FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

( ) Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

COMMISSION FILE NUMBER: 0-25464

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

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

2555 ELLSMERE AVENUE
NORFOLK COMMERCE PARK
NORFOLK, VIRGINIA 23513
(Address of principal executives office)

TELEPHONE NUMBER (757) 321-5000
(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes (X) No ( )

As of November 1, 1997, there were 39,131,538 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.
and subsidiaries

INDEX

<TABLE>
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DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	(Unaudited) September 30, 1997	December 31, 1996
ASSETS		
Current assets:		
<S>	<C>	<C>
Cash	$ 4,638	$ 2,987
Accounts receivable	1,220	1,855
Merchandise inventories	133,150	75,081
Deferred tax asset	2,800	2,002
Prepaid expenses and other current assets	3,795	4,028
Total current assets	145,603	85,953
Property and equipment, net	70,581	36,035
Deferred tax asset	2,133	1,947
Goodwill, net	44,960	46,405
Other assets, net	1,122	759
TOTAL ASSETS	$264,399	$171,099
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of revolving credit facility	$ 12,500	$ --
Accounts payable	46,774	35,296
Accrued liabilities	14,330	14,260
Income taxes payable	1,742	12,607
Current installments of obligations under capital leases	309	302
Total current liabilities	75,655	62,465
Revolving credit facility, excluding current installments	30,000	3,000
Long-term senior notes (note 4)	30,000	--
Obligations under capital leases, excluding current installments	817	1,051
Other liabilities	3,798	2,993
Total liabilities	140,270	69,509
Shareholders' equity:		
Common stock, par value $0.01. Authorized 100,000,000 shares, 39,120,712 shares issued and outstanding at September 30, 1997 and 38,847,258 shares issued and outstanding at December 31, 1996 (note 2)	391	259
Additional paid-in capital	35,703	31,555
Retained earnings	88,035	69,776
Total shareholders' equity	124,129	101,590
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$264,399	$171,099

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

<TABLE>
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DOLLAR TREE STORES, INC.

AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
<S>	<C>	<C>	<C>	<C>
Net sales	$142,386	$110,588	$389,464	$298,252
Cost of sales	88,550	68,698	248,173	191,633
Gross profit	53,836	41,890	141,291	106,619
Selling, general, and administrative expenses:				
Operating expenses	35,444	28,075	99,973	77,843
Depreciation and amortization	3,327	2,681	9,422	7,486
Total selling, general and administrative expenses	38,771	30,756	109,395	85,329
Operating income	15,065	11,134	31,896	21,290
Interest expense	971	1,408	2,209	4,032
Income before income taxes	14,094	9,726	29,687	17,258
Provision for income taxes	5,425	3,748	11,428	6,646
Net income	$ 8,669	$ 5,978	$ 18,259	$ 10,612
Net income per share (notes 2 and 3)	$ 0.20	$ 0.14	$ 0.42	$ 0.25
Weighted average number of common shares and common share equivalents outstanding (notes 2 and 3):				
Primary	43,576	42,996	43,606	42,286
Fully diluted	43,625	43,060	43,625	42,383

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

<TABLE>
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DOLLAR TREE STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 1997	1996
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	$ 18,259	$ 10,612
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,422	7,485
Loss on disposal of property and equipment	77	258
Provision for deferred income taxes	(984)	(664)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents, (1996 shown net of effects resulting from purchase of Dollar Bills, Inc.):		
Accounts receivable	635	(411)
Merchandise inventories	(58,069)	(56,291)
Prepaid expenses and other current assets	233	(1,527)
Other assets	(160)	267
Accounts payable	11,478	10,971
Accrued liabilities	70	(1,105)
Income taxes payable	(8,269)	(7,412)
Other liabilities	805	57
Total adjustments	(44,762)	(48,372)
Net cash used in operating activities	(26,503)	(37,760)
Cash flows from investing activities:		
Capital expenditures	(42,600)	(12,495)
Proceeds from sale of property and equipment	--	23
Payment for purchase of Dollar Bills, Inc., net of cash acquired	--	(52,209)
Net cash used in investing activities	(42,600)	(64,681)
Cash flows from financing activities:		
Proceeds from development facility	--	92,630
Repayment of development facility	--	(52,630)
Proceeds from revolving credit facility	183,400	--
Repayment of revolving credit facility and facility fees	(144,103)	--
Proceeds from long-term senior notes	30,000	--
Net change in notes payable to bank	--	29,600
Repayment of senior and junior subordinated notes	--	(14,000)
Principal payments under capital lease obligations	(227)	(174)
Proceeds from options exercised and purchase of shares under ESPP	1,684	2,902

Proceeds from public offering	--	25,819
Net cash provided by financing activities	70,754	84,147
Net increase (decrease) in cash and cash equivalents	1,651	(18,294)
Cash and cash equivalents at beginning of period	2,987	22,415
Cash and cash equivalents at end of period	$ 4,638	$ 4,121

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of Dollar Tree Stores, Inc. and subsidiaries (the "Company") at September 30, 1997, and for the three- and nine-month periods then ended, are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations for the year ended December 31, 1996, contained in the Company's Annual Report on Form 10- K. The results of operations for the three- and nine-month periods ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1997.

2. STOCK SPLIT

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

3. STOCK OPTION PLAN, STOCK INCENTIVE PLAN, EMPLOYEE STOCK PURCHASE PLAN AND UNATTACHED WARRANTS

The Company maintains a stock option plan ("SOP") which was established on December 16, 1993 and a stock incentive plan ("SIP") which was established on January 1, 1995. No additional shares may be granted under the SOP. Under the original terms of the SIP, options for no more than 405,000 shares of common stock may be granted in any calendar year. This restriction on the number of shares granted in any one year was removed by the Board of Directors in a unanimous consent signed March 18, 1997. The Company's shareholders approved an increase in the total number of shares issuable under the SIP from 1,350,000 to 3,600,000 on June 4, 1997.

At September 30, 1997 and 1996, options for the following numbers of shares were outstanding under each plan:

PLAN	Options for Shares Outstanding at September 30, 1997	September 30, 1996	Exercise Price/Range
SOP	308,975	513,684	$ 1.93
SIP	1,083,116	720,137	$ 6.67 - 35.83

The options above include options for 2,250 shares granted during the third quarter of 1997 which are not included in the earnings per share calculation.

On January 1, 1995, the Company also established the Dollar Tree Stores, Inc. Employee Stock Purchase Plan (the "ESPP"). The Company reserved 337,500 shares of common stock for future issuance under the ESPP. The ESPP enables eligible employees, as defined in the ESPP, to buy shares of common stock for 85% of fair market value on the first day or the last day of the applicable offering period, whichever is lower. As of September 30, 1997, 24,560 shares have been purchased under the ESPP.

Additionally, in 1993 and 1994, the Company issued unattached warrants to purchase a total of 3,723,262 shares of Common Stock to certain shareholders. These warrants carry an exercise price of $1.29 and may be exercised at any time.

The Company will adopt Statement of Financial Accounting Standards No. 128, Earnings Per Share, for the year ended December 31, 1997. This accounting pronouncement replaces the calculation and presentation of primary earnings per share with basic earnings per share and of fully diluted earnings per share with diluted earnings per share. Under SFAS No. 128, the pro forma basic earnings per share would have been $0.22 for the three months and $0.47 for the nine months ended September 30, 1997. The Company believes that diluted earnings per share under SFAS No. 128 will approximate the Company's fully diluted earnings per share as reported.

4. ISSUANCE OF DEBT

On April 30, 1997, the Company issued $30.0 million of Senior Unsecured Notes (the "Notes") due April 30, 2004. The principal amount of the Notes is payable in five equal annual installments of $6.0 million beginning May 2000. Interest is payable semi-annually at a fixed rate of 7.29%. The Notes contain restrictive covenants which, among other things, require the Company to maintain certain financial ratios. The Notes rank pari passu with all other senior unsecured indebtedness.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD LOOKING STATEMENTS. The Company has made in this Report, and from time to time may otherwise make, forward looking statements regarding the Company's operations, economic performance, and financial condition. These statements are recognizable by the incorporation of words such as "believe," "anticipate" and "expect." Such forward looking statements are subject to various risks and uncertainties, as discussed throughout this Report, as summarized in the Company's 1996 Annual Report on Form 10-K under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward Looking Statements," and as detailed in the Company's most recent prospectus, dated June 19, 1997, under the caption "Risk Factors."

THE THREE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

RESULTS OF OPERATIONS AND GENERAL COMMENTS

Net sales increased $31.8 million, or 28.8%, to $142.4 million for the three months ended September 30, 1997, from $110.6 million for the three months ended September 30, 1996. Of this increase, (i) approximately 75%, or $23.9 million, was attributable to stores opened in 1996 and 1997 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 25%, or $7.9 million, was attributable to comparable store net sales growth, which represented a 7.4% increase over comparable store net sales in the corresponding quarter of the prior period. Dollar Bills stores, which were added on January 31, 1996, are included in the comparable store net sales percentage calculation. Because substantially all the Company's products sell for $1.00, the increase in comparable store net sales was a direct result of increased unit volume. Management believes that a strong in-stock inventory position throughout the quarter, coupled with a favorable retail environment, contributed to the comparable store net sales increase. The Company opened 54 new stores and closed one store during the third quarter of 1997, compared to opening 26 new stores during the third quarter of 1996.

Management anticipates that the primary source of future net sales growth will be new store openings and, to a lesser degree, sales increases from expanded and relocated stores and comparable store net sales increases. Although the Company has experienced significant increases in comparable store net sales historically, management expects that any increases in comparable store net sales in the future will be smaller than those experienced historically.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased $11.9 million, or 28.5%, to $53.8 million in the third quarter of 1997 from $41.9 million in the third quarter of 1996. As a percentage of net sales, gross profit decreased slightly to 37.8% from 37.9%, primarily due to an increase in distribution costs as a percentage of sales offset by a decrease in merchandise costs (including freight). The increase in distribution costs is due in part to costs relating to the Company's new Store Support Center in Chesapeake, Virginia, which is

expected to be operational in the first quarter of 1998.

Selling, general and administrative expenses ("SGA"), which include operating expenses and depreciation and amortization, increased $8.0 million, or 26.1%, to $38.8 million in the third quarter of 1997 from $30.8 million in the third quarter of 1996, and decreased as a percentage of net sales to 27.2% from 27.8% during the same period. This decrease in SGA expense is primarily due to the positive effect of the comparable store net sales increase on fixed costs and to lower legal fees in the current year compared to 1996.

Operating income increased $3.9 million, or 35.3%, to $15.1 million for the third quarter of 1997 from $11.1 million for the comparable period in 1996, and increased as a percentage of net sales to 10.6% from 10.1% during the same period for the reasons noted above.

INTEREST EXPENSE

Interest expense decreased $0.4 million in the third quarter of 1997 compared to the third quarter of 1996 to $1.0 million from $1.4 million during the same period. This decrease is primarily a result of the capitalization of interest related to the construction of the new Store Support Center.

THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

RESULTS OF OPERATIONS AND GENERAL COMMENTS

Net sales increased $91.2 million, or 30.6%, to $389.5 million for the nine months ended September 30, 1997, from $298.3 million for the nine months ended September 30, 1996. Of this increase, (i) approximately 65%, or $58.8 million, was attributable to stores opened in 1996 and 1997 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 35%, or $32.4 million, was attributable to comparable store net sales growth, which represented a 9.1% increase over comparable store net sales in the corresponding prior year period. Dollar Bills stores are included in the comparable store net sales percentage calculation for the full nine month period, beginning January 1, of each respective year. Because substantially all the Company's products sell for $1.00, the increase in comparable store net sales was a direct result of increased unit volume. The Company opened 129 new stores and closed one store during the first nine months of 1997 compared to opening 79 new stores and closing three stores during the first nine months of 1996.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased $34.7 million, or 32.5%, to $141.3 million in the first nine months of 1997 from $106.6 million in the first nine months of 1996. As a percentage of net sales, gross profit increased to 36.3% from 35.7%, primarily due to improved merchandise costs (including freight), offset by increased distribution costs and a slight increase in inventory shrinkage and markdowns as a percentage of net sales. Merchandise costs as a percentage of net sales improved primarily as a result of higher sales of foreign-sourced merchandise, which carries a higher gross

margin than domestic goods, in the current period compared to last year. This is due in part to the change in merchandise mix, year over year, in the Dollar Bills stores, which were operating with a heavier consumable product emphasis in the first half of 1996. Throughout 1996, the merchandise mix at Dollar Bills stores was changed to more closely resemble the mix at Dollar Tree stores. As a consequence, management does not expect the increase in gross profit realized in the first three quarters of 1997 to continue at the same rate in the future. Distribution costs increased as a result of start-up costs inherent in the installation of the Company's new Warehouse Management System, which was installed in all three distribution centers in early 1997, and costs relating to the Company's new Store Support Center in Chesapeake, Virginia. Management expects the slight increase in distribution costs to continue through the first quarter of 1998, when the new facility will be put into use, but believes it will not materially affect the Company's results of operations.

SGA increased $24.1 million, or 28.2%, to $109.4 million in the first nine months of 1997 from $85.3 million in the first nine months of 1996, and decreased as a percentage of net sales to 28.1% from 28.6% during the same period. This decrease is primarily attributable to approximately $2.0 million in non-recurring expenses incurred in 1996 as a result of the Dollar Bills acquisition. Excluding these non-recurring costs, SGA increased as a percentage of net sales to 28.1% in the first nine months of 1997 from 27.9% in the first nine months of 1996, primarily due to increased hourly payroll costs resulting from the federally mandated minimum wage increase. Management anticipates that the additional $0.40 per hour increase in minimum wage, implemented in September 1997, will increase hourly payroll costs by $650,000 to $750,000 above otherwise expected levels during the four month period ending December 31, 1997.

Operating income increased $10.6 million, or 49.8%, to $31.9 million for the first nine months of 1997 from $21.3 million for the comparable period in 1996, and increased as a percentage of net sales to 8.2% from 7.1% during the same period for the reasons noted above.

INTEREST EXPENSE

Interest expense decreased $1.8 million in the first nine months of 1997 compared to the first nine months of 1996 to $2.2 million from $4.0 million during the same period. This decrease is primarily a result of lower levels of debt in the current year compared to the same period in 1996, when the Company had increased borrowings related to the purchase of Dollar Bills, Inc.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements result primarily from capital expenditures related to new store openings, working capital requirements related to new and existing stores and, in 1997, capital expenditures related to the new Store Support Center. The Company's working capital requirements for existing stores are seasonal in nature and typically reach their peak near the end of the third and the beginning of the fourth quarter of the year. Historically, the Company has met its seasonal working capital requirements

for its existing stores and funded its store expansion program from internally generated funds and borrowings under its credit facilities.

During the first nine months of 1997 and 1996, net cash used in operations was $26.5 million and $37.8 million, respectively, primarily used to build inventory levels. During the first nine months of 1997 and 1996, net cash used in investing activities was $42.6 million and $64.7 million, respectively, the decrease primarily due to payment for the acquisition of Dollar Bills in 1996. During the first nine months of 1997, net cash used in investing activities was related to capital expenditures, including approximately $25 million related to the construction of the new Store Support Center. Management believes that the Store Support Center project is proceeding as planned, within the expected timetable and budget. Net cash provided by financing activities was $70.8 million and $84.1 million during the first nine months of 1997 and 1996, respectively, the decrease primarily attributable to borrowings incurred to fund the acquisition of Dollar Bills in January 1996 and to capital raised during a public offering completed in June, 1996. In 1997, net cash provided by financing activities was primarily used for the construction of the new Store Support Center and to fund seasonal working capital needs.

The Company's borrowings under its bank facilities and senior notes were $72.5 million at September 30, 1997, and $76.5 million at September 30, 1996. Borrowings at December 31, 1996, amounted to $3.0 million. Under the Company's bank facilities, an additional $92.5 million is available at September 30, 1997, approximately $11.0 million of which is committed to certain letters of credit issued in relation to the routine purchase of foreign merchandise.

NEW ACCOUNTING PRONOUNCEMENTS

With the period ending December 31, 1997, the Company will implement SFAS No. 128, Earnings Per Share (see note 3 of the Notes to Condensed Consolidated Financial Statements).

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company has previously reported in its 1996 Annual Report on Form 10-K litigation in the state and federal courts of Illinois involving Michael and

Pamela Alper and a corporation they control. There have been no material developments regarding this matter in 1997.

The bankruptcy liquidators for a Hong Kong trading company claim that the Company owes the trading company approximately $440,000 based on invoices found in the trading company's files. A substantial majority of the invoices have either been paid, are in error, or represent goods that were never shipped. In any event, the Company believes that any amounts due as a result of this matter will not exceed the Company's existing reserves.

Additionally, the Company is a party to ordinary routine litigation and proceedings incidental to its business, including certain matters which may

occasionally be asserted by the U.S. Consumer Product Safety Commission, none of which is individually or in the aggregate material to the Company.

ITEM 5. OTHER INFORMATION.

Stock Dividend

On July 2, 1997, the Company's Board of Directors announced a 50% stock dividend having the effect of a three-for-two stock split for shareholders of record of common stock as of July 14, 1997. Cash payments were made in lieu of fractional shares. As of the record date, there were 26,037,225 shares of Common Stock outstanding, resulting in a dividend of 13,018,500 shares of Common Stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

The following document is filed herewith:

10.6 Third Amendment to the Amended and Restated Revolving Credit Agreement.

(b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K during the quarter.

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.

DATE: November 13, 1997

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton

H. Ray Compton
Executive Vice President and
Chief Financial Officer
(principal financial and accounting officer)

THIRD AMENDMENT TO AMENDED AND
RESTATED REVOLVING CREDIT AGREEMENT

This Third Amendment to Amended and Restated Revolving Credit Agreement is made as of the 2nd day of September 1997 by and among

Dollar Tree Distribution, Inc. (the "Borrower"), a Virginia corporation having its chief executive office at 2555 Ellsmere Avenue, Norfolk, Virginia 23513;

Dollar Tree Stores, Inc. ("DTS") a Virginia corporation having its chief executive office at 2555 Ellsmere Avenue, Norfolk, Virginia;

Dollar Tree Management, Inc. ("DTM"), a Virginia corporation having its chief executive office at 2555 Ellsmere Avenue, Norfolk, Virginia;

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

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

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

W I T N E S S E T H:

WHEREAS, the Borrower, DTS, DTM, the Agent and the Lenders entered into an Amended and Restated Revolving Credit Agreement dated as of September 27, 1996 (as Amended by First Amendment to Amended and Restated Revolving Credit Agreement dated January 25, 1997, as further amended by Second Amendment to Amended and Restated Revolving Credit dated as of May 8, 1997, collectively, the "Agreement"); and

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

NOW, THEREFORE, it is hereby agreed as follows:

1 Definitions. All capitalized terms used herein and not otherwise defined shall have the same meaning herein as in the Agreement.

2 <u>Amendments to Section I.</u> The provisions of Section I of the Agreement are hereby amended as follows:

(a) The definition of "Applicable Margin" is hereby amended by deleting the grid set forth therein and substituting the following grid in its stead:

<TABLE>
<CAPTION>

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

</TABLE>

(b) The definition of "Facility Fee Rate" is hereby amended by deleting the grid set forth therein and substituting the following grid in its stead:

<TABLE>
<CAPTION>

Tier	Funded Debt /EBITDA	Facility Fee Rate
<S>	<C>	<C>
I	Less than or equal to 0.75:1	12.5 basis points per annum
II	Less than or equal to 1.25:1 but greater than 0.75.1	15 basis points per annum
III	Greater than 1.25:1	20 basis points per annum

</TABLE>

(c) The definition of "Agent" is hereby deleted in its entirety, and the following substituted in its stead;

"BankBoston, N.A. f/k/a The First National Bank of Boston acting as Agent for the Lenders."

(d) The definition of "Revolving Credit Maturity Date" is hereby amended by deleting therefrom the words "May 31, 2000" and substituting "May 31, 2002" in its stead.

3. Amendment to Section 2. Section 2.1(b) is hereby amended by adding the following sentence at the end of said Section 2.1(b):

   "Notwithstanding the foregoing, the provisions of this Section 2.l(b) shall not apply to the Borrower for the period commencing after March 1, 2000."

4. Amendment to Section 3. Section 3.1(b) is hereby amended by deleting therefrom the text "70,000,000.00" and substituting "$100,000,000.00" in its stead.

5. Amendments to Section 9.

   (a) The provisions of Section 9.2 are amended by adding the following ratio:

"Fiscal Year 2001 and each Fiscal Year thereafter	1.50:1"

   (b) The provisions of Section 9.4 are amended as follows:

   (I) the introductory provisions of Section 9.4 are amended by deleting the word "the" in the third line thereof and inserting in its stead, the word "any".

   (ii) by deleting the maximum amount of capital expenditures for the First Five Months of Fiscal Year 2000 (which presently appears in the Agreement as $20,000,000) and substituting the following in its stead:

"Fiscal Year 2000	$40,000,000
Fiscal Year 2001	$45,000,000
Fiscal Year 2002	$50,000,000"

6. Conditions to Effectiveness. This Third Amendment to Amended and Restated Revolving Credit Term and Loan Agreement shall not be effective until each of the following conditions precedent have been fulfilled to the satisfaction of the Agent and the Lenders:

   (a) This Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement shall have been duly executed and delivered by the respective parties hereto and, shall be in full force and effect and shall be in form and substance satisfactory to each of the Lenders.

(b) Each of the Lenders and the Agent shall have received a favorable opinion addressed to the Lenders and the Agent in form and substance satisfactory to the Lenders and the Agent from Messrs. Hofheimer, Nusbaum, McPhaul & Samuels.

(c) All action on the part of the Obligors necessary for the valid execution, delivery and performance by the Obligors of this Agreement shall have been duly and effectively taken and evidence thereof satisfactory to the Lenders shall have been provided to each of the Lenders. Each of the Lenders shall have received from each Obligor true copies of the resolutions adopted by its board of directors authorizing the transactions described herein, each certified by such Obligor's secretary to be true and complete.

(d) The Borrower shall have paid to the Agent and Lenders all fees and expenses then due and owing pursuant to Section 15 of the Agreement.

(e) No Default or Event of Default shall have occurred and be continuing.

(f) The Obligors shall have provided such additional instruments and documents to the Agent and the Lenders as the Agent and the Agent's counsel may have reasonably requested.

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

8. Miscellaneous

(a) This Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and

all of which together shall constitute one instrument.

(b) This Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement expresses the entire understanding of the parties with respect to the transactions contemplated hereby. No prior negotiations or discussions shall limit, modify, or otherwise affect the provisions hereof.

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

DOLLAR TREE DISTRIBUTION, INC.

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

DOLLAR TREE STORES, INC.

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

DOLLAR TREE MANAGEMENT, INC.

By: /s/ Frederick C. Coble

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

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

By: /s/ Judith E. Kelly
Name: Judith E. Kelly
Title: Vice President

NATIONSBANK, N.A.

By: /s/ Monique S. Adams
Name: Monique S. Adams
Title: Vice President

SIGNET BANK

By: /s/ John P. Matson
Name: John P. Matson
Title: Executive Vice President

CRESTAR BANK

By: /s/ Bruce Nave
Name: Bruce Nave
Title: Vice President

FIRST UNION BANK OF VIRGINIA

By: /s/ Richard H. Grattan
Name: Richard H. Grattan
Title: Senior Vice President

AMSOUTH BANK OF ALABAMA

By: /s/ Robert Clark
Name: Robert Clark
Title: Commercial Banking Officer

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Dana C. Fenwick
Name: Dana C. Fenwick
Title: Vice President

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<EPS-DILUTED>	0.42

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