyment of any Property unless the failure to procure, maintain and comply with such items identified in subparagraphs (b) and (c), individually or in the aggregate, shall not and could not reasonably be expected to have a Material Adverse Effect. At the expense of the applicable Lessee, Lessor agrees to take such actions as may be reasonably requested by any Lessee in connection with the compliance by such Lessee of its obligations under this Section 9.1.

#### ARTICLE X

##### 10.1 Maintenance and Repair; Return.

(a) Each Lessee, at its sole cost and expense, shall maintain each Property with respect to which such Lessee has executed a Lease Supplement in good condition, repair and working order (ordinary wear and tear excepted) and in the repair and condition as when originally delivered to such Lessee and make all necessary repairs thereto and replacements thereof, of every kind and nature whatsoever, whether interior or exterior, ordinary or extraordinary, structural or nonstructural or foreseen or unforeseen, in each case as required by Section 9.1 and on a basis consistent with the operation and maintenance of properties or equipment comparable in type and function to each such Property, such that each such Property is capable of being immediately utilized by a third party and in compliance with standard industry practice subject, however, to the provisions of Article XV with respect to Casualty and Condemnation.

(b) No Lessee shall use or locate any component of any Property outside of the Approved State therefor. No Lessee shall move or relocate any component of any Property beyond the boundaries of the Land (comprising part of such Property) described in the applicable Lease Supplement, except for the temporary removal of Equipment and other personal property for repair or replacement.

(c) If any component of any Property becomes worn out, lost, destroyed, damaged beyond repair or otherwise permanently rendered unfit for use, the applicable Lessee, at its own expense, will within a reasonable time replace such component with a replacement component which is free and clear of all Liens (other than Permitted Liens) and has a value, utility and useful life at least equal to the component replaced (assuming the component replaced had been maintained and repaired in accordance with the requirements of this Lease). All such replacement components which are added to any Property shall immediately become the property of (and title thereto shall vest in) Lessor and shall be deemed incorporated in such Property and subject to the terms of this Lease as if originally leased hereunder.

(d) Upon reasonable advance notice, Lessor and its agents shall have the right to inspect each Property and all maintenance records with respect thereto at any reasonable time during normal business hours but shall not, in the absence of an Event of Default, materially disrupt the business of any Lessee.

(e) The Lessees shall cause to be delivered to Lessor (at Lessees' sole expense) one (1) or more additional Appraisals (or reappraisals of Property) as Lessor may request if any one (1) of

Lessor, the Agent, the Trust Company, any Lender or any Holder is required pursuant to any applicable Legal Requirement to obtain such Appraisals (or reappraisals) and upon the occurrence of any Event of Default.

(f) Lessor shall under no circumstances be required to build any improvements or install any equipment on any Property, make any repairs, replacements, alterations or renewals of any nature or description to any Property, make any expenditure whatsoever in connection with this Lease or maintain any Property in any way. Lessor shall not be required to maintain, repair or rebuild all or any part of any Property, and each Lessee waives the right to (i) require Lessor to maintain, repair, or rebuild all or any part of any Property, or (ii) make repairs at the expense of Lessor pursuant to any Legal Requirement, Insurance Requirement, contract, agreement, covenant, condition or restriction at any time in effect.

(g) Each applicable Lessee shall, upon the expiration or earlier termination of this Lease with respect to a Property with respect to which such Lessee has executed a Lease Supplement, if such Lessee shall not have exercised its Purchase Option with respect to such Property and purchased such Property, surrender such Property (i) to Lessor pursuant to the exercise of the applicable remedies upon the occurrence of a Lease Event of Default or (ii) pursuant to the second paragraph of Section 22.1(a) hereof, to Lessor or the third party purchaser, as the case may be, subject to such Lessee's obligations under this Lease (including without limitation the obligations of such Lessee at the time of such surrender under Sections 9.1, 10.1(a) through (f), 10.2, 11.1, 12.1, 22.1 and 23.1).

#### 10.2 Environmental Inspection.

If any applicable Lessee has not given notice of exercise of its Purchase Option on the Expiration Date pursuant to Section 20.1 or for whatever reason such Lessee does not purchase a Property with respect to which such Lessee has executed a Lease Supplement in accordance with the terms of this Lease, then not more than one hundred eighty (180) days nor less than sixty (60) days prior to the Expiration Date, such Lessee at its expense shall cause to be delivered to Lessor a Phase I environmental site assessment with regard to such Property recently prepared (no more than thirty (30) days prior to the date of delivery) by an independent recognized professional reasonably acceptable to Lessor, and in form, scope and content reasonably satisfactory to Lessor.

### ARTICLE XI

#### 11.1 Modifications.

(a) Each applicable Lessee at its sole cost and expense, at any time and from time to time without the consent of Lessor may make modifications, alterations, renovations, improvements and additions to any Property with respect to which such Lessee has executed a Lease Supplement or any part thereof and substitutions and replacements therefor (collectively, "Modifications"), and each applicable Lessee shall make any and all Modifications required to be made pursuant to all Legal Requirements, Insurance Requirements and manufacturer's specifications and standards; provided, that:

- (i) no Modification shall materially impair the value, utility or useful life of any Property from that which existed immediately prior to such Modification;
- (ii) each Modification shall be done expeditiously and in a good and workmanlike manner;
- (iii) no Modification shall adversely affect the structural integrity of any Property;
- (iv) to the extent required by Section 14.2(a), Lessee shall maintain builders' risk insurance at all times when a Modification is in progress;
- (v) subject to the terms of Article XIII relating to permitted contests, each applicable Lessee shall pay all costs and expenses and discharge any Liens arising with respect to any Modification;
- (vi) each Modification shall comply with the requirements of this Lease (including without limitation Sections 8.2 and 10.1); and
- (vii) no Improvement shall be demolished or otherwise rendered unfit for use unless the applicable Lessee shall finance the proposed replacement Modification outside of this lease facility; provided, further, no Lessee shall make any Modification (unless required by any Legal Requirement) to the extent any such Modification, individually or in the aggregate, shall or could reasonably be expected to have a Material Adverse Effect. All Modifications shall immediately and without further action upon their incorporation into the applicable Property (1) become property of Lessor, (2) be subject to this Lease and (3) be titled in the name of Lessor. No Lessee shall remove or attempt to remove any Modification from any Property. The Lessee that has executed a Lease Supplement with respect to a particular Property, at its own cost and expense, will pay for the repairs of any damage to such Property caused by the removal or attempted removal of any Modification.

(b) The construction process provided for in the Agency Agreement is acknowledged by Lessor to be consistent with and in compliance with the terms and provisions of this Article XI.

#### ARTICLE XII

##### 12.1 Warranty of Title.

(a) Each applicable Lessee hereby acknowledges and shall cause title in each Property with respect to which such Lessee has executed a Lease Supplement (including without limitation all Equipment, all Improvements, all replacement components to each such Property and all Modifications) immediately and without further action to vest in and become the property of Lessor and to be subject to the terms of this Lease (provided, respecting each Property subject to a Ground Lease, Lessor's interest therein is acknowledged to be a leasehold interest pursuant to such Ground Lease) from and after the date hereof or such date of incorporation into any Property. Each applicable Lessee agrees that, subject to the terms of Article XIII relating to permitted contests, such Lessee shall not directly or indirectly create or allow to remain, and shall promptly discharge at its sole cost and expense, any Lien, defect, attachment, levy, title retention agreement or claim upon any Property with respect to which such Lessee has executed a Lease Supplement, any component thereof or any Modifications or any Lien, attachment, levy or claim with respect to the Rent or with respect to any amounts held by Lessor, the Agent, any Lender or any Holder pursuant to any Operative Agreement, other than Permitted Liens. Each applicable Lessee shall promptly notify Lessor in the event such Lessee receives actual knowledge that a Lien other than a Permitted Lien has occurred with respect to a Property with respect to which such Lessee has executed a Lease Supplement, the Rent or any other such amounts, and each applicable Lessee represents and warrants to, and covenants with, Lessor that the Liens in favor of Lessor and/or the Agent created by the Operative Agreements are (and until the Financing Parties under the Operative Agreements have been paid in full shall remain), except to the extent expressly provided in Section 8.10 of the Participation Agreement, first priority perfected Liens subject only to Permitted Liens. At all times subsequent to the Property Closing Date respecting a Property, each applicable Lessee shall (i) cause a valid, perfected, first priority Lien on each Property with respect to which such Lessee has executed a Lease Supplement to be in place in favor of the Agent (for the benefit of the Secured Parties) and (ii) file, or cause to be filed, all necessary documents under the applicable real property law and Article 9 of the Uniform Commercial Code to perfect such title and Liens.

(b) Nothing contained in this Lease shall be construed as constituting the consent or request of Lessor, expressed or implied, to or for the performance by any contractor, mechanic, laborer, materialman, supplier or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to any Property or any part thereof. NOTICE IS HEREBY GIVEN THAT LESSOR IS NOT AND SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO LESSEE, OR TO ANYONE HOLDING A PROPERTY OR ANY PART THEREOF THROUGH OR UNDER ANY LESSEE, AND THAT NO MECHANIC'S OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LESSOR IN AND TO ANY PROPERTY.

#### ARTICLE XIII

##### 13.1 Permitted Contests Other Than in Respect of Indemnities.

Except to the extent otherwise provided for in Section 11 of the Participation Agreement, each applicable Lessee, on its own or on Lessor's behalf but at Lessee's sole cost and expense, may contest, by appropriate administrative or judicial proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Legal Requirement, Imposition or utility charge payable pursuant to Section 4.1 or any Lien, attachment, levy, encumbrance or encroachment, and Lessor agrees not to pay, settle or otherwise compromise any such item, provided, that (a) the commencement and continuation of such proceedings shall suspend the collection of any such contested amount from, and suspend the enforcement thereof against, each Property with respect to which such Lessee has executed a Lease Supplement, Lessor, each Holder, the Agent and each Lender; (b) there shall not be imposed a Lien (other than Permitted Liens) on any such Property and no part of any such Property nor any Rent would be in any danger of being sold, forfeited, lost or deferred; (c) at no time during the permitted contest shall there be a risk of the imposition of criminal liability or material civil liability on Lessor, any Holder, the Agent or any Lender for failure to comply therewith; and (d) in the event that, at any time, there shall be a material risk of extending the application of such item beyond the end of the Term, then such Lessee shall deliver to Lessor an Officer's Certificate certifying as to the matters set

forth in clauses (a), (b) and (c) of this Section 13.1. Lessor, at such Lessee's sole cost and expense, shall execute and deliver to such Lessee such authorizations and other documents as may reasonably be required in connection with any such contest and, if reasonably requested by such Lessee, shall join as a party therein at such Lessee's sole cost and expense.

13.2 Impositions, Utility Charges, Other Matters; Compliance with Legal Requirements.

Except with respect to Impositions, Legal Requirements, utility charges and such other matters referenced in Section 13.1 which are the subject of ongoing proceedings contesting the same in a manner consistent with the requirements of Section 13.1, each Lessee shall cause (a) all Impositions, utility charges and such other matters to be timely paid, settled or compromised, as appropriate, with respect to each Property with respect to which such Lessee has executed a Lease Supplement and (b) each Property with respect to which such Lessee has executed a Lease Supplement to comply with all applicable Legal Requirements.

ARTICLE XIV

14.1 Public Liability and Workers' Compensation Insurance.

During the Term for each Property with respect to which such Lessee has executed a Lease Supplement, such Lessee shall procure and carry, at such Lessee's sole cost and expense, commercial general liability and umbrella liability insurance for claims for injuries or death sustained by persons or damage to property while on such Property or respecting the Equipment with respect to such Property and such other public liability coverages as are then customarily carried by similarly situated companies conducting business similar to that conducted by such Lessee. Prior to the Commencement Date for any Property, the Lessee that has executed a Lease Supplement respecting such Property shall procure and carry all such insurance referenced in the immediately preceding sentence, but Lessor (at the direction of the Agent) shall pay the costs and expenses incurred respecting the insurance referenced in the foregoing sentence (but only to the extent amounts are available therefor with respect to the Available Commitments and the Available Holder Commitments or the Lenders and Holders increase the amounts of Available Commitments and Available Holder Commitments, respectively, to fund such costs and expenses). Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by such Lessee with respect to similar properties and equipment that it owns and are then carried by similarly situated companies conducting business similar to that conducted by such Lessee, and in no event shall have a minimum combined single limit per occurrence coverage (i) for commercial general liability of less than \$1,000,000 and (ii) for umbrella liability of \$2,000,000. The policies shall name such Lessee as the insured and shall be endorsed to name Lessor, the Holders, the Agent and the Lenders as additional insureds. The policies shall also specifically provide that such policies shall be considered primary insurance which shall apply to any loss or claim before any contribution by any insurance which Lessor, any Holder, the Agent or any Lender may have in force. In the operation of each Property with respect to which such Lessee has executed a Lease Supplement, such Lessee shall comply with applicable workers' compensation laws and protect Lessor, each Holder, the Agent and each Lender against any liability under such laws.

14.2 Permanent Hazard and Other Insurance.

(a) During the Term for each Property with respect to which a particular Lessee has executed a Lease Supplement, such Lessee shall keep such Property insured against all risk of physical loss or damage by fire and other risks and shall maintain builders' risk insurance during construction of any Improvements or Modifications in each case (i) in amounts no less than the Property Cost of such Property from time to time and (ii) on terms that (A) are no less favorable than insurance covering other similar properties owned by such Lessee and (B) are then carried by similarly situated companies conducting business similar to that conducted by such Lessee. The policies shall name such Lessee as the insured and shall be endorsed to name Lessor and the Agent (on behalf of the Secured Parties) as a named additional insured and loss payee; provided, so long as no Event of Default exists, any loss payable under the insurance policies required by this Section for losses up to \$1,000,000 will be paid to Lessee. Prior to the Commencement Date for any Property, the Lessee that has executed a Lease Supplement with respect to such Property shall procure and carry all such insurance referenced in this Section 14.2(a), but Lessor (at the direction of the Agent) shall pay the costs and expenses incurred respecting the insurance referenced in this Section 14.2(a) (but only to the extent amounts are available therefor with respect to the Available Commitments and the Available Holder Commitments or the Lenders and Holders increase the amounts of Available Commitments and Available Holder Commitments, respectively, to fund such costs and expenses).

(b) If, during the Term with respect to a Property the area in which such Property is located is designated a "flood-prone" area pursuant to the Flood Disaster Protection Act of 1973, or any amendments or supplements thereto or is in a zone designated A or V, then the applicable Lessee that has executed a Lease Supplement with respect to such Property shall comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973. In addition, such Lessee will fully comply with the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as each may be amended from time to time, and with any other Legal Requirement, concerning flood insurance to the extent that it applies to any such Property. During the Term, each applicable Lessee shall, in the operation and use of each such Property, maintain workers' compensation insurance consistent with that carried by similarly situated companies conducting business similar to that conducted by such Lessee and containing minimum liability limits of no less than \$100,000. In the operation of each Property with respect to which a particular Lessee has executed a Lease Supplement, such Lessee shall comply with workers' compensation laws applicable to such Lessee, and protect Lessor, each Holder, the Agent and each Lender against any liability under such laws. Prior to the Commencement Date for any Property, the Lessee that has executed a Lease Supplement with respect to such Property shall procure and carry all such insurance referenced in this Section 14.2(b), but Lessor (at the direction of the Agent) shall pay the costs and expenses incurred respecting the insurance referenced in this Section 14.2(b) (but only to the extent amounts are available therefor with respect to the Available Commitments and the Available Holder Commitments or the Lenders and Holders increase the amounts of Available Commitments and Available Holder Commitments, respectively, to fund such costs and expenses).

#### 14.3 Coverage.

(a) As of the date of this Lease and annually thereafter during the Term, each Lessee shall furnish the Agent (on behalf of Lessor and the other beneficiaries of such insurance coverage) with certificates prepared by the insurers or insurance broker of each such Lessee showing the insurance required under Sections 14.1 and 14.2 to be in effect, naming (to the extent of their respective interests) Lessor, the Holders, the Agent and the Lenders as additional insureds and loss payees and evidencing the other requirements of this Article XIV. All such insurance shall be at the cost and expense of each Lessee with respect to such Properties for which such Lessee has executed a Lease Supplement and provided by nationally recognized, financially sound insurance companies having an A+ or better rating by A.M. Best's Key Rating Guide. Each applicable Lessee shall cause such certificates to include a provision for thirty (30) days' advance written notice by the insurer to the Agent (on behalf of Lessor and the other beneficiaries of such insurance coverage) in the event of cancellation or material alteration of such insurance. If an Event of Default has occurred and is continuing and the Agent (on behalf of Lessor and the other beneficiaries of such insurance coverage) so requests, each applicable Lessee shall deliver to the Agent (on behalf of Lessor and the other beneficiaries of such insurance coverage) copies of all insurance policies required by Sections 14.1 and 14.2.

(b) Each applicable Lessee agrees that the insurance policy or policies required by Sections 14.1, 14.2(a) and 14.2(b) shall include an appropriate clause pursuant to which any such policy shall provide that it will not be invalidated should such Lessee or any Contractor, as the case may be, waive, at any time, any or all rights of recovery against any party for losses covered by such policy or due to any breach of warranty, fraud, action, inaction or misrepresentation by such Lessee or any Person acting on behalf of such Lessee. Each applicable Lessee hereby waives any and all such rights against Lessor, the Holders, the Agent and the Lenders to the extent of payments made to any such Person under any such policy.

(c) Neither Lessor nor Lessee shall carry separate insurance concurrent in kind or form or contributing in the event of loss with any insurance required under this Article XIV, except that Lessor may carry separate liability insurance at Lessor's sole cost so long as (i) each Lessee's insurance is designated as primary and in no event excess or contributory to any insurance Lessor may have in force which would apply to a loss covered under any Lessee's policy and (ii) each such insurance policy will not cause any Lessee's insurance required under this Article XIV to be subject to a coinsurance exception of any kind.

(d) Each Lessee shall pay as they become due all premiums for the insurance required by Section 14.1 and Section 14.2 regarding each Property with respect to which such Lessee has executed a Lease Supplement, shall renew or replace each policy prior to the expiration date thereof or otherwise maintain the coverage required by

such Sections without any lapse in coverage.

#### ARTICLE XV

##### 15.1 Casualty and Condemnation.

(a) Subject to the provisions of the Agency Agreement and this Article XV and Article XVI (in the event any applicable Lessee delivers, or is obligated to deliver or is deemed to have delivered, a Termination Notice), and prior to the occurrence and continuation of a Default or an Event of Default, such Lessee shall be entitled to receive (and Lessor hereby irrevocably assigns to such Lessee all of Lessor's right, title and interest in) any condemnation proceeds, award, compensation or insurance proceeds under Sections 14.2(a) or 14.2(b) hereof to which such Lessee or Lessor may become entitled by reason of their respective interests in a Property with respect to which such Lessee and the Lessor have executed a Lease Supplement (i) if all or a portion of such Property is damaged or destroyed in whole or in part by a Casualty or (ii) if the use, access, occupancy, easement rights or title to such Property or any part thereof is the subject of a Condemnation; provided, however, if a Default or an Event of Default shall have occurred and be continuing or if such award, compensation or insurance proceeds shall exceed \$1,000,000, then such award, compensation or insurance proceeds shall be paid directly to Lessor or, if received by such Lessee, shall be held in trust for Lessor, and shall be paid over by such Lessee to Lessor and held in accordance with the terms of this paragraph (a). All amounts held by Lessor hereunder on account of any award, compensation or insurance proceeds either paid directly to Lessor or turned over to Lessor shall be deposited in a interest-bearing account and shall be held as security for the performance of all Lessees' obligations hereunder and under the other Operative Agreements and when all such obligations of all Lessees with respect to such matters (and all other obligations of all Lessees which should have been satisfied pursuant to the Operative Agreements as of such date) have been satisfied, all amounts so held by Lessor (including interest earned on such amounts) shall be paid over to the applicable Lessee.

(b) Each applicable Lessee may appear in any proceeding or action to negotiate, prosecute, adjust or appeal any claim for any award, compensation or insurance payment on account of any such Casualty or Condemnation and shall pay all expenses thereof. At such Lessee's reasonable request, and at such Lessee's sole cost and expense, Lessor and the Agent shall participate in any such proceeding, action, negotiation, prosecution or adjustment. Lessor and each Lessee agree that this Lease shall control the rights of Lessor and such Lessee in and to any such award, compensation or insurance payment.

(c) If any Lessee shall receive notice of a Casualty or a Condemnation of a Property or any interest therein where damage to the affected Property is estimated to equal or exceed fifty percent (50%) of the Property Cost of such Property, such Lessee shall give notice thereof to Lessor promptly after such Lessee's receipt of such notice. In the event such a Casualty or Condemnation occurs (regardless of whether the applicable Lessee gives notice thereof), then such Lessee shall be deemed to have delivered a Termination Notice to Lessor and the provisions of Sections 16.1 and 16.2 shall apply.

(d) In the event of a Casualty or a Condemnation (regardless of whether notice thereof must be given pursuant to paragraph (c)), this Lease shall terminate with respect to the applicable Property with respect to which any particular Lessee has executed a Lease Supplement in accordance with Section 16.1 if such Lessee, within thirty (30) days after such occurrence, delivers to Lessor a notice to such effect.

(e) If pursuant to this Section 15.1 this Lease shall continue in full force and effect following a Casualty or Condemnation with respect to the affected Property, the Lessee that has executed a Lease Supplement with respect thereto shall, at its sole cost and expense (subject to reimbursement in accordance with Section 15.1(a)) promptly and diligently repair any damage to the applicable Property caused by such Casualty or Condemnation in conformity with the requirements of Sections 10.1 and 11.1, using the as-built Plans and Specifications or manufacturer's specifications for the applicable Improvements, Equipment or other components of the applicable Property (as modified to give effect to any subsequent Modifications, any Condemnation affecting the applicable Property and all applicable Legal Requirements), so as to restore the applicable Property to the same or a greater remaining economic value, useful life, utility, condition, operation and function as existed immediately prior to such Casualty or Condemnation (assuming all maintenance and repair standards have been satisfied). In such event, title to the applicable Property shall remain with Lessor.



(f) In no event shall a Casualty or Condemnation affect any Lessee's obligations to pay Rent pursuant to Article III.

(g) Notwithstanding anything to the contrary set forth in Section 15.1(a) or Section 15.1(e), if during the Term with respect to a Property a Casualty occurs with respect to such Property or the Lessee that has executed a Lease Supplement with respect thereto receives notice of a Condemnation with respect to such Property, and following such Casualty or Condemnation, the applicable Property cannot reasonably be restored, repaired or replaced on or before the day one hundred eighty (180) days prior to the Expiration Date or the date nine (9) months after the occurrence of such Casualty or Condemnation (if such Casualty or Condemnation occurs during the Term) to the same or a greater remaining economic value, useful life, utility, condition, operation and function as existed immediately prior to such Casualty or Condemnation (assuming all maintenance and repair standards have been satisfied) or on or before such day such Property is not in fact so restored, repaired or replaced, then such Lessee shall be required to exercise its Purchase Option for such Property on the next Payment Date (notwithstanding the limits on such exercise contained in Section 20.2) and pay Lessor the Termination Value for such Property; provided, if any Default or Event of Default has occurred and is continuing, such Lessee shall also promptly (and in any event within three (3) Business Days) pay Lessor any award, compensation or insurance proceeds received on account of any Casualty or Condemnation with respect to any Property; provided, further, that if no Default or Event of Default has occurred and is continuing, any Excess Proceeds shall be paid to such Lessee. If a Default or an Event of Default has occurred and is continuing and any Loans, Holder Advances or other amounts are owing with respect thereto, then any Excess Proceeds (to the extent of any such Loans, Holder Advances or other amounts owing with respect thereto) shall be paid to Lessor, held as security for the performance of all Lessees' obligations hereunder and under the other Operative Agreements and applied to such obligations upon the exercise of remedies in connection with the occurrence of an Event of Default, with the remainder of such Excess Proceeds in excess of such Loans, Holder Advances and other amounts owing with respect thereto being distributed to the applicable Lessee.

#### 15.2 Environmental Matters.

Promptly upon any applicable Lessee's actual knowledge of the presence of Hazardous Substances in any portion of any Property with respect to which such Lessee has executed a Lease Supplement in concentrations and conditions that constitute an Environmental Violation and which, in the reasonable opinion of such Lessee, the cost to undertake any legally required response, clean up, remedial or other action will or might result in a cost to such Lessee of more than \$50,000, such Lessee shall notify Lessor in writing of such condition. In the event of any Environmental Violation (regardless of whether notice thereof must be given), such Lessee shall, not later than thirty (30) days after such Lessee has actual knowledge of such Environmental Violation, either deliver to Lessor a Termination Notice with respect to the applicable Property or Properties pursuant to Section 16.1, if applicable, or, at such Lessee's sole cost and expense, promptly and diligently undertake and diligently complete any response, clean up, remedial or other action (including without limitation the pursuit by such Lessee of appropriate action against any off-site or third party source for contamination) necessary to remove, cleanup or remediate the Environmental Violation in accordance with all Environmental Laws. Any such undertaking shall be timely completed in accordance with prudent industry standards. If such Lessee does not deliver a Termination Notice with respect to such Property pursuant to Section 16.1, Lessee shall, upon completion of remedial action by such Lessee, cause to be prepared by a reputable environmental consultant acceptable to Lessor and the Agent a report describing the Environmental Violation and the actions taken by such Lessee (or its agents) in response to such Environmental Violation, and a statement by the consultant that the Environmental Violation has been remedied in full compliance with applicable Environmental Law. Not less than sixty (60) days and not more than one hundred eighty (180) days prior to any time that such Lessee elects to cease operations with respect to any Property or to remarket any Property pursuant to Section 20.1 hereof or any other provision of any Operative Agreement, such Lessee at its expense shall cause to be delivered to Lessor a Phase I environmental site assessment respecting such Property recently prepared (no more than thirty (30) days prior to the date of delivery) by an independent recognized professional acceptable to Lessor in its reasonable discretion and in form, scope and content satisfactory to Lessor in its reasonable discretion. Notwithstanding any other provision of any Operative Agreement, if such Lessee fails to comply with the foregoing obligation regarding the Phase I environmental site assessment, such Lessee shall be obligated to purchase such Property for its Termination Value and shall not be permitted to exercise (and Lessor shall have no obligation to honor any such exercise) any rights under any Operative Agreement regarding a sale of such Property to a Person other than such Lessee or any Affiliate of such Lessee.

#### 15.3 Notice of Environmental Matters.

Promptly, but in any event within five (5) Business Days from the date any applicable Lessee has actual knowledge thereof, such Lessee shall provide to Lessor written notice of any pending or threatened claim, action or proceeding involving any Environmental Law or any Release on or in connection with any Property with respect to which such Lessee has executed a Lease Supplement. All such notices shall describe in reasonable detail the nature of the claim, action or proceeding and such Lessee's proposed response thereto. In addition, such Lessee shall provide to Lessor, within five (5) Business Days of receipt, copies of all material written communications with any Governmental Authority relating to any Environmental Law in connection with any Property with respect to which such Lessee has executed a Lease Supplement. The applicable Lessee shall also promptly provide such detailed reports of any such material environmental claims as may reasonably be requested by Lessor or the Agent. Actual knowledge of any Lessee shall be deemed actual knowledge of an officer of such Lessee at the level of Vice President or above.

#### ARTICLE XVI

##### 16.1 Termination Upon Certain Events.

If any Lessee has delivered, or is deemed to have delivered, written notice of a termination of this Lease with respect to any Property with respect to which such Lessee has executed a Lease Supplement to Lessor in the form described in Section 16.2(a) (a "Termination Notice") pursuant to the provisions of this Lease, then following the applicable Casualty, Condemnation or Environmental Violation, this Lease shall terminate with respect to the affected Property on the applicable Termination Date.

##### 16.2 Procedures.

(a) A Termination Notice shall contain: (i) notice of termination of this Lease with respect to the affected Property on a Payment Date not more than sixty (60) days after Lessor's receipt of such Termination Notice (the "Termination Date"); and (ii) a binding and irrevocable agreement of the applicable Lessee to pay the Termination Value for the applicable Property and purchase such Property on such Termination Date.

(b) On each Termination Date, the applicable Lessee shall pay to Lessor the Termination Value for the applicable Property, and Lessor shall convey such Property or the remaining portion thereof, if any, to such Lessee (or such Lessee's designee), all in accordance with Section 20.2.

#### ARTICLE XVII

##### 17.1 Lease Events of Default.

If any one (1) or more of the following events (each a "Lease Event of Default") shall occur:

(a) Any Lessee shall fail to make payment of (i) any Basic Rent regarding any Property with respect to which such Lessee has executed a Lease Supplement (except as set forth in clause (ii)) within three (3) Business Days after the same has become due and payable or (ii) any Termination Value payable by such Lessee, on the date any such payment is due and payable, or any payment of Basic Rent or Supplemental Rent payable by such Lessee due on the due date of any such payment of Termination Value, or any amount payable by such Lessee due on the Expiration Date;

(b) Any Lessee shall fail to make payment of any Supplemental Rent payable by such Lessee (other than Supplemental Rent referred to in Section 17.1(a)(ii)) or any other Credit Party shall fail to make any payment payable by such Credit Party of any amount under any Operative Agreement which has become due and payable within three (3) Business Days after receipt of notice that such payment is due;

(c) [Reserved];

(d) (i) Any Credit Party shall fail to perform, comply with or observe any term, covenant or agreement applicable to it contained in Sections 5.4(a), 5.7(a) or 5.9 of the Lessee Credit Agreement or in Article VI of the Lessee Credit Agreement (each of which is incorporated herein by reference pursuant to Section 28.1), or (ii) any Lessee shall fail to observe or perform any term, covenant, obligation or condition of such Lessee under this Lease (including without limitation the Incorporated Covenants) or any other Operative Agreement to which such Lessee is a party other than those set forth in Sections 17.1(a), (b), (c) or (d)(i) hereof, or any other Credit Party shall fail to observe or perform any term, covenant, obligation or

condition of such Credit Party under any Operative Agreement other than those set forth in Section 17.1(b) or (d)(i) hereof and in the event such breach or failure to comply is capable of cure, is not cured within thirty (30) days (or with respect to the Incorporated Covenants, the grace period, if any, applicable thereto) of its occurrence, or (iii) any representation or warranty made or deemed made by any Lessee or any other Credit Party set forth in this Lease (including without limitation the Incorporated Representations and Warranties) or in any other Operative Agreement or in any document entered into in connection herewith or therewith or in any document, certificate or financial or other statement delivered in connection herewith or therewith shall be incorrect, false or misleading in any respect on or as of the date made or deemed made;

(e) An Agency Agreement Event of Default shall have occurred and be continuing;

(f) DTS or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than Indebtedness arising under the ELLF Facility) in a principal amount outstanding of at least \$500,000 in the aggregate for DTS and any of its Subsidiaries beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness was created; or (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness in a principal amount outstanding of at least \$500,000 in the aggregate for DTS and its Subsidiaries or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity;

(g) (i) DTS or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or DTS or any Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against DTS or any Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undischarged, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against DTS or any Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) DTS or any Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) DTS or any Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(h) [Reserved];

(i) [Reserved];

(j) The entering of any order in any proceedings against any Credit Party or any Subsidiary of any Credit Party decreeing the dissolution, divestiture or split-up of any Credit Party or any Subsidiary of any Credit Party, and such order remains in effect for more than sixty (60) days;

(k) Any report, certificate, financial statement or other instrument delivered to Lessor by or on behalf of any Credit Party pursuant to the terms of this Lease or any other Operative Agreement is false or misleading in any respect when made or delivered;

(l) Any Lessee Credit Agreement Event of Default (other than a Lessee Credit Agreement Event of Default under Section 7.1(i) of the Lessee Credit Agreement or under Section 7.1(c) of the Lessee Credit Agreement to the extent such Lessee Credit Agreement Event of Default under Section 7.1(c) arises as a result of a breach of the covenants set forth in Section 5.4(a) of the Lessee Credit Agreement or

Section 6.4 of the Lessee Credit Agreement) shall have occurred and be continuing and shall not have been waived;

(m) One or more judgments or decrees shall be entered against DTS or any of its Subsidiaries involving in the aggregate a liability (to the extent not paid when due or covered by insurance) of \$2,000,000 or more and all such judgments or decrees shall not have been paid and satisfied, vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof;

(n) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan (other than a Permitted Lien) shall arise on the assets of DTS, any of its Subsidiaries or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Secured Parties, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) DTS, any of its Subsidiaries or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Secured Parties is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, any Multiemployer Plan or (vi) any other similar event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could have a Material Adverse Effect;

(o) A Change of Control shall occur and (y) a majority of the Board of Directors of DTS has duly authorized and approved such Change of Control or (z) prior to such Change of Control, a Poison Pill was not enacted to prevent the same;

(p) Any Operative Agreement shall cease to be in full force and effect;

(q) Except as to any Credit Party which is released in connection with the Operative Agreements, the guaranty given by any Guarantor under the Participation Agreement or any provision thereof shall cease to be in full force and effect, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under such guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any guaranty; or

(r) A reasonable basis shall exist for the assertion against DTS or any of its Subsidiaries, or any predecessor in interest of DTS or any of its Subsidiaries, of (or there shall have been asserted against DTS or any of its Subsidiaries) an Environmental Claim that, in the judgment of the Majority Secured Parties, is reasonably likely to be determined adversely to DTS or any of its Subsidiaries, and the amount thereof (either individually or in the aggregate) is reasonably likely to have a Material Adverse Effect (insofar as such amount is payable by DTS or any of its Subsidiaries but after deducting any portion thereof that is reasonably expected to be paid by other creditworthy Persons jointly and severally liable therefor); then, in any such event, Lessor may, in addition to the other rights and remedies provided for in this Article XVII and in Section 18.1, terminate this Lease by giving each Lessee five (5) days notice of such termination (provided, notwithstanding the foregoing, this Lease shall be deemed to be automatically terminated without the giving of notice upon the occurrence of a Lease Event of Default under Sections 17.1(g)), and this Lease shall terminate, and all rights of each Lessee under this Lease shall cease. Each Lessee shall, to the fullest extent permitted by law, pay as Supplemental Rent all costs and expenses incurred by or on behalf of Lessor or any other Financing Party, including without limitation reasonable fees and expenses of counsel, as a result of any Lease Event of Default hereunder.

A POWER OF SALE HAS BEEN GRANTED IN THIS LEASE. A POWER OF SALE MAY ALLOW LESSOR TO TAKE THE PROPERTIES AND SELL THE PROPERTIES WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON THE OCCURRENCE OF A LEASE EVENT OF DEFAULT.

#### 17.2 Surrender of Possession.

If a Lease Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 17.1, each Lessee shall, upon thirty (30) days' written notice,

surrender to Lessor possession of each Property with respect to which such Lessee has executed a Lease Supplement. Lessor may enter upon and repossess the Properties by such means as are available at law or in equity, and may remove each applicable Lessee and all other Persons and any and all personal property and each Lessee's equipment and personalty and severable Modifications from the Properties. Lessor shall have no liability by reason of any such entry, repossession or removal performed in accordance with applicable law. Upon the written demand of Lessor, each Lessee shall return each Property with respect to which such Lessee has executed a Lease Supplement promptly to Lessor, in the manner and condition required by, and otherwise in accordance with the provisions of, Section 22.1(c) hereof.

#### 17.3 Reletting.

If a Lease Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 17.1, Lessor may, but shall be under no obligation to, relet any or all of the Properties, for the account of each applicable Lessee or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term) and on such conditions (which may include concessions or free rent) and for such purposes as Lessor may determine, and Lessor may collect, receive and retain the rents resulting from such reletting. Lessor shall not be liable to any Lessee for any failure to relet any Property or for any failure to collect any rent due upon such reletting.

#### 17.4 Damages.

Neither (a) the termination of this Lease as to all or any of the Properties pursuant to Section 17.1; (b) the repossession of all or any of the Properties; nor (c) the failure of Lessor to relet all or any of the Properties, the reletting of all or any portion thereof, nor the failure of Lessor to collect or receive any rentals due upon any such reletting, shall relieve any Lessee of its liabilities and obligations hereunder, all of which shall survive any such termination, repossession or reletting. If any Lease Event of Default shall have occurred and be continuing and notwithstanding any termination of this Lease pursuant to Section 17.1, each Lessee shall forthwith pay to Lessor all Rent and other sums due and payable hereunder by such Lessee to and including without limitation the date of such termination. Thereafter, on the days on which the Basic Rent or Supplemental Rent, as applicable, are payable under this Lease or would have been payable under this Lease if the same had not been terminated pursuant to Section 17.1 and until the end of the Term hereof or what would have been the Term in the absence of such termination, each applicable Lessee shall pay Lessor, as current liquidated damages (it being agreed that it would be impossible accurately to determine actual damages) an amount equal to the Basic Rent and Supplemental Rent that are payable by such Lessee under this Lease or would have been payable by such Lessee hereunder if this Lease had not been terminated pursuant to Section 17.1, less the net proceeds, if any, which are actually received by Lessor with respect to the period in question of any reletting of any Property with respect to which such Lessee has executed a Lease Supplement or any portion thereof; provided, that such Lessee's obligation to make payments of Basic Rent and Supplemental Rent under this Section 17.4 shall continue only so long as Lessor shall not have received the amounts specified in Section 17.6. In calculating the amount of such net proceeds from reletting, there shall be deducted all of Lessor's, any Holder's, the Agent's and any Lender's reasonable expenses in connection therewith, including without limitation repossession costs, brokerage or sales commissions, fees and expenses for counsel and any necessary repair or alteration costs and expenses incurred in preparation for such reletting. To the extent Lessor receives any damages pursuant to this Section 17.4, such amounts shall be regarded as amounts paid on account of Rent. Each Lessee specifically acknowledges and agrees that its obligations under this Section 17.4 shall be absolute and unconditional under any and all circumstances and shall be paid and/or performed, as the case may be, without notice or demand and without any abatement, reduction, diminution, setoff, defense, counterclaim or recoupment whatsoever.

#### 17.5 Power of Sale.

Without limiting any other remedies set forth in this Lease, Lessor and each Lessee agree that each Lessee has granted, pursuant to Section 7.1(b) hereof and each Lease Supplement, a Lien against each Property with respect to which such Lessee has executed a Lease Supplement WITH POWER OF SALE, and that, upon the occurrence and during the continuance of any Lease Event of Default, Lessor shall have the power and authority, to the extent provided by law, after prior notice and lapse of such time as may be required by law, to foreclose its interest (or cause such interest to be foreclosed) in all or any part of the Properties.

#### 17.6 Final Liquidated Damages.

If a Lease Event of Default shall have occurred and be continuing, whether or not this Lease shall have been terminated pursuant to Section 17.1 and whether or not Lessor shall have collected any current liquidated damages pursuant to Section 17.4, Lessor shall have the right to

recover, by demand to each Lessee as to each Property for which such Lessee has executed a Lease Supplement and at Lessor's election, and each Lessee shall pay to Lessor, as and for final liquidated damages, but exclusive of the indemnities payable under Section 11 of the Participation Agreement (which, if requested, shall be paid concurrently), and in lieu of all current liquidated damages beyond the date of such demand (it being agreed that it would be impossible accurately to determine actual damages) the Termination Value with respect to each Property for which such Lessee has executed a Lease Supplement. Upon payment of the amount specified pursuant to the first sentence of this Section 17.6, each applicable Lessee shall be entitled to receive from Lessor, either at such Lessee's request or upon Lessor's election, in either case at such Lessee's cost, an assignment of Lessor's entire right, title and interest in and to the applicable Properties, Improvements, Fixtures, Modifications, Equipment and all components thereof, in each case in recordable form and otherwise in conformity with local custom and free and clear of the Lien of this Lease (including without limitation the release of any memoranda of Lease and/or the Lease Supplement recorded in connection therewith) and any Lessor Liens. The applicable Properties shall be conveyed to such Lessee "AS-IS, WHERE-IS" and in their then present physical condition. If any statute or rule of law shall limit the amount of such final liquidated damages to less than the amount agreed upon, Lessor shall be entitled to the maximum amount allowable under such statute or rule of law; provided, however, no Lessee shall be entitled to receive an assignment of Lessor's interest in the Properties, the Improvements, Fixtures, Modifications, Equipment or the components thereof unless each Lessee shall have paid in full the Termination Value with respect to each Property for which such Lessee has executed a Lease Supplement. Each Lessee specifically acknowledges and agrees that its obligations under this Section 17.6 shall be absolute and unconditional under any and all circumstances and shall be paid and/or performed, as the case may be, without notice or demand and without any abatement, reduction, diminution, setoff, defense, counterclaim or recoupment whatsoever.

#### 17.7 Environmental Costs.

If a Lease Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 17.1, each Lessee shall pay directly to any third party (or at Lessor's election, reimburse Lessor) for the cost of any environmental testing and/or remediation work undertaken respecting any Property with respect to which such Lessee has executed a Lease Supplement, as such testing or work is deemed appropriate in the reasonable judgment of Lessor, and shall indemnify and hold harmless Lessor and each other Indemnified Person therefrom. Each Lessee shall pay all amounts referenced in the immediately preceding sentence within ten (10) days of any request by Lessor for such payment. The provisions of this Section 17.7 shall not limit the obligations of any Lessee under any Operative Agreement regarding indemnification obligations, environmental testing, remediation and/or work.

#### 17.8 Waiver of Certain Rights.

If this Lease shall be terminated pursuant to Section 17.1, each Lessee waives, to the fullest extent permitted by Law, (a) any right of redemption, re-entry or possession; (b) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt; and (c) any other rights which might otherwise limit or modify any of Lessor's rights or remedies under this Article XVII.

#### 17.9 Assignment of Rights Under Contracts.

If a Lease Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 17.1, each Lessee shall upon Lessor's demand immediately assign, transfer and set over to Lessor all of such Lessee's right, title and interest in and to each agreement executed by such Lessee in connection with the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of each Property with respect to which such Lessee has executed a Lease Supplement (including without limitation all right, title and interest of such Lessee with respect to all warranty, performance, service and indemnity provisions), as and to the extent that the same relate to the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of each Property with respect to which such Lessee has executed a Lease Supplement.

#### 17.10 Remedies Cumulative.

The remedies herein provided shall be cumulative and in addition to (and not in limitation of) any other remedies available at law, equity or otherwise, including without limitation any mortgage foreclosure remedies.

### ARTICLE XVIII

#### 18.1 Lessor's Right to Cure Lessees' Lease Defaults.

Lessor, without waiving or releasing any obligation or Lease Event of Default, may (but shall be under no obligation to) remedy any Lease Event of Default for the account and at the sole cost and expense of each applicable Lessee, including without limitation the failure by any Lessee to maintain the insurance required by Article XIV, and may, to the fullest extent permitted by law, and notwithstanding any right of quiet enjoyment in favor of any Lessee, enter upon any Property, and take all such action thereon as may be necessary or appropriate therefor. No such entry shall be deemed an eviction of any Lessee. All out-of-pocket costs and expenses so incurred (including without limitation fees and expenses of counsel), together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid by Lessor, shall be paid by the applicable Lessee to Lessor on demand.

#### ARTICLE XIX

##### 19.1 Provisions Relating to Any Lessee's Exercise of its Purchase Option.

Subject to Section 19.2, in connection with any termination of this Lease with respect to any Property pursuant to the terms of Section 16.2, or in connection with any Lessee's exercise of its Purchase Option, upon the date on which this Lease is to terminate with respect to any Property, and upon tender by any Lessee of the amounts set forth in Sections 16.2(b) or 20.2, as applicable, Lessor shall execute and deliver to such Lessee (or to such Lessee's designee) at such Lessee's cost and expense an assignment (by deed or other appropriate instrument) of Lessor's entire interest in such Property, in each case in recordable form and otherwise in conformity with local custom and free and clear of any Lessor Liens attributable to Lessor but without any other warranties (of title or otherwise) from Lessor. Such Property shall be conveyed to such Lessee "AS-IS, "WHERE-IS" and in then present physical condition.

##### 19.2 No Purchase or Termination With Respect to Less than All of a Property.

No Lessee shall be entitled to exercise its Purchase Option or the Sale Option separately with respect to a portion of any Property consisting of Land, Equipment, Improvements and/or any interest pursuant to a Ground Lease but shall be required to exercise its Purchase Option or the Sale Option with respect to an entire Property.

#### ARTICLE XX

##### 20.1 Purchase Option or Sale Option-General Provisions.

Not less than one hundred eighty (180) days (or respecting the Purchase Option only, not less than sixty (60) days) and no more than two hundred forty (240) days prior to the Expiration Date or, respecting the Purchase Option only, any Payment Date (such Expiration Date or, respecting the Purchase Option only, any such Payment Date being hereinafter referred to as the "Election Date"), the applicable Lessee respecting one or more Properties may give Lessor irrevocable written notice (the "Election Notice") that such Lessee is electing to exercise either (a) the option to purchase one or more Properties on the applicable Election Date (the "Purchase Option") or (b) with respect to an Election Notice given in connection with the Expiration Date only, the option to remarket one or more of such Properties to a Person other than Lessee or any Affiliate of Lessee and cause a sale of such Properties to occur on the applicable Election Date pursuant to the terms of Section 22.1 (the "Sale Option"). If the applicable Lessee does not give an Election Notice indicating the Purchase Option or the Sale Option at least one hundred eighty (180) days and not more than two hundred forty (240) days prior to the Expiration Date, then the applicable Lessee shall be deemed to have elected for the Purchase Option to apply with respect to all Properties for which the Lessee has executed a Lease Supplement on the Expiration Date. If the applicable Lessee shall elect (or be deemed to have elected) to exercise the Purchase Option for one or more Properties then the applicable Lessee shall pay to Lessor on the date on which such purchase is scheduled to occur an amount equal to the Termination Value for the affected Property or Properties (which the parties do not intend to be a "bargain" purchase price) and, upon receipt of such amounts and satisfaction of such obligations, Lessor shall transfer to the applicable Lessee all of Lessor's right, title and interest in and to such Property or Properties in accordance with Section 20.2.

##### 20.2 Lessee Purchase Option.

Provided, no Default or Event of Default shall have occurred and be continuing (other than those that will be cured by the payment of the Termination Value for one or more of the Properties) and provided, that the Election Notice has been appropriately given specifying the Purchase Option, the applicable Lessee shall purchase the Property or Properties identified (or deemed to be identified) in the applicable Election Notice on the applicable Election Date at a price equal to the Termination Value for such Property or

Properties (which the parties do not intend to be a "bargain" purchase price).

Subject to Section 19.2, in connection with any termination of this Lease with respect to any Property pursuant to the terms of Section 16.2, or in connection with a particular Lessee's exercise of its Purchase Option, upon the date on which this Lease is to terminate with respect to one or more Properties, and upon tender by Lessee of the amounts set forth in Section 16.2(b) or this Section 20.2, as applicable, Lessor shall execute, acknowledge (where required) and deliver to such Lessee, at such Lessee's cost and expense, each of the following: (a) a termination or assignment (as requested by the applicable Lessee) of each applicable Ground Lease and special or limited warranty Deeds conveying each affected Property (to the extent it is real property not subject to a Ground Lease) to the applicable Lessee free and clear of the Lien of this Lease, the Lien of the Credit Documents and any Lessor Liens; (b) a Bill of Sale conveying each affected Property (to the extent it is personal property) to the applicable Lessee free and clear of the Lien of this Lease, the Lien of the Credit Documents and any Lessor Liens; (c) any real estate tax affidavit or other document required by law to be executed and filed in order to record the applicable Deed and/or the applicable Ground Lease termination; and (d) FIRPTA affidavits. All of the foregoing documentation must be in form and substance reasonably satisfactory to Lessor. The applicable Property shall be conveyed to the applicable Lessee "AS-IS, WHERE-IS" and in then present physical condition.

If any Property is the subject of remediation efforts respecting Hazardous Substances at the applicable Election Date which could materially and adversely impact the Fair Market Sales Value of such Property (with materiality determined in Lessor's discretion), then the applicable Lessee shall be obligated to purchase each such Property pursuant to Section 20.2.

On the applicable Election Date on which a particular Lessee has elected to exercise its Purchase Option, such Lessee shall pay (or cause to be paid) to Lessor, the Bank and all other parties, as appropriate, the sum of all costs and expenses incurred by any such party in connection with the election by such Lessee to exercise its Purchase Option and all Rent and all other amounts then due and payable or accrued under this Lease and/or any other Operative Agreement.

#### 20.3 Third Party Sale Option.

(a) Provided, that (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Election Notice has been appropriately given specifying the Sale Option, the applicable Lessee shall undertake to cause a sale of the applicable Property or Properties on the applicable Election Date (all as specified in the Election Notice), in accordance with the provisions of Section 22.1 hereof. Such Election Date on which a sale is required may be hereafter referred to as the "Sale Date".

(b) In the event a particular Lessee exercises the Sale Option then, as soon as practicable and in all events not less than sixty (60) days prior to the Sale Date, such Lessee at its expense shall cause to be delivered to Lessor a Phase I environmental site assessment for each such Property recently prepared (no more than thirty (30) days old prior to the Sale Date) by an independent recognized professional reasonably acceptable to Lessor and in form, scope and content reasonably satisfactory to Lessor. In the event that Lessor shall not have received such environmental site assessment by the date sixty (60) days prior to the Sale Date or in the event that such environmental assessment shall reveal the existence of any material violation of Environmental Laws, other material Environmental Violation or potential material Environmental Violation (with materiality determined in each case by Lessor in its reasonable discretion), then such Lessee on the Sale Date shall pay to Lessor an amount equal to the Termination Value for the applicable Property or Properties and any and all other amounts due and owing hereunder. Upon receipt of such payment and all other amounts due under the Operative Agreements, Lessor shall transfer to such Lessee all of Lessor's right, title and interest in and to all the Properties in accordance with Section 19.1.

#### 20.4 Appointment of Dollar Tree as Agent for the Lessees with Respect to the Purchase Option or the Sale Option.

Each Lessee hereby appoints Dollar Tree to act as its agent, and Dollar Tree hereby accepts such appointment, for the purpose of providing the Election Notice pursuant to Section 20.1 on behalf of each of the Lessees.

### ARTICLE XXI

#### 21.1 [Intentionally Omitted].

### ARTICLE XXII

#### 22.1 Sale Procedure.

(a) During the Marketing Period, the Lessee that



has executed a Lease Supplement respecting one or more Properties for which the Sale Option has been elected, on behalf of Lessor, shall obtain bids for the cash purchase of such Property or Properties in connection with a sale to one (1) or more third party purchasers to be consummated on the Sale Date for the highest price available, shall notify Lessor promptly of the name and address of each prospective purchaser and the cash price which each prospective purchaser shall have offered to pay for each such Property and shall provide Lessor with such additional information about the bids and the bid solicitation procedure as Lessor may reasonably request from time to time. All such prospective purchasers must be Persons other than the applicable Lessee or any Affiliate of the applicable Lessee.

Lessor may reject any and all bids and may solicit and obtain bids by giving Lessee written notice to that effect; provided, however, that notwithstanding the foregoing, Lessor may not reject the bids for any Property submitted by the applicable Lessee if such bids, in the aggregate, are greater than or equal to the sum of the Limited Recourse Amount for such Property plus Closing Costs related to the sale of such Property, and represent bona fide offers from one (1) or more third party purchasers. If the highest price which a prospective purchaser or the prospective purchasers shall have offered to pay for a Property on the Sale Date is less than the sum of the Limited Recourse Amount for such Property plus Closing Costs related to the sale of such Property or if such bids do not represent bona fide offers from one (1) or more third parties or if there are no bids or if such Property is otherwise not sold on the Sale Date, Lessor may elect to retain such Property by giving the applicable Lessee prior written notice of Lessor's election to retain the same, and promptly upon receipt of such notice, the applicable Lessee shall surrender, or cause to be surrendered, each of the Properties specified in such notice in accordance with the terms and conditions of Section 10.1. Upon acceptance of any bid, Lessor agrees, at the applicable Lessee's request, to execute a contract of sale with respect to such sale, so long as the same is consistent with the terms of this Article 22 and provides by its terms that it is nonrecourse to Lessor.

Unless Lessor shall have elected to retain one or more of the Properties pursuant to the provisions of the preceding paragraph, the applicable Lessee shall arrange for Lessor to sell each other Property for which the Sale Option has been elected and a bid has been accepted free and clear of the Lien of this Lease and any Lessor Liens attributable to Lessor, without recourse or warranty (of title or otherwise), for cash on the Sale Date to the purchaser or purchasers offering the highest cash sales price, as identified by the applicable Lessee or Lessor, as the case may be; provided, however, solely as to Lessor or the Trust Company, in its individual capacity, any Lessor Lien shall not constitute a Lessor Lien so long as Lessor or the Trust Company, in its individual capacity, is diligently and in good faith contesting, at the cost and expense of Lessor or the Trust Company, in its individual capacity, such Lessor Lien by appropriate proceedings in which event the applicable Sale Date, all without penalty or cost to the applicable Lessee, shall be delayed for the period of such contest. To effect such transfer and assignment, Lessor shall execute, acknowledge (where required) and deliver to the appropriate purchaser each of the following: (a) special or limited warranty Deeds conveying each such Property (to the extent it is real property titled to Lessor) and an assignment of the Ground Lease conveying the leasehold interest of Lessor in each such Property (to the extent it is real property and subject to a Ground Lease) to the appropriate purchaser free and clear of the Lien of this Lease, the Lien of the Credit Documents and any Lessor Liens; (b) a Bill of Sale conveying each such Property (to the extent it is personal property) titled to Lessor to the appropriate purchaser free and clear of the Lien of this Lease, the Lien of the Credit Documents and any Lessor Liens; (c) any real estate tax affidavit or other document required by law to be executed and filed in order to record each Deed and/or each Ground Lease assignment; and (d) FIRPTA affidavits, as appropriate. All of the foregoing documentation must be in form and substance reasonably satisfactory to Lessor. The applicable Lessee shall surrender the Properties so sold or subject to such documents to each purchaser in the condition specified in Section 10.1, or in such other condition as may be agreed between the applicable Lessee and such purchaser. The applicable Lessee shall not take or fail to take any action which would have the effect of unreasonably discouraging bona fide third party bids for any Property. In the event any Property for which the Sale Option has been elected has not been sold by the Expiration Date, each applicable Lessee shall continue to use its best efforts to market all remaining unsold Properties.

(b) If any Property is sold on a Sale Date to a third party purchaser in accordance with the terms of Section 22.1(a) and the purchase price paid for such Property is less than the Property Cost for such Property (hereinafter such difference shall be referred to as the "Deficiency Balance"), then the Lessee that has executed a Lease

Supplement with respect to such Property hereby unconditionally promises to pay to Lessor on the Sale Date the lesser of (i) the Deficiency Balance, or (ii) the Maximum Residual Guarantee Amount for such Property. On a Sale Date if Lessor receives any amount in excess of the Termination Value for such Property from a third party purchaser, then Lessor shall pay to the applicable Lessee any such excess amounts. If one or more of the Properties are retained by Lessor pursuant to an affirmative election made by Lessor pursuant to the provisions of Section 22.1(a) or if any Property for which the Sale Option has been elected is not sold on or prior to the Expiration Date, then the Lessee that has executed a Lease Supplement with respect to such Property hereby unconditionally promises to pay to Lessor on the Sale Date an amount equal to the Maximum Residual Guarantee Amount for each such Property so retained, together with any and all Rent and all other amounts then due and owing by such Lessee to the Financing Parties pursuant to the Operative Agreements. Each Lessee shall also pay to the Bank, on the Expiration Date, such Lessee's pro rata share of the Remarketing Fee (based on the ratio of the Property Cost allocable to such retained Properties for which such Lessee has executed a Lease Supplement to the aggregate Property Cost for all Properties so retained). The failure to pay the Deficiency Balance or the Maximum Residual Guarantee Amount, the Remarketing Fee or any such other amounts referenced in this Section 22.1(b) shall constitute a Lease Event of Default.

Upon the sale to a third party purchaser (which is not a Subsidiary or Affiliate of any Credit Party) of any Property, provided that the Deficiency Balance or Maximum Residual Guarantee Amount, the Remarketing Fee and all such other amounts referenced in this Section 22.1(b) have been paid, the proceeds from the sale of such Property will be applied in accordance with Section 22.2.

(c) In the event that any Property is either sold to one (1) or more third party purchasers on the Sale Date or retained by Lessor in connection with an affirmative election made by Lessor pursuant to the provisions of Section 22.1(a), then in either case on the applicable Sale Date the applicable Lessee shall provide Lessor or such third party purchaser (unless otherwise agreed by such third party purchaser) with (i) all permits, certificates of occupancy, governmental licenses and authorizations necessary to use, operate, repair, access and maintain each such Property for the purpose it is being used by the applicable Lessee, and (ii) such manuals, permits, easements, licenses, intellectual property, know-how, rights-of-way and other rights and privileges in the nature of an easement as are reasonably necessary or desirable in connection with the use, operation, repair, access to or maintenance of each such Property for its intended purpose or otherwise as Lessor or such third party purchaser(s) shall reasonably request (and a royalty-free license or similar agreement to effectuate the foregoing on terms reasonably agreeable to Lessor or such third party purchaser(s), as applicable). All assignments, licenses, easements, agreements and other deliveries required by clauses (i) and (ii) of this paragraph (c) shall be in form reasonably satisfactory to Lessor or such third party purchaser(s), as applicable, and shall be fully assignable (including without limitation both primary assignments and assignments given in the nature of security) without payment of any fee, cost or other charge. The applicable Lessee shall also execute any documentation requested by Lessor or such third party purchaser(s), as applicable, evidencing the continuation or assignment of each Ground Lease.

(d) Notwithstanding the foregoing provisions of this Section 22.1 and the rights of each Lessee to remarket the Property or Properties with respect to which such Lessee has executed a Lease Supplement, Lessor and each other Financing Party at all times shall be permitted, but shall be under no duty, to market the Properties and solicit bids therefor.

#### 22.2 Application of Proceeds of Sale.

Lessor shall apply the proceeds of sale of each Property sold in the following order of priority:

(a) FIRST, to pay or to reimburse Lessor (and/or the Agent or any other Financing Party, as the case may be) for the payment of Closing Costs;

(b) SECOND, so long as the Credit Agreement is in effect and any Loans or Holder Advances or any amount is owing to the Financing Parties under any Operative Agreement, to the Agent to be allocated in accordance with Section 8.7 of the Participation Agreement; and

(c) THIRD, to the applicable Lessee.

#### 22.3 Indemnity for Excessive Wear.

If the proceeds of the sale described in Section 22.1 with respect to the Properties shall be less than the Limited Recourse Amount with respect to the Properties, and at the time of such sale it shall have been reasonably determined (pursuant to the Appraisal Procedure) that the Fair Market Sales Value of the Properties shall have been impaired by greater than expected wear and tear during the term of the Lease, each applicable Lessee shall pay to Lessor within ten (10) days after receipt of Lessor's written statement (i) the amount of such excess wear and tear determined by the Appraisal Procedure or (ii) the amount of the Sale Proceeds Shortfall, whichever amount is less.

#### 22.4 Appraisal Procedure.

For determining the Fair Market Sales Value of the Properties or any other amount which may, pursuant to any provision of any Operative Agreement, be determined by an appraisal procedure, Lessor and each applicable Lessee shall use the following procedure (the "Appraisal Procedure"). Lessor and each applicable Lessee shall endeavor to reach a mutual agreement as to such amount for a period of ten (10) days from commencement of the Appraisal Procedure under the applicable section of the Lease, and if they cannot agree within ten (10) days, then two (2) qualified appraisers, one (1) chosen by such Lessee and one (1) chosen by Lessor, shall mutually agree thereupon, but if either party shall fail to choose an appraiser within twenty (20) days after notice from the other party of the selection of its appraiser, then the appraisal by such appointed appraiser shall be binding on such Lessee and Lessor. If the two (2) appraisers cannot agree within twenty (20) days after both shall have been appointed, then a third appraiser shall be selected by the two (2) appraisers or, failing agreement as to such third appraiser within thirty (30) days after both shall have been appointed, by the American Arbitration Association. The decisions of the three (3) appraisers shall be given within twenty (20) days of the appointment of the third appraiser and the decision of the appraiser most different from the average of the other two (2) shall be discarded and such average shall be binding on Lessor and such Lessee; provided, that if the highest appraisal and the lowest appraisal are equidistant from the third appraisal, the third appraisal shall be binding on Lessor and such Lessee. The fees and expenses of the appraiser appointed by such Lessee shall be paid by such Lessee; the fees and expenses of the appraiser appointed by Lessor shall be paid by Lessor (such fees and expenses not being indemnified pursuant to Section 11 of the Participation Agreement); and the fees and expenses of the third appraiser shall be divided equally between such Lessee and Lessor (such fees and expenses not being indemnified pursuant to Section 11 of the Participation Agreement).

### ARTICLE XXIII

#### 23.1 Holding Over.

If any Lessee shall for any reason remain in possession of a Property after the expiration or earlier termination of this Lease as to such Property (unless such Property is conveyed to such Lessee), such possession shall be as a tenancy at sufferance during which time such Lessee shall continue to pay Supplemental Rent that would be payable by such Lessee hereunder were the Lease then in full force and effect with respect to such Property and such Lessee shall continue to pay Basic Rent allocable to such Lessee at the lesser of the highest lawful rate and one hundred ten percent (110%) of the last payment of Basic Rent due with respect to such Property prior to such expiration or earlier termination of this Lease. Such Basic Rent shall be payable from time to time upon demand by Lessor and such additional amount of Basic Rent shall be applied by Lessor ratably to the Lenders and the Holders based on their relative amounts of the then outstanding aggregate Property Cost for all Properties. During any period of tenancy at sufferance, such Lessee shall, subject to the second preceding sentence, be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenants at sufferance, to continue their occupancy and use of such Property. Nothing contained in this Article XXIII shall constitute the consent, express or implied, of Lessor to the holding over of any Lessee after the expiration or earlier termination of this Lease as to any Property (unless such Property is conveyed to such Lessee) and nothing contained herein shall be read or construed as preventing Lessor from maintaining a suit for possession of such Property or exercising any other remedy available to Lessor at law or in equity.

### ARTICLE XXIV

#### 24.1 Risk of Loss.

During the Term, unless any applicable Lessee shall not be in actual possession of any Property in question solely by reason of Lessor's exercise of its remedies of dispossession under Article XVII, the risk of loss or decrease in the enjoyment and beneficial use of such Property as a result of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise is assumed by such Lessee, and Lessor shall in no event be answerable or accountable therefor.

ARTICLE XXV

25.1 Assignment.

(a) No Lessee may assign this Lease or any of its rights or obligations hereunder or with respect to any Property with respect to which such Lessee has executed a Lease Supplement in whole or in part to any Person without the prior written consent of the Agent, the Lenders, the Holders and Lessor (except for any assignment arising by operation of law as a result of a merger of such Lessee permitted without consent under Section 6.4 of the Lessee Credit Agreement).

(b) No assignment by any Lessee (referenced in this Section 25.1 or otherwise) or other relinquishment of possession to any Property with respect to which such Lessee has executed a Lease Supplement shall in any way discharge or diminish any of the obligations of such Lessee to Lessor hereunder and such Lessee shall remain directly and primarily liable under the Operative Agreements as to any rights or obligations assigned by such Lessee or regarding any such Property in which rights or obligations have been assigned or otherwise transferred.

25.2 Subleases.

(a) Promptly, but in any event within five (5) Business Days, following the execution and delivery of any sublease permitted by this Article XXV, Lessee shall notify Lessor of the execution of such sublease. As of the date of each Lease Supplement, each Lessee that has executed a Lease Supplement shall lease the respective Property described in such Lease Supplement from Lessor, and any existing tenant respecting such Property shall automatically be deemed to be a subtenant of the applicable Lessee with respect to such Property and not a tenant of Lessor.

(b) Without the prior written consent of the Agent, any Lender, any Holder or Lessor, (i) the Stockton Sublease shall be permitted, and (ii) subject to the other provisions of this Section 25.2, any Lessee may sublet any Property or portion thereof to any wholly-owned Subsidiary of such Lessee or DTS; provided, however, no such sublease otherwise permitted under this Section 25.2(b) (ii) shall be permitted with respect to the Property located in Stockton, California and more particularly described in Lease Supplement No. 1 while the Stockton Sublease is in effect. Except as referenced in the immediately preceding sentence, no other subleases shall be permitted unless consented to in writing by Lessor. Except with respect to the Stockton Sublease, all subleasing shall be done on market terms and shall in no way diminish the fair market value or useful life of any applicable Property.

(c) No sublease (referenced in this Section 25.2 or otherwise) or other relinquishment of possession to any Property shall in any way discharge or diminish any of any Lessee's obligations to Lessor hereunder and each Lessee shall remain directly and primarily liable under this Lease as to each Property with respect to which such Lessee has executed a Lease Supplement, or portion thereof, so sublet. The term of any such sublease shall not extend beyond the Term. Each sublease shall be expressly subject and subordinate to this Lease.

ARTICLE XXVI

26.1 No Waiver.

No failure by Lessor or any Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy upon a default hereunder, and no acceptance of full or partial payment of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. To the fullest extent permitted by law, no waiver of any default shall affect or alter this Lease, and this Lease shall continue in full force and effect with respect to any other then existing or subsequent default.

ARTICLE XXVII

27.1 Acceptance of Surrender.

No surrender to Lessor of this Lease or of all or any portion of any Property or of any part of any thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or the Agent or any representative or agent of Lessor or the Agent, other than a written acceptance, shall constitute an acceptance of any

such surrender.

27.2 No Merger of Title.

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate, (b) any right, title or interest in any Property, (c) any Notes, or (d) a beneficial interest in Lessor.

ARTICLE XXVIII

28.1 Incorporation of Covenants.

Reference is made to the Lessee Credit Agreement and the representations and warranties of the Credit Parties contained in Article III of the Lessee Credit Agreement (hereinafter referred to as the "Incorporated Representations and Warranties") and the covenants contained in Articles V and VI of the Lessee Credit Agreement, exclusive of the covenants set forth in Sections 5.4(a) and 6.4 of the Lessee Credit Agreement (hereinafter referred to as the "Incorporated Covenants"). Lessee agrees with Lessor that the Incorporated Representations and Warranties and the Incorporated Covenants (and all other relevant provisions of the Lessee Credit Agreement related thereto, including without limitation the defined terms contained in Section 1.1 thereof which are used in the Incorporated Representations and Warranties and the Incorporated Covenants, hereinafter referred to as the "Additional Incorporated Terms") are hereby incorporated into this Lease to the same extent and with the same effect as if set forth fully herein and shall inure to the benefit of Lessor, without giving effect to any waiver, amendment, modification or replacement of the Lessee Credit Agreement or any term or provision of the Incorporated Representations and Warranties or the Incorporated Covenants occurring subsequent to the date of this Lease, except to the extent otherwise specifically provided in the following provisions of this paragraph. In the event a waiver is granted under the Lessee Credit Agreement or an amendment or modification is executed with respect to the Lessee Credit Agreement, and such waiver, amendment and/or modification affects the Incorporated Representations and Warranties, the Incorporated Covenants or the Additional Incorporated Terms, then such waiver, amendment or modification shall be effective with respect to the Incorporated Representations and Warranties, the Incorporated Covenants and the Additional Incorporated Terms as incorporated by reference into this Lease only if consented to in writing by the Agent (acting upon the direction of the Majority Secured Parties). In the event of any replacement of the Lessee Credit Agreement with a similar credit facility (the "New Facility") the representations and warranties, covenants and additional terms contained in the New Facility which correspond to the representations and warranties, covenants contained in Article III and Articles V and VI, exclusive of the covenants set forth in Sections 5.4(a) and 6.4 of the Lessee Credit Agreement, respectively, and such additional terms (each of the foregoing contained in the Lessee Credit Agreement) shall become the Incorporated Representations and Warranties, the Incorporated Covenants and the Additional Incorporated Terms only if consented to in writing by the Agent (acting upon the direction of the Majority Secured Parties) and, if such consent is not granted or if the Lessee Credit Agreement is terminated and not replaced, then the representations and warranties and covenants contained in Article III and Articles V and VI, exclusive of the covenants set forth in Sections 5.4(a) and 6.4 of the Lessee Credit Agreement, respectively, and such additional terms (each of the foregoing contained in the Lessee Credit Agreement (together with any modifications or amendments approved in accordance with this paragraph)) shall continue to be the Incorporated Representations and Warranties, the Incorporated Covenants and the Additional Incorporated Terms hereunder.

ARTICLE XXIX

29.1 Notices.

All notices required or permitted to be given under this Lease shall be in writing and delivered as provided in the Participation Agreement.

ARTICLE XXX

30.1 Miscellaneous.

Anything contained in this Lease to the contrary notwithstanding, all claims against and liabilities of any Lessee or Lessor arising from events commencing prior to the expiration or earlier termination of this Lease shall survive such expiration or earlier termination. If any provision of this Lease shall be held to be unenforceable in any jurisdiction, such unenforceability shall not affect the enforceability of any other provision of this Lease and such jurisdiction or of such provision or of any other provision hereof in any other jurisdiction.

30.2 Amendments and Modifications.

Neither this Lease nor any Lease Supplement may be amended, waived, discharged or terminated except in accordance with the provisions of Section 12.4 of the Participation Agreement.

30.3 Successors and Assigns.

All the terms and provisions of this Lease shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

30.4 Headings and Table of Contents.

The headings and table of contents in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

30.5 Counterparts.

This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one (1) and the same instrument.

30.6 GOVERNING LAW.

THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE LAWS OF THE STATE WHERE A PARTICULAR PROPERTY IS LOCATED ARE REQUIRED TO APPLY.

30.7 Calculation of Rent.

All calculation of Rent payable hereunder shall be computed based on the actual number of days elapsed over a year of three hundred sixty (360) days or, to the extent such Rent is based on the Prime Lending Rate, three hundred sixty-five (365) (or three hundred sixty-six (366), as applicable) days.

30.8 Memoranda of Lease and Lease Supplements.

This Lease shall not be recorded; provided, Lessor and each applicable Lessee shall, subject to Section 8.10 of the Participation Agreement, promptly record (a) a memorandum of this Lease and the applicable Lease Supplement (in substantially the form of Exhibit B attached hereto) or a short form lease (in form and substance reasonably satisfactory to Lessor) regarding each Property with respect to which such Lessee has executed a Lease Supplement promptly after the acquisition thereof in the local filing office with respect thereto, in all cases at such Lessee's cost and expense, and as required under applicable law to sufficiently evidence this Lease and any such Lease Supplement in the applicable real estate filing records.

30.9 Allocations between the Lenders and the Holders.

Notwithstanding any other term or provision of this Lease to the contrary, the allocations of the proceeds of the Properties and any and all other Rent and other amounts received hereunder shall be subject to the inter-creditor provisions between the Lenders and the Holders contained in the Operative Agreements (or as otherwise agreed among the Lenders and the Holders from time to time).

30.10 Limitations on Recourse.

Notwithstanding anything contained in this Lease to the contrary, each Lessee agrees to look solely to Lessor's estate and interest in the Properties (and in no circumstance to the Agent, the Lenders, the Holders or otherwise to Lessor) for the collection of any judgment requiring the payment of money by Lessor in the event of liability by Lessor, and no other property or assets of Lessor or any shareholder, owner or partner (direct or indirect) in or of Lessor, or any director, officer, employee, beneficiary, Affiliate of any of the foregoing shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of any Lessee under or with respect to this Lease, the relationship of Lessor and any Lessee hereunder or any Lessee's use of the Properties or any other liability of Lessor to any Lessee. Nothing in this Section shall be interpreted so as to limit the terms of Sections 6.1 or 6.2 or the provisions of Section 12.9 of the Participation Agreement.

30.11 WAIVERS OF JURY TRIAL.

EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY, TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW, WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS LEASE AND FOR ANY COUNTERCLAIM THEREIN.

30.12 Exercise of Lessor Rights.

Each Lessee hereby acknowledges and agrees that the rights and powers of Lessor under this Lease have been assigned to the Agent pursuant to the terms of the Security Agreement and the other Operative Agreements. Lessor and each Lessee hereby acknowledge and agree that (a) the Agent shall, in its discretion, direct and/or act on behalf of Lessor pursuant to the provisions of Sections 8.2(h) and 8.6 of the Participation Agreement, (b) all notices to be given to Lessor shall be given to the Agent and (c) all notices to be given by Lessor may be given by the Agent, at its election.

30.13 SUBMISSION TO JURISDICTION; VENUE; ARBITRATION.

THE PROVISIONS OF THE PARTICIPATION AGREEMENT RELATING TO SUBMISSION TO JURISDICTION, VENUE AND ARBITRATION ARE HEREBY INCORPORATED BY REFERENCE HEREIN, MUTATIS MUTANDIS.

30.14 USURY SAVINGS PROVISION.

IT IS THE INTENT OF THE PARTIES HERETO TO CONFORM TO AND CONTRACT IN STRICT COMPLIANCE WITH APPLICABLE USURY LAW FROM TIME TO TIME IN EFFECT. TO THE EXTENT ANY RENT OR PAYMENTS HEREUNDER ARE HEREINAFTER CHARACTERIZED BY ANY COURT OF COMPETENT JURISDICTION AS THE REPAYMENT OF PRINCIPAL AND INTEREST THEREON, THIS SECTION 30.14 SHALL APPLY. ANY SUCH RENT OR PAYMENTS SO CHARACTERIZED AS INTEREST MAY BE REFERRED TO HEREIN AS "INTEREST." ALL AGREEMENTS AMONG THE PARTIES HERETO ARE HEREBY LIMITED BY THE PROVISIONS OF THIS PARAGRAPH WHICH SHALL OVERRIDE AND CONTROL ALL SUCH AGREEMENTS, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER WRITTEN OR ORAL. IN NO WAY, NOR IN ANY EVENT OR CONTINGENCY (INCLUDING WITHOUT LIMITATION PREPAYMENT OR ACCELERATION OF THE MATURITY OF ANY OBLIGATION), SHALL ANY INTEREST TAKEN, RESERVED, CONTRACTED FOR, CHARGED, OR RECEIVED UNDER THIS LEASE OR OTHERWISE, EXCEED THE MAXIMUM NONUSURIOUS AMOUNT PERMISSIBLE UNDER APPLICABLE LAW. IF, FROM ANY POSSIBLE CONSTRUCTION OF ANY OF THE OPERATIVE AGREEMENTS OR ANY OTHER DOCUMENT OR AGREEMENT, INTEREST WOULD OTHERWISE BE PAYABLE IN EXCESS OF THE MAXIMUM NONUSURIOUS AMOUNT, ANY SUCH CONSTRUCTION SHALL BE SUBJECT TO THE PROVISIONS OF THIS PARAGRAPH AND SUCH AMOUNTS UNDER SUCH DOCUMENTS OR AGREEMENTS SHALL BE AUTOMATICALLY REDUCED TO THE MAXIMUM NONUSURIOUS AMOUNT PERMITTED UNDER APPLICABLE LAW, WITHOUT THE NECESSITY OF EXECUTION OF ANY AMENDMENT OR NEW DOCUMENT OR AGREEMENT. IF LESSOR SHALL EVER RECEIVE ANYTHING OF VALUE WHICH IS CHARACTERIZED AS INTEREST WITH RESPECT TO THE OBLIGATIONS OWED HEREUNDER OR UNDER APPLICABLE LAW AND WHICH WOULD, APART FROM THIS PROVISION, BE IN EXCESS OF THE MAXIMUM LAWFUL AMOUNT, AN AMOUNT EQUAL TO THE AMOUNT WHICH WOULD HAVE BEEN EXCESSIVE INTEREST SHALL, WITHOUT PENALTY, BE APPLIED TO THE REDUCTION OF THE COMPONENT OF PAYMENTS DEEMED TO BE PRINCIPAL AND NOT TO THE PAYMENT OF INTEREST, OR REFUNDED TO THE APPLICABLE LESSEE OR ANY OTHER PAYOR THEREOF, IF AND TO THE EXTENT SUCH AMOUNT WHICH WOULD HAVE BEEN EXCESSIVE EXCEEDS THE COMPONENT OF PAYMENTS DEEMED TO BE PRINCIPAL. THE RIGHT TO DEMAND PAYMENT OF ANY AMOUNTS EVIDENCED BY ANY OF THE OPERATIVE AGREEMENTS DOES NOT INCLUDE THE RIGHT TO RECEIVE ANY INTEREST WHICH HAS NOT OTHERWISE ACCRUED ON THE DATE OF SUCH DEMAND, AND LESSOR DOES NOT INTEND TO CHARGE OR RECEIVE ANY UNEARNED INTEREST IN THE EVENT OF SUCH DEMAND. ALL INTEREST PAID OR AGREED TO BE PAID TO LESSOR SHALL, TO THE EXTENT PERMITTED BY APPLICABLE LAW, BE AMORTIZED, PRORATED, ALLOCATED, AND SPREAD THROUGHOUT THE FULL STATED TERM (INCLUDING WITHOUT LIMITATION ANY RENEWAL OR EXTENSION) OF THIS LEASE SO THAT THE AMOUNT OF INTEREST ON ACCOUNT OF SUCH PAYMENTS DOES NOT EXCEED THE MAXIMUM NONUSURIOUS AMOUNT PERMITTED BY APPLICABLE LAW.

[signature pages follow]

DTSD Realty Trust 1999-1

IN WITNESS WHEREOF, the parties have caused this Lease to be duly executed and delivered as of the date first above written.

FIRST SECURITY BANK,  
NATIONAL ASSOCIATION, as  
Owner Trustee under the  
DTSD Realty Trust 1999-1,  
as Lessor

By: /s/ Val T. Orton

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Name: Val T. Orton

-----  
Title: Vice President  
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[signature pages continue]

DOLLAR TREE DISTRIBUTION, INC., as a Lessee

By: /s/ Frederick C. Coble

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Name: Frederick C. Coble

-----  
Title: Senior Vice President  
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[signature pages continue]

DT KEYSTONE DISTRIBUTION, R.L.L.L.P., as a Lessee, by  
DT Keystone Management, Inc., its general partner

By: /s/ Frederick C. Coble

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Name: Frederick C. Coble

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Title: Senior Vice President  
-----

[signature pages continue]

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

FIRST UNION NATIONAL BANK, as the Agent

By: /s/ Evander S. Jones, Jr.

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Name: Evander S. Jones, Jr.

-----  
Title: Vice President  
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[signature pages end]



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. The registrant is also the parent of Dollar Express, Inc., a Pennsylvania company. Certain other subsidiaries are not included because, when considered in the aggregate as a single subsidiary, they do not constitute a significant subsidiary as of December 31, 2000.

Independent Auditors' Consent

The Board of Directors  
Dollar Tree Stores, Inc.:

We consent to incorporation by reference in the registration statements (Nos. 33-92812, 33-92814, 33-92816, 333-38735, 333-61139, 333-41428 and 333-35916) on Forms S-3 and S-8 of Dollar Tree Stores, Inc., of our report dated January 23, 2001 relating to the consolidated balance sheets of Dollar Tree Stores, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated income statements, statements of shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000, which report is included herein.

/s/ KPMG LLP

Norfolk, Virginia  
March 28, 2001