

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 June 30, 1998

( ) 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  
(State or other jurisdiction of incorporation or organization)

54-1387365  
(I.R.S. Employer Identification No.)

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

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 August 7, 1998, there were 59,128,165 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.  
and subsidiaries

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

<TABLE>  
<CAPTION>

	(Unaudited) June 30, 1998	December 31, 1997
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 5,459	\$ 43,695
Accounts receivable.....	676	1,406
Merchandise inventories .....	156,099	89,066
Deferred tax asset .....	5,744	5,093
Prepaid expenses and other current assets ...	3,776	3,762
	-----	-----
Total current assets.....	171,754	143,022
	-----	-----
Property and equipment, net.....	92,917	82,071
Deferred tax asset.....	2,189	2,029
Goodwill, net . . . . .	43,514	44,478
Other assets, net.....	1,098	976
	-----	-----
TOTAL ASSETS.....	\$311,472	\$272,576
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 9,000	\$ --
Accounts payable .....	43,363	44,058
Accrued liabilities .....	18,674	19,526
Income taxes payable.....	2,284	18,908
Current installments of obligations under capital leases.....	270	317
	-----	-----
Total current liabilities.....	73,591	82,809
	-----	-----
Long-term debt (note 4).....	53,000	30,000
Obligations under capital leases, excluding current installments.....	668	804
Other liabilities.....	4,357	4,037
	-----	-----
Total liabilities.....	131,616	117,650
	-----	-----
Shareholders' equity:		
Common stock, par value \$0.01. Authorized 100,000,000 shares, 59,107,262 shares issued and outstanding at June 30, 1998 and 58,709,948 shares issued and outstanding at December 31, 1997 (note 2)...	591	391
Additional paid-in capital.....	43,287	36,185
Retained earnings.....	135,978	118,350
	-----	-----
Total shareholders' equity.....	179,856	154,926
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..	\$311,472	\$272,576
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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

<TABLE>  
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	----- <C> 1998 -----	<C> 1997 -----	<C> 1998 -----	<C> 1997 -----
-				
Net sales .....	\$173,864	\$129,332	\$324,698	\$247,078
Cost of sales.....	109,146	83,168	205,012	159,623
-				
Gross profit.....	64,718	46,164	119,686	87,455
-				
Selling, general, and administrative expenses:				
Operating expenses.....	42,100	32,413	81,231	64,529
Depreciation and amortization.....	4,462	3,163	8,471	6,095
-				
Total selling, general and administrative expenses.....	46,562	35,576	89,702	70,624
-				
Operating income.....	18,156	10,588	29,984	16,831
Interest expense.....	806	788	1,321	1,238
-				
Income before income taxes.....	17,350	9,800	28,663	15,593
Provision for income taxes.....	6,680	3,773	11,035	6,003
-				
Net income.....	\$ 10,670	\$ 6,027	\$ 17,628	\$ 9,590
	=====	=====	=====	=====
Net income per share (notes 2 and 3):				
Basic net income per share.....	\$ 0.18	\$ 0.10	\$ 0.30	\$ 0.16
	=====	=====	=====	=====
Weighted average number of common shares outstanding:.....	59,017	58,505	58,886	58,431
	=====	=====	=====	=====
Diluted net income per share .....	\$ 0.16	\$ 0.09	\$ 0.27	\$ 0.15
	=====	=====	=====	=====
Weighted average number of common shares and dilutive potential common shares outstanding.....	65,274	64,535	65,123	64,438
	=====	=====	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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

<TABLE>  
<CAPTION>

	Six Months Ended June 30,	
	----- 1998 -----	1997 -----
<S>	<C>	<C>

Cash flows from operating activities:		
Net income.....	\$ 17,628	\$ 9,590
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.....	8,471	6,095
Loss on disposal of property and equipment .....	386	37
Provision for deferred income taxes.....	(811)	(390)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:		
Accounts receivable.....	730	796
Merchandise inventories.....	(67,033)	(28,271)
Prepaid expenses and other current assets.....	(14)	752
Other assets .....	85	11
Accounts payable.....	(695)	(671)
Accrued liabilities.....	(852)	(1,737)
Income taxes payable.....	(12,842)	(10,489)
Other liabilities.....	320	780
	-----	-----
Total adjustments.....	(72,255)	(33,087)
	-----	-----
Net cash used in operating activities .....	(54,627)	(23,497)
	-----	-----
Cash flows from investing activities:		
Capital expenditures .....	(18,877)	(25,069)
Proceeds from sale of property and equipment.....	138	--
	-----	-----
Net cash used in investing activities.....	(18,739)	(25,069)
	-----	-----
Cash flows from financing activities:		
Proceeds from long-term debt.....	89,200	153,400
Repayment of long-term debt and facility fees.....	(57,407)	(103,603)
Principal payments under capital lease obligations.....	(183)	(151)
Proceeds from options exercised and purchase of shares under ESPP.....	3,520	1,198
	-----	-----
Net cash provided by financing activities.....	35,130	50,844
	-----	-----
Net increase (decrease) in cash and cash equivalents....	(38,236)	2,278
Cash and cash equivalents at beginning of period.....	43,695	2,987
	-----	-----
Cash and cash equivalents at end of period.....	\$ 5,459	\$ 5,265
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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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 June 30, 1998, and for the three- and six-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, 1997, contained in the Company's Annual Report on Form 10-K. The results of operations for the three- and six-month periods ended June 30, 1998 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1998.

2. STOCK DIVIDEND

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 June 29, 1998 to shareholders of record as of June 22, 1998. 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. NET INCOME PER SHARE

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

<TABLE>

<CAPTION>

	Three months ended		Six months ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	----	----	----	----
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Basic net income per share:				
Net income.....	\$ 10,670	\$ 6,027	\$ 17,628	\$ 9,590
	-----	-----	-----	-----
Weighted average number of common shares outstanding.....	59,017	58,505	58,886	58,431
	-----	-----	-----	-----
Basic net income per share.....	\$ 0.18	\$ 0.10	\$ 0.30	\$ 0.16
	=====	=====	=====	=====
Diluted net income per share:				
Net income.....	\$ 10,670	\$ 6,027	\$ 17,628	\$ 9,590
	-----	-----	-----	-----
Weighted average number of common shares outstanding.....	59,017	58,505	58,886	58,431
Dilutive effect of stock options and warrants.....	6,257	6,030	6,237	6,007
	-----	-----	-----	-----
Weighted average number of common shares and dilutive potential common shares outstanding.....	65,274	64,535	65,123	64,438
	-----	-----	-----	-----
Diluted net income per share.....	\$ 0.16	\$ 0.09	\$ 0.27	\$ 0.15
	=====	=====	=====	=====

</TABLE>

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#### 4. ISSUANCE OF DEBT

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 \$19.0 million, to finance the acquisition, construction, and installation of land, buildings, machinery and equipment for the Company's new distribution facility in Olive Branch, Mississippi. At June 30, 1998 the balance outstanding on the Bonds is \$3.0 million. The Company begins repayment of the principal amount of the Bonds beginning on June 1, 2006, with a portion maturing each June 1 until the final portion matures on June 1, 2018. Interest is payable monthly based on a variable interest rate which was 5.65% at June 30, 1998.

The Bonds are supported by a \$19.3 million 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 amount of capital expenditures and the payment of dividends.

#### 5. SUBSEQUENT EVENT

On July 22, 1998, the Company signed a definitive merger agreement with Sacramento, California based Step Ahead Investments, Inc. ("SAI"). SAI, a privately-held corporation established in 1983, operates 62 stores under the name "98(cen) Clearance Centers." The stores offer variety merchandise at a fixed price of 98(cen) or less and are located in northern and central California and northwestern Nevada.

Under the terms of the merger agreement, the Company will issue or reserve approximately 2.025 million shares for all of SAI's outstanding stock and options, adjusted for certain changes in the Company's stock price. The stock-for-stock transaction is expected to be accounted for as a pooling-of-interests. This transaction is expected to close in late 1998, pending approval of SAI's shareholders and fulfillment of other customary closing conditions.

#### 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 within the meaning of the Private Securities Litigation Reform Act of 1995 concerning the Company's operations, economic performance and financial condition. Such statements may be

identified by the use of words such as "believe," "anticipate" and "expect." The forward-looking statements concern, among other things, the Company's expansion plans and store openings; sales per selling square foot and comparable store net sales trends; increases in shipping or distribution costs; the Dollar Bills litigation; the potential products liability claims; and adverse economic factors. Forward looking statements also concern factors relating to the proposed merger with Step Ahead Investments, Inc. and its effects on the Company's financial condition and results of operations. Such factors include the failure of the merger to be consummated and the failure of

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the combined company to integrate successfully. Such forward-looking statements are subject to various known and unknown risks and uncertainties. Actual results, performance or actions of the Company could differ materially from those currently anticipated due to a number of factors, including those discussed in the Company's 1997 Annual Report on Form 10-K under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward Looking Statements" and "Business" and as detailed in the Company's Registration Statement on Form S-4, dated August 11, 1998, under the caption "Risk Factors."

The Three Months Ended June 30, 1998 and 1997

#### Results of Operations and General Comments

Net sales increased \$44.5 million, or 34.4%, to \$173.9 million for the three months ended June 30, 1998, from \$129.3 million for the three months ended June 30, 1997. Of this increase, (i) approximately 67%, or \$29.8 million, was attributable to stores opened in 1997 and 1998 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 33%, or \$14.7 million, was attributable to comparable store net sales growth, which represented a 12.0% increase over comparable store net sales in the corresponding quarter of the prior 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. Second quarter sales were favorably impacted by the shift in Easter from the first quarter in 1997 to the second quarter in 1998. The Company opened 57 new stores during the second quarter of 1998 and closed one store, compared to opening 45 new stores and closing no stores during the second quarter of 1997.

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 believes that any increases in comparable store net sales in the future may be smaller than those experienced historically, and that decreases in average net sales per selling square foot will occur as the average store size increases.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased \$18.6 million, or 40.2%, to \$64.7 million in the second quarter of 1998 from \$46.2 million in the second quarter of 1997. As a percentage of net sales, gross profit increased to 37.2% from 35.7%, primarily due to improved merchandise costs (including freight) and improved occupancy costs as a percentage of net sales. The improvement in occupancy costs resulted primarily from the leveraging of fixed costs, due to the strong comparable store sales increases. The improvement in merchandise costs as a percentage of net sales is primarily due to favorable pricing and the earlier receipt of higher margin items, compared to last year. Because of the earlier receipt of selected items, management does not expect this rate of improvement to continue for the balance of the year. In addition, in May 1998, a trans-Pacific ocean-shipping cartel imposed an increase of \$300 per container on all U.S. imports from Asia, which took effect with shipments beginning in mid-May 1998. This rate increase is expected to add approximately

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\$600,000 to \$700,000 in freight expenses to the Company's cost of sales for the second half of 1998, and approximately \$1.5 million to \$2.0 million for 1999.

Selling, general and administrative expenses ("SGA"), which include operating expenses and depreciation and amortization, increased \$11.0 million, or 30.9%, to \$46.6 million in the second quarter of 1998 from \$35.6 million in the second quarter of 1997, and decreased as a percentage of net sales to 26.8% from 27.5% during the same period. This decrease in SGA, as a percentage of net sales, resulted primarily from the leveraging of fixed costs, due to the strong comparable store sales increases, and from on-going cost control initiatives.

Operating income increased \$7.6 million, or 71.5%, to \$18.2 million for the second quarter of 1998 from \$10.6 million for the comparable period in 1997, and increased as a percentage of net sales to 10.4% from 8.2% during the same period for the reasons noted above.

The Six Months Ended June 30, 1998 and 1997

#### Results of Operations and General Comments

Net sales increased \$77.6 million, or 31.4%, to \$324.7 million for the six months ended June 30, 1998, from \$247.1 million for the six months ended June 30, 1997. Of this increase, (i) approximately 73%, or \$56.8 million, was attributable to stores opened in 1997 and 1998 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 27%, or \$20.8 million, was attributable to comparable store net sales growth, which represented an 8.8% increase over comparable store net sales in the corresponding half of the prior 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. Management believes that a consistent in-stock inventory position in basic consumable goods early in the year and an extended Easter selling season contributed to the comparable store net sales increase. The Company opened 96 new stores and closed three stores during the first half of 1998, compared to opening 75 new stores and closing no stores during the first half of 1997.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased \$32.2 million, or 36.9%, to \$119.7 million in the first half of 1998 from \$87.5 million in the first half of 1997. As a percentage of net sales, gross profit increased to 36.9% from 35.4%, primarily due to improved merchandise costs (including freight) and improved occupancy costs as a percentage of net sales. The improvement in occupancy costs resulted primarily from the leveraging of fixed costs, due to the strong comparable store sales increases. The improvement in merchandise costs is primarily due to favorable pricing and the earlier receipt of higher margin items.

SGA increased \$19.1 million, or 27.0%, to \$89.7 million in the first half of 1998 from \$70.6 million in the first half of 1997, and decreased as a percentage of net sales to 27.6% from 28.6% during the same period. This decrease in SGA, as a percentage of net sales, resulted primarily from the

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leveraging of fixed costs, due to the strong comparable store sales increases, and from on-going cost control initiatives.

Operating income increased \$13.2 million, or 78.1%, to \$30.0 million for the first half of 1998 from \$16.8 million for the comparable period in 1997, and increased as a percentage of net sales to 9.2% from 6.8% during the same period for the reasons noted above.

#### Liquidity and Capital Resources

The Company's ongoing capital requirements result primarily from capital expenditures related to new store openings and working capital requirements related to new and existing stores. 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 beginning of the fourth quarter of the year. Historically, the Company has met its seasonal working capital requirements for existing stores and funded its store expansion program from internally generated funds and borrowings under its credit facilities.

During the first six months of 1998, net cash used in operations was \$54.6 million. The net cash used in operations during the first six months of 1998 was used primarily to build inventory levels and compares to net cash used in operations of \$23.5 million during the comparable period of 1997. The increase in 1998 reflects higher inventory levels due to the earlier receipt of merchandise in anticipation of a possible shipping container shortage in Southeast Asia. Net cash used in investing activities during the first six months of 1998 was \$18.7 million, which consisted primarily of capital expenditures relating to new store expansion. Net cash provided by financing activities during the first six months of 1998 was \$35.1 million, which was primarily used to fund seasonal working capital needs.

The Company's borrowings under its bank facilities, senior notes and Bonds were \$62.0 million at June 30, 1998, and \$53.0 million at June 30, 1997. Borrowings at December 31, 1997, amounted to \$30.0 million. Under the Company's bank facilities, an additional \$106.0 million is available at June 30, 1998, approximately \$34.1 million of which is committed to certain letters of credit issued in relation to the routine purchase of foreign merchandise.

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 \$19.0 million, to finance the acquisition, construction, and installation of land, buildings, machinery and equipment for the Company's new distribution facility in Olive Branch, Mississippi. At June 30, 1998, the balance outstanding on the Bonds is \$3.0 million. The Company begins repayment of the principal amount of the Bonds beginning on June 1, 2006, with a portion maturing each June 1 until the final portion matures on June 1, 2018. Interest is payable monthly based on a variable interest rate which was 5.65% at June 30, 1998. The Bonds are supported by a \$19.3 million 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 amount of capital expenditures and the payment of dividends.

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Except for the cost of the new Olive Branch facility, the Company believes that it can adequately fund its planned capital expenditures and working capital requirements for the next several years from net cash provided by operations and availability under its credit facilities.

#### Recent Development

On July 22, 1998, the Company signed a definitive merger agreement with Sacramento, California based Step Ahead Investments, Inc. ("SAI"). SAI, a privately-held corporation established in 1983, operates 62 stores under the name "98(cen) Clearance Centers." The stores offer variety merchandise at a fixed price of 98(cen) or less and are located in northern and central California and northwestern Nevada. For its fiscal year ended January 25, 1998, SAI reported net sales of \$92.9 million. Net sales for the fiscal quarters ended April 26, 1998 and April 27, 1997 were \$25.9 million and \$20.4 million, respectively, reflecting a 12.1% comparative store sales increase. SAI has more than 1,200 employees.

Under the terms of the merger agreement, the Company will issue or reserve approximately 2.025 million shares for all of SAI's outstanding stock and options, adjusted for certain changes in the Company's stock price. The stock-for-stock transaction is expected to be accounted for as a pooling-of-interests. This transaction is expected to close in late 1998, pending approval of SAI's shareholders and fulfillment of other customary closing conditions.

Costs relating to the merger are expected to be approximately \$5.3 million, which will be charged to operations in the course of the transaction. After consideration of these costs and charges, the Company anticipates that the merger will be dilutive for shareholders of the combined company for the year ended December 31, 1998, but management believes that the merger will not be dilutive for the year ended December 31, 1999.

#### Year 2000 Compliance

In reference to the Year 2000 compliance, the Company has conducted a preliminary assessment of its computer systems and made inquiries regarding the computer systems of other entities with which the Company does business, such as contractors, suppliers and creditors. Management believes that the Company's internal systems, including computer programs housed on its mainframe and those used to accumulate data from its stores, are currently Year 2000 compliant. Given information known at this time about the Company's systems, management does not expect Year 2000 compliance costs to have a material adverse impact on the Company's business or results of operations. No assurance can be given, however, that unanticipated or undiscovered Year 2000 compliance problems will not have a material adverse effect on the Company's business or results of operations. In addition, if the Company's significant contractors, suppliers or creditors do not successfully achieve Year 2000 compliance, the Company's business and operations could be adversely affected.

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On August 4, 1998, the Securities and Exchange Commission issued new disclosure requirements with regard to Year 2000 compliance. The Company is evaluating these requirements and will include any required information not previously disclosed in its Quarterly Report on Form 10-Q for the period ended September 30, 1998.

#### New Accounting Pronouncements

The Financial Accounting Standards Board has issued Statements No. 130, Reporting Comprehensive Income (SFAS 130), No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131) and No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 130 and SFAS 131 are effective for the Company beginning January 1998 and for the year ended December 31, 1998, respectively. SFAS 130 is currently not applicable for the Company. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The impact of SFAS 133 is being reviewed by the Company.

The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, Reporting on the Costs of Start-up Activities, on April 3, 1998. It requires pre-opening costs to be expensed as incurred for fiscal years beginning after December 15, 1998 and the impact of the implementation of this SOP is not expected to be material to the Company's financial results.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

The Company has previously reported in its 1997 Annual Report on Form 10-K a dispute involving Michael and Pamela Alper and a corporation they control. There have been no material developments regarding this matter in 1998.

The Company has recalled certain retractable dog leashes which were alleged to have caused several personal injuries, as previously reported in its 1997 Annual Report on Form 10-K. There have been no other material developments regarding this matter in 1998.

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.

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

At the Company's Annual Meeting of Shareholders held on June 4, 1998, the following individuals were elected to the Board of Directors:

	Votes For	Votes Withheld
H. Ray Compton	36,682,189	296,918
John F. Megrue	35,656,922	1,322,185
Alan L. Wurtzel	35,658,805	1,320,302

As Class III directors, Messrs. Compton, Megrue and Wurtzel will serve until the Annual Meeting of Shareholders in 2001, or such time as successors are elected and qualified.

J. Douglas Perry, Macon F. Brock, Jr., Thomas A. Saunders, III, Allan W. Karp and Frank Doczi continue as directors after the meeting and no elections were held with respect to their offices.

Item 5. OTHER INFORMATION.

Grant of Options to Directors

On June 4, 1998, options to purchase 13,500 shares of Common Stock each were granted to Frank Doczi and Alan Wurtzel as continuing directors, under the terms of the Stock Incentive Plan. These options are immediately exercisable and have an exercise price of \$33.50 per share.

Stock Dividend

On June 4, 1998, the Company's Board of Directors authorized a 50% stock dividend having the effect of a three-for-two stock split for shareholders of record of common stock as of June 22, 1998, payable on June 29, 1998. Cash payments were made in lieu of fractional shares. As of the record date, there were 39,373,121 shares of Common Stock outstanding, resulting in a dividend of 19,686,454 shares of Common Stock.

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

(a) Exhibits.

The following documents, filed as Exhibits 2.1 and 4.1 to the Company's Current Report on Form 8-K on July 30, 1998 are incorporated herein by this reference:

- 2.1 Merger Agreement, dated July 22, 1998, by and among Dollar Tree Stores, Inc., Dollar Tree West, Inc., and Step Ahead Investments, Inc.
- 4.1 Voting Agreement, dated July 22, 1998, by and among Dollar Tree Stores, Inc., Gary L. Cino, Janet Cino, Gary L. Nett, Trustee for The Cino Children's Trust dated March 18, 1997, and Gary and Janet Cino, Trustees of the Gary and Janet Cino Trust dated May 1, 1991.

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The following documents are filed herewith:

- 10.1 Loan Agreement between Dollar Tree Distribution, Inc. and Mississippi Business Finance Corporation, dated May 1, 1998.
- 10.2 Placement Letter Agreement by First Union National Bank, dated May 1, 1998.
- 10.3 Tender Agency Agreement between Dollar Tree Distribution, Inc. and Amsouth Bank, dated May 1, 1998.
- 10.4 Remarketing Agreement between Dollar Tree Distribution, Inc. and First Union National Bank, dated May 1, 1998.
- 10.5 Guaranty Agreement by Dollar Tree Distribution, Inc, dated May 1, 1998.
- 10.6 Letter of Credit and Reimbursement Agreement between Dollar Tree Distribution, Inc. and First Union National Bank, dated May 1, 1998.

(b) Reports on Form 8-K.

The Company filed a Report on Form 8-K on July 16, 1998, which included the Company's press release regarding a 50% stock dividend. The Company also filed a Report on Form 8-K on July 30, 1998 regarding the signing of a definitive merger agreement between the Company and Step Ahead Investments, Inc.

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: August 13, 1998

DOLLAR TREE STORES, INC.

By: /s/ Frederick C. Coble  
-----  
Frederick C. Coble  
Senior Vice President,  
Chief Financial Officer  
(principal financial and  
accounting officer)

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LOAN AGREEMENT

Dated as of May 1, 1998

Between

MISSISSIPPI BUSINESS FINANCE CORPORATION

("Issuer")

and

DOLLAR TREE DISTRIBUTION, INC.

("Borrower")

Taxable Variable Rate Demand Revenue Bonds  
(Dollar Tree Distribution, Inc. Project)  
Series 1998

CERTAIN RIGHTS OF THE ISSUER UNDER THIS AGREEMENT HAVE BEEN ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, AMSOUTH BANK, AS TRUSTEE UNDER A TRUST INDENTURE OF EVEN DATE HERewith BETWEEN THE ISSUER AND THE TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME.

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LOAN AGREEMENT

This LOAN AGREEMENT, dated as of May 1, 1998, between Mississippi Business Finance Corporation, a political subdivision and body corporate and politic of the State of Mississippi (the "Issuer"), and Dollar Tree Distribution, Inc., a Virginia corporation (the "Borrower"),

W I T N E S S E T H:

In consideration of the respective representations and agreements contained herein, the parties hereto, recognizing that under the Act (as hereinafter defined) this Loan Agreement shall not in any way obligate the State of Mississippi or any political subdivision thereof, including, without limitation, the Issuer or any political subdivision thereof, to raise any money by taxation or use other public moneys for any purpose in relation to the Project (as hereinafter defined) and that neither the State of Mississippi nor any political subdivision thereof, including, without limitation, the Issuer, shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project, except from moneys received or to be received under the provisions of this Loan Agreement, the Note and from the Credit Facility Issuer under a Credit Facility (each as hereinafter defined) or derived from the exercise of the rights of the Issuer thereunder, agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions. In addition to words and terms elsewhere defined in this Loan Agreement or in the Indenture, the following words and terms shall have the following meanings:

"Acquisition", when used in connection with the Project, shall mean, without limitation, the acquisition, construction, installation and equipping of the Project.

"Act" shall mean Sections 57-10-401 et seq., Mississippi Code of 1972, as amended.

"Administrative Expenses" shall mean the amounts payable pursuant to Section 7.5 hereof by the Borrower to or for the account of the Issuer to provide for payment of the costs and expenses incurred by the Issuer.

"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to a Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" shall mean an irrevocable direct pay letter

of credit, insurance policy or similar credit enhancement or support facility for the benefit of the Trustee, the terms of which Alternate Credit Facility shall in all respects material to the Bondholders be the same (except for the term set forth in such Alternate Credit Facility) as the Letter of Credit.

"Bank" shall mean First Union National Bank, the issuer of the Letter of Credit.

"Bond" or "Bonds" shall mean the Mississippi Business Finance Corporation Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project), Series 1998 authorized to be issued pursuant to a resolution of the Issuer in accordance with the Indenture in the aggregate principal amount of \$19,000,000 including such Bonds issued in replacement for mutilated, destroyed, lost or stolen Bonds pursuant to Section 211 of the Indenture, and any amendments and supplements thereto, and any renewals and extensions thereof, permitted by the Indenture.

"Bond Documents" shall mean collectively the Indenture, the Bonds, this Loan Agreement, the Note, the Letter of Credit Documents, the Placement Agreement, the Tender Agency Agreement and the Remarketing Agreement.

"Bondholder" or "Bondholders" or "owner of Bonds" or "owners of Bonds" shall mean the initial owner or owners and any future owner or owners of the Bond or Bonds as registered on the books and records of the Bond Registrar pursuant to Section 204 of the Indenture.

"Bond Fund" shall mean the fund created under Section 502 of the Indenture.

"Borrower" shall mean Dollar Tree Distribution, Inc., a Virginia corporation, and its successors and assigns and any surviving, resulting or transferee corporation or other entity.

"Borrower Representative" shall mean any one of the persons at the time designated to act on behalf of the Borrower by the written certificate furnished to the Issuer and the Trustee containing the specimen signatures of such persons and signed on behalf of the Borrower by the President or any duly authorized Vice President of the Borrower.

"Business Day" shall mean a day upon which banks in the State and in the States of North Carolina and Virginia are open for the transaction of business of the nature required pursuant to this Loan Agreement and the Indenture.

"Completion Date" shall mean that date certified by the Borrower under Section 4.3 hereof.

"Consistent Basis" shall mean, in reference to the application of Generally Accepted Accounting Principles, that the accounting principles observed in the period referred to are comparable in all material respects to those applied in the preceding period, except as to any changes consented to by the Trustee and the Credit Facility Issuer.

"Cost of Acquisition of the Project" shall mean the costs and allowances for the Acquisition of the Project which are defined as "Approved Costs" in Section 57-10-401 of the Act. and which include, but are not limited to, all capital costs of the Project, including the following:

1. The Acquisition of the Project at the Project Site;
2. Preparation of the plans and specifications, if any, for the Project (including any preliminary study or plan of the Project or any aspect thereof), any labor, services, materials and supplies used or furnished in the Acquisition of the Project, the acquisition and installation necessary to provide utility services or other services and all real and

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tangible personal property deemed necessary by the Borrower in connection with the Project;

3. The fees for architectural, engineering, supervisory and consulting services in connection with the Acquisition of the Project;
4. To the extent they shall not be paid by a contractor, the

premiums of all insurance and surety and performance bonds required to be maintained in connection with the Acquisition of the Project;

5. Any fees and expenses in connection with the acquisition, perfection and protection of title to the Project Site and any fees and expenses incurred in connection with the preparation, recording or filing of such documents, instruments or financing statements as either the Borrower, the Issuer or the Trustee may deem desirable to perfect or protect the rights of the Issuer or the Trustee under this Loan Agreement, the Note, the Indenture, the Bonds and the Letter of Credit Documents;
6. The legal, accounting and financial advisory fees and expenses, filing fees, and printing and engraving costs incurred in connection with the authorization, issuance, sale and purchase of the Bonds, and the preparation of this Loan Agreement, the Note, the Indenture, the Bonds, the Letter of Credit Documents, the Tender Agency Agreement and the Remarketing Agreement and all other documents in connection with the authorization, issuance and sale of the Bonds;
7. Interest prior to and during construction of the Project; and
8. Any administrative or other fees charged by the Issuer, Governing Board, the State Board or reimbursement thereto of expenses, in connection with the Project to the Completion Date.

"Counsel" shall mean an attorney or a firm of attorneys acceptable to the Trustee, and may, but need not, be counsel to the Issuer, the Credit Facility Issuer or the Borrower.

"Credit Facility" shall mean the Letter of Credit or any Alternate Credit Facility delivered to the Trustee.

"Credit Facility Issuer" shall mean the Bank with respect to the Letter of Credit and the institution issuing any Alternate Credit Facility.

"Eminent Domain" shall mean the taking of title to, or the temporary use of, the Project or any part thereof pursuant to eminent domain or condemnation proceedings, or any voluntary conveyance of any part of the Project during the pendency of, or as a result of a threat of, such proceedings.

"Equipment" shall mean, to the extent acquired with the proceeds of borrowings hereunder, all of the fixtures (including all leasehold improvements), machinery, equipment and other items of tangible personal property now owned or hereafter acquired by the Borrower and located or to be located on or affixed to the Project Site, together with all substitutions therefor and all repairs, renewals and replacements thereof.

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"Event of Default" or "Default" shall have the meaning set forth in Section 9.1 hereof.

"Generally Accepted Accounting Principles" shall mean those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting which have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

"Governing Board" shall mean the Board of Directors of the Issuer.

"Government Obligations" shall mean (i) direct obligations of the United States of America, (ii) obligations unconditionally guaranteed by the United States of America, and (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (i) or (ii) above the full and timely payment of which securities, receipts or obligations is unconditionally guaranteed by the United States of America.

"Guaranty" means the Guaranty Agreement of even date herewith by and among the Credit Facility Issuer, Dollar Tree Stores, Inc. and Dollar Tree Management, Inc.

"Indenture" shall mean the Trust Indenture of even date herewith by and between the Issuer and the Trustee, together with any amendments or supplements thereto permitted thereby.

"Initial Administrative Fee" shall mean \$20,000 payable by the Borrower to the Issuer prior to the date of issuance of the Bonds.

"Issuer" shall mean the Mississippi Business Finance Corporation, a political subdivision and body corporate and politic of the State, and its successors and assigns and any body resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Issuer Representative" shall mean any one of the persons at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and the Trustee containing the specimen signatures of such persons and signed on behalf of the Issuer by its Executive Director.

"Letter of Credit" means the irrevocable direct pay letter of credit, dated May 20, 1998, in the amount equal to the principal amount of the Bonds outstanding, plus 45 days' interest thereon at an assumed rate of 13% per annum, including any extensions thereof.

"Letter of Credit Documents" shall mean the Letter of Credit, the Reimbursement Agreement and the Guaranty.

"Loan Agreement" shall mean this Loan Agreement and any amendments and supplements hereto permitted by the Indenture.

"Net Proceeds" when used with respect to any insurance proceeds or award resulting from, or other amount received in connection with, Eminent Domain shall mean the gross proceeds from such proceeds, award or other amount, less all expenses (including attorneys' fees) incurred in the realization thereof.

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"Note" shall mean the promissory note given by the Borrower pursuant to Section 5.1 of this Loan Agreement, substantially in the form of Exhibit A attached hereto.

"Official Action" shall mean the action taken by the Governing Board on January 14, 1998.

"Overdue Rate" shall mean the Prime Rate plus two percent.

"Payment of the Bonds" shall mean payment of (i) the principal of and interest on the Bonds in accordance with their terms whether through payment at maturity, upon acceleration or prepayment, (ii) all amounts due as Administrative Expenses or otherwise, and (iii) any and all other liabilities and obligations arising under the Indenture and this Loan Agreement; in any case, in such a manner that all such amounts due and owing with respect to the Bonds shall have been paid.

"Permitted Liens" shall have the definition ascribed thereto in the Reimbursement Agreement.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated organization, association, joint venture, joint-stock company, or a government or agency or political subdivision thereof.

"Placement Agreement" shall mean the letter agreement of even date herewith between the Borrower and First Union National Bank, as Placement Agent, providing for the introducing of the Bonds by the Placement Agent to prospective purchasers.

"Placement Memorandum" shall mean the Private Placement Memorandum dated the date of issuance of the Bonds, including the cover page and all appendices thereto.

"Plans and Specifications" shall mean the plans and specifications used in the Acquisition of the Project, as the same may be revised from time to time by the Borrower in accordance with Section 3.3 hereof.

"Plant" shall mean, to the extent acquired with the proceeds of borrowings hereunder, all buildings, structures, improvements, fixtures, furniture, machinery, equipment or other property (excluding inventory) of the Borrower, now or hereafter located at or affixed to the Project Site, including without limitation the Project.

"Prime Rate" shall mean the rate of interest per annum announced by First Union National Bank at its principal office in Charlotte, North Carolina from time to time to be its prime rate.

"Principal Amount Increase Notice" has the meaning assigned to such term in Section 201(b) of the Indenture.

"Principal Amount Increase Period" means the period from the date of issuance of the Bonds until the earlier of (i) May 1, 2001 and (ii) the Fixed Rate Conversion Date.

"Private Placement Memorandum" shall mean that certain Private Placement Memorandum dated as of May 20, 1998, pertaining to the sale of the Bonds.

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"Project" shall mean the acquisition, construction and installation of land, buildings, machinery and equipment constituting a distribution facility, all to be located on the Project Site.

"Project Site" shall mean the real property located in DeSoto County, more particularly described in Exhibit B attached hereto and by reference made a part hereof, upon which the Plant and Equipment is located.

"Reimbursement Agreement" shall mean, with respect to the initial Letter of Credit, the agreement of the Borrower with a Credit Facility Issuer setting forth the obligations of the Borrower to such Credit Facility Issuer arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purposes of the Indenture.

"Remarketing Agent" shall mean First Union National Bank, acting through its Capital Markets Group as remarketing agent, or any successor in such capacity.

"Remarketing Agreement" shall mean the Remarketing Agreement of even date herewith between the Borrower and the Remarketing Agent.

"State" shall mean the State of Mississippi.

"Tender Agency Agreement" shall mean the Tender Agency Agreement of even date herewith among the Borrower, the Trustee and the Tender Agent.

"Tender Agent" means AmSouth Bank and its successors as provided in Section 1202 of the Indenture.

"Trustee" shall mean the banking institution at the time serving as Trustee under the Indenture.

#### Section 1.2. Rules of Construction.

(a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

(b) The table of contents, captions and headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

(c) All references herein to particular articles or sections are references to articles or sections of this Loan Agreement unless some other reference is established.

(d) All accounting terms not specifically defined herein shall be construed in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis.

(e) All references herein to the Borrower shall be deemed to refer to each of the Persons if more than one, as described by such term and any agreement, obligation, duty or liability of the Borrower shall be a joint and several agreement, obligation, duty or liability of each of the Persons so described by such term.

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(f) Any terms not defined herein but defined in any of the other Bond Documents shall have the same meaning herein.

(g) All references herein to the Code or any particular provision or section thereof shall be deemed to refer to any successor, or successor provision or section, thereof, as the case may be.

## ARTICLE II

### REPRESENTATIONS

Section 2.1. Representations and Warranties by the Issuer. The Issuer represents and warrants as follows:

(a) The Issuer is a duly constituted public body corporate and politic of the State created under the Act.

(b) Under the provisions of the Act, the Issuer is duly authorized to enter into, execute and deliver the Bond Documents to which it is a party, to undertake the transactions contemplated by the Bond Documents to which it is a party and to carry out its obligations hereunder and thereunder.

(c) The Issuer proposes to issue the Bonds in the maximum aggregate principal amount of \$19,000,000 to finance all or a portion of the Project in increments of \$100,000 and multiples thereof as directed by the Borrower pursuant to the terms of the Indenture.

(d) By duly adopted resolution, the Issuer has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party, including the borrowing under, issuance and performance of the Bonds and (as security for the Bonds) the pledge of the Note, endorsed without recourse to the order of the Trustee, to the Trustee. The Issuer also has duly authorized the execution, delivery and performance of the Placement Agreement and has approved the section which describes the Issuer in the Private Placement Memorandum.

(e) The Bonds will be issued under and pursuant to the Indenture and will mature, bear interest, and have the other terms and provisions set forth or provided for in the Indenture.

(f) The execution and delivery of and performance under the Bond Documents to which the Issuer is a party and the Placement Agreement will not conflict with, or constitute a breach of or default under, or require any consent pursuant to any law or regulation presently applicable to the Issuer (except for such consents and approvals as have heretofore been obtained), the bylaws of the Issuer, any order of any court, regulatory body or arbitral tribunal or any agreement or instrument to which the Issuer is party or by which it is bound.

(g) To the knowledge of the Issuer, there are no judicial, regulatory or arbitral proceedings pending or threatened against the Issuer which, if decided adversely to the Issuer, would have a material adverse effect on the issuance and sale of the Bonds or any of the transactions of the Issuer in connection therewith.

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(h) When duly executed and delivered on behalf of the Issuer, and assuming the due authorization, execution and delivery by the Borrower of this Loan Agreement, and the due authorization, execution and delivery by the Trustee of the Indenture, each of the Bond Documents to which the Issuer is a party and the Placement Agreement shall constitute a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

(i) The Borrower constitutes an "Eligible Company" and an "Approved Company" as those terms are defined in the Act.

(j) The loan of the proceeds of the Bonds for the acquisition, construction, installation and equipping of the Project by the Company, as provided by this Agreement, will further the purposes of the Act, to wit: to induce the location or expansion of manufacturing facilities in the State in order to relieve unemployment by creating new jobs within the State.

(k) Under existing statutes and decisions, no taxes on income or profits are imposed on the Issuer.

Section 2.2. Representations, Warranties and Covenants by the Borrower

The Borrower represents, warrants and covenants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, and is qualified to do business in the State, has legal authority to enter into and to perform the agreements and covenants on its part contained in the Bond Documents to which it is a party and has duly authorized the execution, delivery and performance of the Bond Documents to which it is a party.

(b) The borrowing under the Note, the execution and delivery of this Loan Agreement and the other Bond Documents to which it is a party, the Placement Agreement and the approval of the section of the Private Placement Memorandum entitled "The Borrower," the consummation of the transactions contemplated hereby and thereby, and the fulfillment of or compliance with the terms and conditions hereof and thereof do not and will not violate, conflict with or constitute a breach of or default under or require any consent (except for such consents and approvals as have heretofore been obtained) pursuant to the Articles of Incorporation or Bylaws of the Borrower, any law or regulation of the United States or the State or, to the best knowledge of the Borrower, of any other jurisdiction presently applicable to the Borrower, any order of any court, regulatory body or arbitral tribunal or any agreement or instrument to which the Borrower is a party or by which it or any of its property is bound.

(c) The Borrower will cause the proceeds of the Bonds to be applied to the Project.

(d) The commencement of the Acquisition of the Project, including the letting of purchase orders for components thereof, did not occur prior to Official Action.

(e) The Borrower presently expects to operate the Project as a distribution facility until Payment of the Bonds.

(f) The Project is an "economic development project" within the meaning of the Act.

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(g) The Project is located wholly within the City of Olive Branch, DeSoto County, Mississippi.

(h) Assuming due authorization, execution and delivery by the other parties thereto, when executed and delivered, the Bond Documents to which the Borrower is a party will be the valid and binding obligations or agreements of the Borrower enforceable in accordance with their respective terms, subject to limitations imposed by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity affecting the remedies provided for in the Bond Documents.

(i) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or agency or arbitral body now pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or any properties or rights of the Borrower which has not heretofore been disclosed to the Trustee in writing or which, if adversely determined, would materially impair the right of the Borrower to carry on its business substantially as now conducted or would materially adversely affect the financial condition, business or operations of the Borrower or the transactions contemplated by, or the validity of, any of the Bond Documents.

(j) The Borrower has filed or properly extended the filing date of all federal, state and local tax returns which are required to be filed by it and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and are material in amount, and no controversy in respect of additional income taxes, state or federal, of the Borrower is pending or, to the knowledge of the Borrower, threatened which has not heretofore been disclosed in writing to the Trustee and which, if adversely determined, would materially and adversely affect the financial condition or operations of the Borrower.

(k) None of the Bond Documents to which the Borrower is a party contains any misrepresentation or untrue statement of material fact with respect to the Borrower or omits to state a material fact with respect to the Borrower necessary in order to make any such representation or statement contained therein not misleading.

(l) The Borrower possesses all patents, licenses, trademarks, trademark rights, trade names, trade name rights and copyrights material to the construction and operation of the Project, without known conflict with any patent, license, trademark, trade name or copyrights of any other Person.

(m) The Project Site is properly zoned, and its intended use and the operation of the Project comply with the uses permitted by applicable zoning regulations.

(n) Reserved.

(o) To the best knowledge of the Borrower, all information furnished by the Borrower to the Issuer for the purpose of approving the financing of the Project through the issuance and sale of the Bonds taken as a whole, including, but not limited to, its application for financing is true, accurate and complete

as of the date hereof and thereof.

(p) The Borrower anticipates that the Project will result in the creation of at least 128 full time jobs and that the Project will require a capital investment of at least Five Million Dollars (\$5,000,000).

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(q) No event has occurred and no condition exists with respect to the Borrower that would constitute an "Event of Default" under this Loan Agreement or that, with the lapse of time or the giving of notice or both, would become an "Event of Default" under this Loan Agreement.

All of the above representations, warranties and covenants shall survive the execution of this Loan Agreement and the issuance of the Note.

### ARTICLE III

#### ACQUISITION OF THE PROJECT

Section 3.1. Acquisition of the Project. The Borrower shall complete the Acquisition of the Project with all reasonable dispatch, delays incident to strikes, riots, acts of God or the public enemy or any delay beyond its reasonable control only excepted, in accordance with the Plans and Specifications; provided, however, that if completion of such Acquisition is delayed for any reason, there shall be no diminution in or postponement of the payments to be made by the Borrower pursuant to the Note or Section 5.1 hereof.

Section 3.2. Borrower to Obtain Approvals Required for the Project and the Plant. The Borrower shall obtain or cause to be obtained all necessary permits and approvals for the Acquisition of the Project and the operation and maintenance of the Plant and the Equipment and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Equipment, the Project Site and the Plant. The Borrower may, however, contest any such requirement by an appropriate proceeding diligently prosecuted.

Section 3.3. Plans and Specifications. The Borrower shall maintain a set of Plans and Specifications at the Project Site which shall be available to the Issuer, the Trustee and the Bondholders for inspection and examination during the Borrower's regular business hours, and the Issuer and the Borrower agree that the Borrower may supplement, amend and add to the Plans and Specifications, and that the Borrower shall be authorized to omit or make substitutions for components of the Project, without approval of the Issuer, provided that no such change shall be made which shall be contrary to subsections (c), (d), (e), (f), (g), (h) and (i) of Section 2.2 hereof or the provisions of Article IX hereof, and provided further that no such change may render materially incorrect or incomplete the description of the initial components of the Project or the description of the Project Site as set forth in Exhibit B to this Loan Agreement unless such change is consented to by the Issuer and the Trustee, which consents may not be unreasonably withheld or delayed. No approval of the Issuer or the Trustee shall be required for the acquisition of the Project or for the solicitation, negotiation, award or execution of contracts relating thereto.

### ARTICLE IV

#### ISSUANCE OF THE BONDS; PROJECT FUND

Section 4.1. Agreement to Issue the Bonds. To provide funds for Project the Issuer agrees that it will from time to time, in accordance with the terms of the Indenture, sell, issue and deliver the

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Bonds in authorized denominations the principal amount selected by the Borrower (not to exceed \$19,000,000) in the manner set forth in the Indenture and cause the proceeds of the Bonds to be applied as provided in the Indenture. The Issuer hereby appoints the Borrower as its agent for the purpose of submitting any Principal Amount Increase Notice and the issuance of additional amounts of the Bonds (not to exceed \$19,000,000 principal amount).

Section 4.2. Disbursement from the Project Fund. All payments from the Project Fund to pay the Cost of Acquisition of the Project or to reimburse the Borrower for any Cost of Acquisition of the Project paid or incurred by the Borrower before or after the execution and delivery of this Agreement and the issuance and delivery of the Bonds but only after Official Action shall be made by the Issuer pursuant to the Indenture upon receipt by the Trustee of a

requisition and certificate substantially in the form of Exhibit A attached to the Indenture.

Section 4.3. Closeout of the Project Fund. The Completion Date for the Project shall be promptly established and evidenced to the Trustee and shall be the date on which the Borrower Representative delivers to the Trustee a certificate stating that, except for the amounts retained by the Trustee at the Borrower's direction for any Cost of Acquisition of the Project not then due and payable, the Acquisition of the Project has been completed substantially in accordance with the Plans and Specifications, if any, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties that exist at the date of such certificate or that may subsequently come into being.

Section 4.4. Disposition of the Balance in the Project Fund. Pursuant to the Indenture, as soon as practicable after, and in any event within sixty (60) days from, the Trustee's receipt of the certificate mentioned in Section 4.3 hereof, all amounts remaining in the Project Fund, including any unliquidated investments made with money theretofore deposited in the Project Fund except for amounts to be retained in the Project Fund for any Cost of Acquisition of the Project not then due and payable as provided in Section 4.3 hereof, shall be transferred by the Trustee to the Bond Fund and shall be applied to the prepayment of the principal installments of the Bonds in accordance with the terms of the Indenture.

Section 4.5. Borrower Required to Pay in Event Project Fund Insufficient. In the event the moneys in the Project Fund should not be sufficient to pay the total cost of the Project, the Borrower agrees to complete the Project and to pay that portion of such cost in excess of the moneys available therefor in the Project Fund. THE ISSUER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE MONEYS PAID INTO THE PROJECT FUND AND AVAILABLE FOR PAYMENT OF THE COST OF THE PROJECT WILL BE SUFFICIENT TO PAY THE TOTAL COST OF THE PROJECT. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the total cost of Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or any Bondholder and it shall not be entitled to any abatement or diminution of the payments required to be made by the Borrower pursuant to the Note or Section 5.1 hereof.

Section 4.6. No Third Party Beneficiary. It is specifically agreed between the parties executing this Loan Agreement that it is not intended by any of the provisions of any part of this Loan Agreement to establish in favor of the public or any member thereof, other than as may be expressly provided herein or as contemplated in the Indenture, the rights of a third party beneficiary hereunder, or to authorize anyone not a party to this Loan Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Loan Agreement. The duties, obligations, and

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responsibilities of the parties to this Loan Agreement with respect to third parties shall remain as imposed by law.

#### ARTICLE V

##### LOAN BY THE ISSUER TO THE BORROWER; REPAYMENT

Section 5.1. Loan by the Issuer; Repayment. Upon the terms and conditions of this Loan Agreement, the Issuer shall lend to the Borrower the proceeds of the sale of the Bonds. The loan shall be evidenced by and repayable as set forth in the Note. The loan shall be made by depositing said proceeds in the Project Fund in accordance with the terms of the Indenture.

As consideration for the issuance of the Bonds and the making of the loan to the Borrower by the Issuer, the Borrower will execute and deliver this Loan Agreement and the Note, in the form attached as Exhibit A hereto, and the Issuer will endorse the Note without recourse to the order of, and pledge the Note and assign this Loan Agreement and the Note to, the Trustee, as the assignee of the Issuer under the Indenture, contemporaneously with the issuance of the Bonds. The Borrower shall repay the loan in accordance with the provisions of the Note and of this Loan Agreement.

Section 5.2. No Set-Off. The obligation of the Borrower to make the payments required by the Note shall be absolute and unconditional. The Borrower will pay without abatement, diminution or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Borrower may have or assert against the Issuer, the Trustee, any Bondholder or any other Person.

Section 5.3. Prepayments. The Borrower may prepay all or any part of the amounts the Note obligates it to pay as provided in Section 701 of the Indenture with respect to prepayment of the Bonds. Except as provided in this Section 5.3 and in Sections 4.4, 10.1(b), 10.2 and 10.3, the Borrower shall not be entitled to prepay the Note or cause the Bonds to be prepaid. The Borrower shall prepay all of the amounts it is required to prepay as provided in Sections 10.2 and 10.3 hereof.

Section 5.4. Credits Against the Note. To the extent that principal of or interest on the Bonds shall be paid, including those payments made pursuant to a draw under a Credit Facility, there shall be credited against the unpaid principal of or interest on the Note, as the case may be, an amount equal to the principal of or interest on the Bonds so paid. If the principal of and interest on and other amounts payable under the Bonds shall have been paid sufficiently that Payment of the Bonds shall have occurred, then the Note, ipso facto, shall be deemed to have been paid in full, the Borrower's obligations thereon shall be discharged and the Note shall be canceled and surrendered to the Borrower.

Section 5.5. Letter of Credit and Reimbursement Agreement. As a further condition to the Issuer's making the loan hereunder, the Borrower shall:

(a) cause the Letter of Credit to be issued and delivered to the Trustee as security for the Bonds. Until the earlier to occur of the Conversion Date or payment of the Note and the Bonds in full, the Borrower shall cause a Credit Facility meeting the requirements of Section 603 of the Indenture to be maintained with the Trustee; and

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(b) enter into the Reimbursement Agreement in form and substance satisfactory to the Bank and execute and deliver the other Letter of Credit Documents required by the Bank.

Section 5.6. Certain Benefits.

(a) The parties hereto acknowledge that the Borrower has been induced to proceed with the Project in part by the benefits conferred by the Act. The Issuer hereby agrees that the Borrower shall be permitted to take advantage of all of the benefits provided by the Act to the fullest extent therein set forth subject to the rules and regulations of the Issuer to the extent that such rules are applicable to the Project.

(b) With respect to benefits conferred by the Act referenced in (a) above, the following shall apply:

- (1) the maximum income tax credit to be utilized in any taxable year of the Borrower (the "Taxable Year") is 80% of the tax liability and shall not exceed the payments of the principal of, premium, if any, and interest payments on the Bonds during such year and the fees and expenses of the Trustee and any other fees and expenses referenced herein.
- (2) the deductibility of interest payments on the Bonds shall be determined in accordance with applicable Mississippi law.
- (3) the Borrower shall request the Trustee to provide the Issuer, not later than ninety (90) days after the end of each calendar year, with a certificate setting forth the amount of all payments made to the Trustee with respect to the Bonds whether for principal, premium, interest or the fees and expenses of the Trustee.
- (4) To the extent that the payments under the Loan Agreement in any year exceed the amount of the credit authorized pursuant to the provisions set forth in (b)(1) above, such excess payment may be recouped from excess credits in succeeding years not to exceed three (3) years following the date upon which the credit was earned.
- (5) the benefits accruing to the Borrower under this Section 5.6 shall cease in the event:
  - (A) an Event of Default should occur and be continuing under this Agreement or the Indenture; or
  - (B) the Borrower should fail to operate the Project for a period of nine (9) consecutive months following the initial start up of the Project except for force majeure, strikes, lockouts, damage, destruction, acts of God or in general, reasons beyond the Borrower's reasonable control excepting, however, general

economic conditions.

With respect to the benefits that may accrue to the company under this Section 5.6, the Borrower acknowledges and agrees that the Issuer makes no representation, warranty or covenant regarding the enforceability of the Borrower's rights to receive the benefits, the extent that such

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benefits may be received nor the term under which the Borrower may be entitled to receive the benefits.

## ARTICLE VI

### GENERAL COVENANTS

The provisions of Sections 6.1 and 6.2 shall become effective upon issuance of the Bonds. The provisions of Sections 6.3 through 6.9 shall become effective at such time as neither the Borrower nor the Credit Facility Issuer has any further obligation under the Reimbursement Agreement or the Credit Facility.

Section 6.1. Maintenance and Modification of the Plant by Borrower. The Borrower agrees that, until Payment of the Bonds shall be made, it will at its own expense, (i) keep the Plant and the Project Site or cause the Plant and the Project Site to be kept in as reasonably safe condition as its operations shall permit, (ii) make or cause to be made from time to time all necessary repairs thereto and renewals and replacements thereof and otherwise keep the Plant in good repair and in good operating condition, normal wear and tear excepted, and (iii) not permit or suffer others to commit a nuisance on or about the Plant or the Project Site. The Borrower shall pay or cause to be paid all costs and expenses of operation and maintenance of the Plant.

The Borrower may, at its own expense, make from time to time any additions, modifications or improvements to the Plant that it may deem desirable for its business purposes and that do not materially impair the effective use, or decrease the value, of the Project.

### Section 6.2. Taxes and Utility Charges.

(a) The Borrower shall pay as the same respectively become due, all taxes, assessments, levies, claims and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project (including, without limiting the generality of the foregoing, any tax upon or with respect to the income or profits of the Borrower from the Plant and that, if not paid, would become a charge on the payments to be made under this Loan Agreement or the Note prior to or on a parity with the charge thereof created by the Indenture and including ad valorem, sales and excise taxes, assessments and charges upon the Borrower's interest in the Plant), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on any portion of the Project.

(b) The Borrower may, at its expense, contest in good faith any such levy, tax, assessment, claim or other charge, but the Borrower may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom only if the Borrower shall notify the Issuer and the Trustee that in the opinion of Counsel, by non-payment of any such items, the rights of the Trustee with respect to this Loan Agreement and the Note created by the assignment under the Indenture, as to the rights assigned under this Loan Agreement, or any part of the payments to be made under this Loan Agreement or the Note, will not be materially endangered nor will the Project or any part thereof be subject to loss or forfeiture. If the Borrower is unable to deliver such an opinion of

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Counsel, the Borrower shall promptly pay or bond and cause to be satisfied or discharged all such unpaid items or furnish, at the expense of the Borrower, indemnity satisfactory to the Trustee; but provided further, that any tax assessment, charge, levy or claim shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same. The Issuer and the Trustee, at the expense of the Borrower, will cooperate fully in any such permitted contest. If the Borrower shall fail to pay any of the foregoing items, the Issuer or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Borrower to the one making the

advancement, which amounts, together with interest thereon at the Overdue Rate, or the maximum contract rate permitted by law, whichever is lower, from the date of payment, the Borrower agrees to pay on demand therefor.

(c) The Borrower shall furnish the Credit Facility Issuer and the Trustee, upon request, with proof of payment of any taxes, governmental charges, utility charges, insurance premiums or other charges required to be paid by the Borrower under this Loan Agreement.

Section 6.3. Insurance. Until Payment of the Bonds shall be made, the Borrower will keep the Plant and the Project Site continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar manufacturing operations (other than business interruption insurance) including, without limiting the generality of the foregoing:

(a) property insurance on the Plant in an amount not less than the full insurable value of all property located at, and all improvements to, the Project Site, against loss or damage by fire and lightning and other hazards ordinarily included under uniform broad form extended coverage policies, limited only as may be provided in the uniform broad form of extended coverage endorsement at the time in use in the State;

(b) commercial general liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Plant or the Project Site (such coverage to include provisions waiving subrogation against the Issuer and the Trustee) in amounts not less than \$1,000,000 with respect to bodily injury and property damage for each occurrence and \$1,000,000 with respect to bodily injury and property damage general aggregate;

(c) Workers' compensation insurance as required by the laws of the State; provided, however, that the insurance so required may be provided by blanket policies now or hereafter maintained by the Borrower; and

(d) if at any time any portion of the Project Site is in an area that has been identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, a policy of flood insurance covering improvements located on such portion of the Project Site with amounts and coverage satisfactory to the Trustee.

#### Section 6.4. General Requirements Applicable to Insurance.

Each insurance policy obtained in satisfaction of the requirements of Section 6.3 hereof:

(i) shall be by such insurer (or insurers) which have a minimum A.M. Best Rating of A- and of recognized standing;

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(ii) shall be in such form and have such provisions (including, without limitation, the lenders loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and are reasonably acceptable to the Trustee;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Issuer and the Trustee; and

(iv) shall provide that losses thereunder shall be adjusted with the insurer by the Borrower at its expense on behalf of the insured parties and the decision of the Borrower as to any adjustment shall be final and conclusive;

Section 6.5. Advances by the Issuer or the Trustee. In the event the Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep or cause to be kept the Plant in good repair and good operating condition, the Issuer or the Trustee may (but shall be under no obligation to), after 10 days' written notice to the Borrower, contract for the required policies of insurance and pay the premiums on the same and make any required repairs, renewals and replacements, and the Borrower agrees to reimburse the Issuer and the Trustee to the extent of the amounts so advanced by them or any of them with interest thereon at the Overdue Rate or the maximum rate permitted by law, whichever is lower, from the date of advance to the date of reimbursement. Any amounts so advanced by the Issuer or the Trustee shall become an additional obligation of the Borrower, shall be payable on demand, and shall be deemed a part of the obligation of the Borrower evidenced by the Note.

Section 6.6. Borrower to Make up Deficiency in Insurance Coverage. The Borrower agrees that to the extent that it shall not carry insurance required by Section 6.3 hereof, in the event of any casualty required to be covered by such insurance, it shall pay promptly to the Trustee for application in accordance with the provisions of Section 6.8 hereof, such amount as would have been received as Net Proceeds by the Trustee under the provisions of Section 6.8 hereof had such insurance been carried to the extent required.

Section 6.7. Eminent Domain. Unless the Borrower shall have prepaid the Note pursuant to the provisions of Article X hereof, in the event that title to, or temporary use of, the Project Site, the Plant or any part thereof shall be taken by Eminent Domain, the Borrower shall be obligated to continue to make the payments required to be made pursuant to the Note and the Net Proceeds received as a result of such Eminent Domain shall be applied as provided in Section 6.8(b) hereof.

Section 6.8. Application of Net Proceeds of Insurance and Eminent Domain.

(a) The Net Proceeds of the insurance carried pursuant to the provisions of Sections 6.3(b) and 6.3(c) hereof shall be applied by the Borrower toward extinguishment of the defect or claim or satisfaction of the liability with respect to which such insurance proceeds may be paid.

(b) The Net Proceeds of the insurance carried with respect to the Plant pursuant to the provisions of Sections 6.3(a) and 6.3(d) hereof (excluding the Net Proceeds of any business interruption insurance, which shall be paid to the Borrower), and the Net Proceeds resulting from Eminent Domain shall be paid to the Trustee and applied as follows:

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(i) If the amount of the Net Proceeds does not exceed \$500,000, the Net Proceeds shall be paid to the Borrower and shall be applied to the repair, replacement, renewal or improvement of the Plant as necessary.

(ii) If the amount of the Net Proceeds exceeds \$500,000, the Net Proceeds shall be paid to and held by the Borrower. At the option of the Borrower, to be exercised within the period of 90 days from the receipt by the Borrower of such Net Proceeds, the Borrower shall advise the Trustee that (A) the Borrower will use the Net Proceeds for the repair, replacement, renewal or improvement of the Plant, or (B) the Net Proceeds shall be applied to the prepayment of the Bonds as provided in Article X hereof (and the Borrower shall transfer such Net Proceeds to be used to prepay the Bonds to the Trustee).

The Borrower agrees that if it shall elect to use the Net Proceeds pursuant to subsection (b)(ii) of this Section 6.8 for the repair, replacement, renewal or improvement of the Plant, it will restore the Plant, or cause the same to be done, to a condition substantially equivalent to its condition prior to the occurrence of the event to which the Net Proceeds were attributable.

Section 6.9. Parties to Give Notice. In case of any material damage to or destruction of all or any part of the Plant, the Borrower shall give prompt notice thereof to the Issuer and the Trustee. In case of a taking or proposed taking of all or any part of the Plant, the Project Site or any right therein by Eminent Domain, the Borrower shall give prompt notice thereof to the Issuer and the Trustee. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceeding or negotiations.

## ARTICLE VII

### SPECIAL COVENANTS

Section 7.1. Access to the Project and Inspection. The Credit Facility Issuer, the Trustee and the Issuer shall have the right, at all reasonable times upon the furnishing of reasonable notice to the Borrower under the circumstances, to enter upon the Project Site and to examine and inspect the Plant and the Equipment. The Trustee, the Credit Facility Issuer, the Issuer and their duly authorized agents shall also have such right of access to the Project as may be reasonably necessary to cause to be completed the construction, acquisition and installation of the Project, and thereafter for its proper maintenance, in the event of failure by the Borrower to perform its obligations relating to maintenance under this Loan Agreement. The Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary to grant to the Issuer Representative and the Trustee such right of entry. The Issuer Representative, the Trustee and the Credit Facility Issuer shall also be permitted, at all reasonable times, to examine the books and records of the Borrower with respect to the Project and the obligations of the Borrower hereunder, but none of them shall be entitled to

access to trade secrets or other proprietary information (other than financial information) of the Borrower.

Section 7.2. Further Assurances and Corrective Instruments. Subject to the provisions of the Indenture, the Issuer and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating

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the performance of this Loan Agreement. All such supplements, amendments and further instruments shall require the approval of the Credit Facility Issuer.

Section 7.3. Reserved.

Section 7.4. Reserved.

Section 7.5. Administrative Expenses. The Borrower shall pay to the Issuer the Initial Administrative Fee prior to the date of issuance of the Bonds. The Borrower shall also pay to the Trustee for the account of the Issuer within 30 days after notice thereof all other reasonable out of pocket costs and expenses incurred by the Issuer in connection with the financing and administration of the Project, including, without limitation, the costs of administering this Loan Agreement and the reasonable fees and expenses of attorneys, consultants and others. The Borrower shall also pay to the Trustee, the Bond Registrar and the Paying Agent all reasonable fees and expenses of the Trustee at the time such amounts are due.

Section 7.6. Indemnity Against Claims. The Borrower will pay and discharge and will indemnify and hold harmless the Issuer and the Trustee from (a) any lien or charge upon amounts payable hereunder by the Borrower to the Issuer (other than the lien of the Indenture), and (b) any taxes, assessments, impositions and other charges in respect of the Project Site, the Plant or the Equipment. If any claim of any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Issuer or the Trustee, as the case may be, will give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and shall assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Section 7.7. Release and Indemnification. The Borrower shall at all times protect and hold the Issuer, the Governing Board, its counsel and the Trustee, their respective members, officers, employees and agents harmless against any claims or liability resulting from any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project, the Project Site, the Plant and the Equipment or the use thereof, including without limitation any lease thereof or assignment of its interest in this Agreement, such indemnification to include reasonable expenses and attorneys' fees incurred by the Issuer, the Governing Board and the Trustee, their respective members, officers, employees and agents in connection therewith, provided that such indemnity shall be effective only to the extent of any loss that may be sustained by the Issuer, the Governing Board or the Trustee, their respective members, officers, employees and agents in excess of the Net Proceeds received by it or them from any insurance carrier with respect to such loss and provided further that the benefits of this Section 7.7 shall not inure to any person other than the Issuer, the Governing Board or the Trustee, their respective members, officers, employees and agents.

Section 7.8. Additional Information. Until Payment of the Bonds shall have occurred, the Borrower shall promptly, from time to time, deliver to the Trustee such information regarding the operations, business affairs and financial condition of the Project as the Trustee may reasonably request. The Trustee is hereby authorized to deliver a copy of any such financial information delivered hereunder, or otherwise obtained by the Trustee, to any Bondholder or prospective Bondholder, to any regulatory authority having jurisdiction over the Trustee and to any other Person as may be required by law. The Issuer and the Trustee are authorized to provide information concerning the outstanding principal amount and payment history of, and other information pertaining to, the Bonds or the Note to any agency or regulatory authority of the State requesting such information.

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Section 7.9. Corporate Existence, Sale of Assets, Consolidation or Merger. Unless the Trustee consents in writing, the Borrower will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not enter into any transaction of

merger or consolidation in which it is not the surviving corporation; provided that, if a Reimbursement Agreement is in effect, the Borrower may take such action if it is permitted by the terms of the Reimbursement Agreement. If the Reimbursement Agreement permits such action, the Borrower shall promptly notify the Trustee.

Section 7.10. Default Certificates. The Borrower shall deliver to the Trustee annually, within 60 days after the close of each fiscal year, a certificate that no Event of Default hereunder or under the Note, the Indenture, or the Reimbursement Agreement, or an event which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both has occurred and is continuing, or if such an event has occurred or is continuing, a certificate of the Borrower specifying the nature and period of existence thereof and what action the Borrower proposes to take with respect thereto.

Section 7.11. Reserved.

Section 7.12. Additional Reporting Requirements. Pursuant to the provisions of Section 5.6 (b) (3), the Borrower hereby requests the Trustee to provide the Issuer, not later than ninety (90) days after the end of each calendar year, with a certificate setting forth the amount of all payments made to the Trustee with respect to the Bonds.

Section 7.13. Observe Laws. The Borrower shall in all material respects observe all material applicable laws, regulations and other valid requirements of any regulatory authority with respect to its operations at the Plant and the Project Site.

## ARTICLE VIII

### ASSIGNMENT, LEASING AND SELLING

Section 8.1. Assignment of Loan Agreement or Lease or Sale of Project by the Borrower. Except with the prior written consent of the Issuer, the Credit Facility Issuer and the Trustee, which consent will not be withheld or delayed unreasonably, the rights of the Borrower under this Loan Agreement may not be assigned, and the Project may not be leased or sold as a whole or in part.

Section 8.2. Restrictions on Transfer of Issuer's Rights. Except for the assignment made pursuant to the Indenture of certain of its rights under this Loan Agreement and its pledge of the Note, endorsed without recourse to the order of the Trustee, to the Trustee as security pursuant to the Indenture, the Issuer will not, during the term of this Loan Agreement, sell, assign, transfer or convey any of its interests in this Loan Agreement or the Note. The Borrower hereby assents to such assignment and pledge of the Issuer's rights under the Loan Agreement and the pledge of the Note to the Trustee.

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## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

(a) The failure by the Borrower promptly after receipt of demand therefor to pay when due any payment of principal or interest on or, any other amount payable under the Note.

(b) The failure of the Issuer to pay when due any payment of principal of or interest on or other amount payable under the Bonds.

(c) Reserved.

(d) The occurrence of an "Event of Default" or "event of default" under any of the other Bond Documents or the Letter of Credit Documents which Event of Default results in an acceleration of indebtedness due thereunder (which acceleration has not subsequently been rescinded).

(e) Any representation or warranty of the Borrower contained in Section 2.2 hereof, or in any document, instrument or certificate delivered pursuant hereto or to the Indenture or in connection with the issuance and sale of the Bonds, shall be false, misleading or incomplete in any material respect on the date as of which made.

(f) Failure by the Borrower to observe and perform any covenant, condition or agreement on the part of the Borrower under the Note or this Loan

Agreement, other than as referred to in the preceding paragraphs of this Section 9.1, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Issuer or the Trustee.

(g) The commencement against the Borrower of an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or of any action or proceeding for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Borrower or for any substantial part of its property, or for the winding-up or liquidation of its affairs and the continuance of any such case, action, or proceeding unstayed and in effect for a period of 60 consecutive days.

(h) The commencement by the Borrower of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to, or its acquiescence in the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or of any substantial part of its property, or the making by it of or the consent by it to any general assignment for the benefit of creditors, or the taking of any action by the Borrower in furtherance of any of the foregoing.

Section 9.2. Remedies on Default. If Payment of the Bonds shall not have been made, whenever any Event of Default referred to in Section 9.1 hereof shall have happened and shall not have been cured or waived:

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(a) The Issuer, or the Trustee on behalf of the Issuer, may by written notice declare all installments of principal repayable pursuant to the Note for the remainder of the term thereof to be immediately due and payable, whereupon the same, together with accrued interest thereon as provided for in the Note, shall become immediately due and payable without presentment, demand, protest or any other notice whatsoever, all of which are hereby expressly waived by the Borrower; provided, however, all such amounts shall automatically be and become immediately due and payable without notice upon the occurrence of any event described in Section 9.1(g) or 9.1(h) hereof, which notice the Borrower hereby expressly waives.

(b) The Trustee may take whatever other action at law or in equity may appear necessary or desirable to collect the amounts payable pursuant to the Note then due and thereafter to become due, or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement or under any of the other Bond Documents.

In the enforcement of the remedies provided in this Section 9.2, the Issuer may treat all reasonable expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by the Borrower then due and owing and the Borrower agrees to pay such additional amounts upon demand, the amount of such legal fees to be without regard to any statutory presumption.

Section 9.3. Application of Amounts Realized in Enforcement of Remedies. Any amounts collected pursuant to action taken under Section 9.2 hereof shall be paid to the Trustee and applied to the payment of, first, any costs, expenses and fees incurred by the Issuer and the Trustee as a result of taking such action; second, any interest which shall have accrued on any overdue interest and any accrued interest on any overdue principal of the Bonds at the rate set forth in the Bonds; third, any overdue interest on the Bonds; fourth, any overdue principal of the Bonds; fifth, the outstanding principal balance of the Bonds; and sixth, if Payment of the Bonds shall have been made, all remaining moneys as set forth in Article IX of the Indenture.

Section 9.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.5. Agreement to Pay Attorneys' Fees and Expenses. In any Event of Default, if the Issuer, the Trustee, the Credit Facility Issuer or any Bondholder employs attorneys or incurs other expenses for the collection of amounts payable hereunder or for the enforcement of the performance or observance of any covenants or agreements on the part of the Borrower contained herein or in the Indenture (in the case of the Issuer, the Trustee or the Credit Facility Issuer) or contained in the Indenture (on the part of any Bondholder),

the Borrower agrees that it will on demand therefor pay to the Issuer, the Trustee, the Credit Facility Issuer or such Bondholder the reasonable fees of such attorneys and such other reasonable out of pocket expenses so incurred by the Issuer, the Trustee, the Credit Facility Issuer or such Bondholder, the amount of such fees of attorneys to be without regard to any statutory presumption.

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Section 9.6. Correlative Waivers. If an event of default under Section 901 of the Indenture shall be cured or waived and any remedial action by the Trustee rescinded, any correlative default under this Loan Agreement shall be deemed to have been cured or waived.

#### ARTICLE X

#### PREPAYMENTS

##### Section 10.1. Optional Prepayments.

(a) The Borrower is hereby granted, and shall have, the option to prepay the unpaid principal of the Note in whole or in part in accordance with and as set forth in Section 701 of the Indenture with respect to the prepayment of the Bonds; provided, all prepayments shall be made in immediately available funds and with accrued interest to the date of prepayment and that any prepayment of the Note in part shall be applied to unpaid principal. Any prepayment pursuant to this subsection (a) shall be made by the Borrower taking, or causing the Issuer to take, the actions required (i) for Payment of the Bonds, in the case of prepayment of the Note in whole, or (ii) to effect prepayment of less than all of the Bonds according to their terms in the case of a partial prepayment of the Note.

(b) In the event of damage, destruction, or condemnation of the Plant or any part thereof, the Borrower may, at its option, pursuant to Section 6.8 hereof (if it is then effective) and without penalty or premium, prepay the Note in whole or in part; provided that any such prepayment shall be made in immediately available funds with accrued interest to the date of whole or partial prepayment. Any prepayment pursuant to this subsection (b) shall be made by the Borrower taking, or causing the Issuer to take, the actions required for the full or partial prepayment of the Bonds as provided for in subsection (a) hereof.

(c) To exercise the option granted in subsection (a) or (b) of this Section 10.1, the Borrower shall give written notice to the Issuer and the Trustee which shall specify therein (i) the date of the intended prepayment of the Note, which shall not be less than 45 days from the date the notice is mailed and (ii) the principal amount of the Note to be prepaid. When given such notice shall be irrevocable by the Borrower.

##### Section 10.2. Mandatory Prepayments.

(a) Reserved.

(b) Prior to the Conversion Date, in the event any Credit Facility is not renewed and an Alternate Credit Facility has not been provided in accordance with Section 603 of the Indenture, the Borrower shall on or before the Interest Payment Date occurring closest but not less than 15 days prior to the expiration date of the then current Credit Facility, prepay the entire unpaid principal balance of the Note in full and the Trustee shall promptly declare the Bonds to be accelerated pursuant to the provisions of the Indenture. The Borrower shall promptly notify the Issuer and the Trustee of the date selected for such payment.

Section 10.3. Other Mandatory Prepayments. The amounts required to be applied to the prepayment of the Note by Sections 4.4, 5.3 and 6.8 hereof shall be applied by the Borrower to prepay,

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together with accrued interest, all or a portion of the unpaid principal of the Note. Such prepayment shall be made by the Borrower taking, or causing the Issuer to take, the actions required for payment of the Bonds, whether by redemption prior to the maturity or by payment at maturity, or to effect the purchase, redemption or payment at maturity of less than all of the principal installments of the Bonds on a pro rata basis.

ARTICLE XI

MISCELLANEOUS

Section 11.1. References to the Bonds Ineffective After Bonds Paid. Upon payment of the Bonds, all references in this Loan Agreement to the Bonds shall be ineffective and the Issuer and any holder of the Bonds shall not thereafter have any rights hereunder.

Section 11.2. No Implied Waiver. In the event any agreement contained in the Note or this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder or hereunder. Neither any failure nor any delay on the part of the Trustee to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

Section 11.3. Issuer Representative. Whenever under the provisions of this Loan Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Borrower, such approval shall be made or such action shall be taken by the Issuer Representative; and the Borrower, the Trustee and the Bondholders shall be authorized to rely on any such approval or action.

Section 11.4. Borrower Representative. Whenever under the provisions of this Loan Agreement the approval of the Borrower is required or the Borrower is required to take some action at the request of the Issuer, such approval shall be made or such action shall be taken by the Borrower Representative; and the Issuer, the Trustee and the Bondholders shall be authorized to act on any such approval or action.

Section 11.5. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered by hand delivery or mailed by first class, postage prepaid, registered or certified mail, addressed as follows:

If to the Issuer: Mississippi Business Finance Corporation  
Post Office Box 849  
Jackson, Mississippi 39205-0849  
Attention: Executive Director

If to the Borrower: Dollar Tree Distribution, Inc.  
c/o Dollar Tree Stores, Inc.  
500 Volvo Parkway  
Chesapeake, Virginia 23320  
Attention: Corporate Controller

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With a copy to :  
Hofheimer Nusbaum, P.C.  
Dominion Tower, Suite 1700  
999 Waterside Drive  
Post Office Box 3460  
Norfolk, Virginia 23514-3460  
Attention: W.A. Old, Jr.

If to the Trustee: AmSouth Bank  
1901 Sixth Avenue North, Suite 730  
Birmingham, Alabama 35203  
Attention: Corporate Trust Department

If to the Bank: First Union National Bank  
Two First Union Center  
Charlotte, North Carolina 28288  
(Attention: International Operations)

The Issuer, the Borrower or the Trustee may, by notice given hereunder, designate from time to time any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.6. If Payment or Performance Date Is Other Than a Business Day. If the specified or last date for the making of any payment, the performance of any act or the exercising of any right, as provided in this Loan Agreement, shall be a day other than a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same effect as if made, performed or exercised on the specified date.

Section 11.7. Binding Effect. This Loan Agreement shall inure to the

benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns.

Section 11.8. Severability. In the event any provision of this Loan Agreement or the Note shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof or thereof.

Section 11.9. Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to Payment of the Bonds, this Loan Agreement and the other Bond Documents may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture.

Section 11.10. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument, and no one counterpart of which need be executed by all parties.

Section 11.11. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.12. No Charge Against Issuer Credit. No provision hereof shall be construed to impose a charge against the general credit of the Issuer or any personal or pecuniary liability upon any commissioner, official, employee or agent of the Issuer.

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Section 11.13. Issuer Not Liable. Notwithstanding any other provision of this Loan Agreement (a) the Issuer shall not be liable to the Borrower, the Trustee, any Bondholder or any other Person for any failure of the Issuer to take action under this Loan Agreement unless the Issuer (i) is requested in writing by an appropriate Person to take such action, (ii) is assured of payment of or reimbursement for any expense in such action, and (iii) is afforded, under the existing circumstances, a reasonable period to take such action, and (b) except with respect to any action for specific performance or any action in the nature of a prohibitory or mandatory injunction, neither the Issuer nor any commissioner of the Issuer nor any other official, employee or agent of the Issuer shall be liable to the Borrower, the Trustee, any Bondholder or any other Person for any action taken by the Issuer or by its officers, servants, agents or employees, or for any failure to take action under this Loan Agreement or the other Bond Documents to which the Issuer is a party. In acting under this Loan Agreement, or in refraining from acting under this Loan Agreement, the Issuer may conclusively rely on the advice of its counsel.

Section 11.14. Expenses. The Borrower agrees to pay all reasonable fees and expenses incurred in connection with the preparation, execution, delivery, modification, waiver, and amendment of this Loan Agreement, the other Bond Documents and related documents, and the fees and expenses of Bond Counsel and Counsel for the Issuer. The Borrower also agrees to pay all expenses incurred by the Trustee or the Issuer in collection of any indebtedness incurred hereunder in the Event of Default by the Borrower, provided that the amount of any legal fees so incurred shall be without regard to any statutory presumption.

Section 11.15. Amounts Remaining with the Trustee. Any amounts remaining in the Bond Fund or otherwise in trust with the Trustee under the Indenture or this Loan Agreement shall, after Payment of the Bonds and all Administrative Expenses in accordance with this Loan Agreement, be disbursed by the Trustee in accordance with the provisions of the Indenture or otherwise as may be required by law.

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IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Loan Agreement to be executed in their respective legal names by their duly authorized representatives and their respective seals to be hereunto affixed, and the signatures of duly authorized persons to be attested, all as of the date first above written.

MISSISSIPPI BUSINESS FINANCE CORPORATION

ATTEST:

By: /s/ Vernon Smith

By: /s/ Bill Barry

-----  
Title: Secretary

-----  
Title: Executive Director

(SEAL)

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DOLLAR TREE DISTRIBUTION, INC.

ATTEST:

By: /s/ Frederick C. Coble  
-----  
Title: Assistant Secretary

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

(CORPORATE SEAL)

[Signature page of Loan Agreement]

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RECEIPT

Receipt of the foregoing original counterpart of the Loan Agreement, dated as of May 1, 1998, between Mississippi Business Finance Corporation and Dollar Tree Distribution, Inc., is hereby acknowledged.

AmSouth Bank,  
as Trustee

By: /s/ Ann M. Harris  
-----  
Title: Vice President

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PLACEMENT LETTER AGREEMENT

May 1, 1998

Mississippi Business Finance Corporation  
Jackson, Mississippi

Dollar Tree Distribution, Inc.  
Chesapeake, Virginia

Re: Placement of Mississippi Business Finance Corporation Incremental  
Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution,  
Inc. Project) Series 1998

Ladies and Gentlemen:

This letter confirms our agreement to act as your agent (the "Placement Agent") in introducing certain institutional investors, as prospective initial purchasers, to the Bonds in caption (collectively, the "Bonds"), designated Mississippi Business Finance Corporation Incremental Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project) Series 1998. The Bonds are to be issued, in the aggregate principal amount of up to \$19,000,000, by Mississippi Business Finance Corporation (the "Issuer") pursuant to a resolution adopted by the Issuer and a Trust Indenture dated as of May 1, 1998 between the Issuer and AmSouth Bank, as Trustee (the "Trustee"). Proceeds of the Bonds will be lent to Dollar Tree Distribution, Inc. (the "Borrower") pursuant to a Loan Agreement dated as of May 1, 1998 between the Issuer and the Borrower, such loan to be evidenced by the Borrower's promissory note (the "Note"). The payment when due of the principal of and interest on (and purchase price of) the Bonds is to be secured, to the extent provided therein, by an irrevocable Letter of Credit issued by First Union National Bank (in such capacity, the "Bank") pursuant to a Letter of Credit and Reimbursement Agreement dated as of May 1, 1998 between the Borrower and the Bank (the "Reimbursement Agreement"). The Borrower and the undersigned (in such capacity, the "Remarketing Agent") have entered into a Remarketing Agreement dated as of May 1, 1998 (the "Remarketing Agreement") pursuant to which the Remarketing Agent, after the initial placement of the Bonds, will determine the interest rate on the Bonds and will use its best efforts to remarket any Bonds tendered for purchase pursuant to the terms of the Indenture.

It is understood by and between the parties hereto that the Bonds will be sold to the purchasers (each a "Purchaser"), each of which shall be an "accredited investor" within any of the following categories at the time of the sale of the Bonds to that entity:

(i) a bank, as defined in Section 3(a)(2) of the Securities Act of 1933 as amended, (the "Securities Act"), acting in its individual or fiduciary capacity;

(ii) a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act");

(iii) an insurance company, as defined in Section 2(13) of the Securities Act;

(iv) an investment company, as defined under the Investment Company Act of 1940;

(v) a natural person whose individual net worth, or joint net worth with such person's spouse, at the time of his or her purchase exceeds \$1,000,000;

(vi) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year;

(vii) a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Bonds, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) promulgated under the Securities Act; or

(viii) any entity in which all the owners are accredited investors.

As Placement Agent, we will use our best efforts to identify potential

initial purchasers of the Bonds and introduce them to the Issuer. The Issuer and the Borrower hereby agree to perform such of their obligations as may be set forth in a purchase agreement, if any, that may be entered into by the Issuer with the Purchaser. For purposes of soliciting the interest of potential purchasers, you hereby confirm your authorization for us to use a private placement memorandum, including any appendices attached thereto (the "Placement Memorandum") prepared from information provided by the Issuer, First Union National Bank as issuer of a Letter of Credit and the Borrower.

In connection with the above-referenced matter, we hereby confirm our understanding with you as follows:

1. No representative of the Borrower, the Issuer, the Placement Agent or any other person has been authorized to give any information or make any representations in connection with the offer or sale of the Bonds other than those contained in the Placement Memorandum. The Placement Memorandum shall

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provide that the information contained therein is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Placement Agent. Neither the Placement Agent, the Borrower, the Issuer or any person acting on behalf of the Borrower, the Placement Agent or the Issuer will utilize any form of general solicitation or general advertising in offering the Bonds.

2. The Borrower shall be solely responsible for the contents of the Placement Memorandum entitled "Use of Proceeds," and the "Project" and Appendix A, "The Company," and hereby represents and warrants that the Placement Memorandum did not and will not, as of the date of any offer or sale of the Bonds, contain any untrue statement of a material fact relating to the Borrower or the Project or omit to state a material fact necessary in order to make the statements relating to the Borrower or the Project made, in light of the circumstances in which they were made, not misleading.

3. Neither the Borrower nor the Issuer shall, directly or indirectly (except through the Placement Agent), sell or offer, or attempt or offer to dispose of, or solicit any offer to buy, or otherwise approach or negotiate with any person in respect of, any of the Bonds and neither the Issuer nor the Borrower has heretofore done any of the foregoing.

4. (a) The Borrower agrees with the Placement Agent that each of the Borrower's representations and warranties contained in the Loan Agreement and the Reimbursement Agreement, all of which shall survive delivery of the Bonds, are and will, as of the date of delivery of the Bonds, be true and correct in all material respects and are hereby made to the Placement Agent as if set forth herein.

(b) The Placement Agent hereby represents and warrants to the Issuer and the Borrower that it will offer the Bonds only in states or other jurisdictions where the offer and sale of the Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Bonds for sale in such state or jurisdiction, and will comply with all applicable state and federal securities laws, and with all applicable regulations of the Securities and Exchange Commission and other federal regulatory agencies; provided, however, this representation and warranty shall not affect or diminish the Borrower's obligations hereunder, including without limitation, Section 7.

(c) The Issuer and the Borrower hereby agree promptly from time to time to take such action as the Placement Agent may reasonably request to qualify the Bonds for offering and sale under the securities laws of such states as the Placement Agent may reasonably request and to comply with such laws so as to permit such offers and sales; provided that in connection therewith the Issuer shall not be required to file a general consent to service of process.

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5. The obligations of the Placement Agent hereunder shall be conditioned on the performance by the Issuer and the Borrower of their obligations hereunder and on the following additional conditions:

(a) all conditions to issuance of the Bonds set forth in Section 214 of the Indenture shall have been satisfied.

(b) The Borrower shall have furnished to the Placement Agent an opinion of counsel for the Borrower, addressed to the Placement Agent dated the Closing Date, as to such matters as may be requested by the Placement Agent and shall, at a minimum, include the matters set forth in Exhibit C to the Reimbursement Agreement (as defined in the Loan Agreement).

(c) The Issuer shall have furnished to the Placement Agent an opinion of counsel for the Issuer, addressed to the Placement Agent and each Purchaser, dated the Closing Date, as to the matters contained in the opinion of counsel to the Issuer required by Section 214(d) of the Indenture.

(d) The Placement Agent shall have received (i) a supplemental opinion of Bond Counsel, dated as of the Closing Date, substantially in the form attached hereto as Exhibit A; (ii) the opinion of Robinson, Bradshaw & Hinson, P.A., counsel to the Placement Agent, dated as of the Closing Date, substantially in the form attached hereto as Exhibit B; and (iii) the opinion of Robinson, Bradshaw & Hinson, P.A., counsel to the Bank, dated as of the Closing Date, substantially in the form attached hereto as Exhibit C.

6. The Placement Agent hereby covenants that:

(a) Upon request, it will provide the Borrower and the Issuer with a complete list of all persons that it has contacted regarding their interest in purchasing the Bonds, such list to be provided at such time or times as the Borrower and the Issuer shall reasonably request;

(b) In the event it learns of any circumstances or facts which it believes would make the Placement Memorandum inaccurate or misleading as to any material fact, it will immediately bring such circumstances to the attention of the Issuer and the Borrower.

7. The Borrower and the Placement Agent hereby agree as follows:

(a) The Borrower agrees to indemnify and hold harmless the Placement Agent and the Issuer, their respective directors, officers, employees and agents and each person, if any, and its directors, officers, employees and agents, who controls the Placement Agent within the meaning of the Securities Act or the

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Exchange Act (collectively, the "Indemnified Persons" and individually, an "Indemnified Person") against any and all losses, claims, damages, liabilities and costs (i) arising out of any statement or information contained in the Placement Memorandum, except for statements pertaining to the Bank or the Placement Agent, that is untrue or incorrect, or alleged to be untrue or incorrect, in any material respect or the omission or alleged omission therefrom of any statement or information that is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect, (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected without the written consent of the Indemnified Persons, and (iii) to which the Indemnified Persons may become subject under the Securities Act, the Exchange Act or other federal or state statutory laws or regulations insofar as such losses, claims, damages, liabilities and costs (and any legal or other expenses incurred by the Indemnified Persons in investigating or defending the same or in giving testimony or furnishing documents in response to a request of any government agency or subpoena) that in any way relate to or in any way arise out of the activities of the Indemnified Persons contemplated by this letter agreement; provided, however, that the Borrower shall not be liable in any such case (a) to the Placement Agent, any director, officer or employee of the Placement Agent, or any person controlling the Placement Agent, to the extent that any such loss, claim, damage, liability or cost arises out of, or is based upon, (x) any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information about the Placement Agent, the Bank (as defined in the Indenture), the rating assigned to the Bonds, or the manner in which the Bonds are to be placed or sold furnished by persons other than the Borrower for use in preparation of the Placement Memorandum, (y) any such person's negligence or willful misconduct, or (z) any untrue statement or alleged untrue statement or omission or alleged omission contained in the sections of the Placement Memorandum entitled "Book Entry System," "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT," "TAX TREATMENT," "PLACEMENT AGENT," and "REMARKETING AGENT"; (b) to the Issuer, its commissioners, officers and employees or any person controlling the Issuer, to the extent that any such loss, claim, damage, liability or cost arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Placement Memorandum under the captions "The Issuer" or "Litigation" (to the extent related to the Issuer), or arising out of or based upon any failure to state under either of such captions (to the extent related to the Issuer) any material fact necessary to make the statements under such captions, in light of the circumstances under which they were made, not misleading; or (c) to the Placement Agent, to the extent the person asserting any such loss, claim, damage or liability purchased Bonds through the Placement Agent, and delivery to such person of the Placement Memorandum in the form available at closing for the Bonds would have been a valid defense to the action from which such loss, claim, damage or liability arose but the Placement Memorandum was not delivered to such person by or on behalf of the Placement Agent. Such indemnity agreement shall also not cover any loss, claim, damage, liability or cost which is held in a final judgment of a court to have arisen

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out of the negligence or bad faith of the Indemnified Persons contained herein. This indemnity agreement will be in addition to any liability which the Borrower may otherwise have, but shall not be construed to cause the Borrower to pay any

Indemnified Person twice for the same loss, claim, damage, liability or cost.

(b) If any claims shall be made or action brought against any of the Indemnified Persons for which indemnity may be sought against the Borrower, such Indemnified Persons or Person shall promptly notify the Borrower in writing setting forth the particulars of such claim or action. Failure to so notify the Borrower will reduce the liability of the Borrower under this Agreement by the amount of damages directly attributable to the failure of the Indemnified Person to give such notice, but shall not relieve the Borrower from any liability that it may have otherwise than on account of this section. The Borrower may participate at its own expense in defense of such action. If the Borrower so elects within a reasonable time after receipt of such notice, the Borrower may assume the defense of such action with counsel chosen by it and approved by the Indemnified Persons in such action, unless such Indemnified Persons reasonably object in writing on the ground that there may be legal defenses available to them that are different from or in addition to those available to the Borrower, in which case the Indemnified Persons shall have the right to designate and retain separate counsel in such action and the fees and expenses of such counsel so designated and retained shall be paid by the Borrower.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraphs (a) and (b) of this Section 7 is due in accordance with its terms but is for any reason held by a court to be unavailable on grounds of policy or otherwise, the Borrower and the Indemnified Persons shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending the same) to which the Borrower and the Indemnified Persons may be subject in such proportion as is appropriate to reflect not only the relative benefits received by the Borrower on the one hand and the Indemnified Persons on the other hand, but also the relative fault of the Borrower and the Indemnified Persons, as well as any relevant equitable considerations.

(d) This indemnity agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Placement Agent or the Borrower, or on delivery of and payment for any Bonds hereunder, and shall survive the termination or cancellation of this letter agreement.

8. The Placement Agent's aggregate fee for introducing the prospective purchasers will be \$66,500. Such fee shall be payable by the Borrower at the closing of the sale of the Bonds and may be paid out of the proceeds from the sale of the Bonds. The Borrower hereby represents and warrants to the Placement Agent that it has not had, and will not have prior to the Closing

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Date, any discussion with any person other than representatives of the Placement Agent for the purpose of engaging, or considering the engagement of, such person as a finder or broker in connection with the sale of the Bonds or similar securities. In addition to the fee that is payable hereunder to the Placement Agent at the closing of the sale of the Bonds, the Borrower shall reimburse the Placement Agent for all of the Placement Agent's reasonable out-of-pocket expenses incurred in connection with the Placement Agent's engagement hereunder (including the reasonable fees and disbursements of counsel for the Placement Agent).

9. The benefits of this letter agreement shall inure to the respective successors and assigns of the parties hereto, and the obligations and liabilities assumed in this letter agreement by the parties hereto shall be binding upon their respective successors and assigns.

10. This engagement shall be governed by the laws of the State of North Carolina.

11. This letter agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be the same agreement.

12. The Borrower hereby agrees that the Placement Agent will be acting as the Borrower's agent in the introduction of potential purchasers of the Bonds and that the Placement Agent's responsibility in this transaction is limited to a "best efforts" basis in identifying potential purchasers of the Bonds, with no understanding, expressed or implied, of a commitment by the Placement Agent to purchase or place the Bonds.

13. If the foregoing is in accordance with your understanding, kindly confirm your acceptance and agreement by signing and returning one of the enclosed duplicates of this letter which will thereupon constitute an agreement between us.

Very truly yours,

FIRST UNION NATIONAL BANK

By: /s/ Hal A. Telimen  
-----  
Hal A. Telimen, Sr. Vice President

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ACCEPTED AND AGREED TO:

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: /s/ Bill Barry  
-----  
Name: Bill Barry  
Title: Executive Director

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DOLLAR TREE DISTRIBUTION, INC.

By: /s/ H. Ray Compton  
-----  
Name: H. Ray Compton  
Title: Executive Vice President

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TENDER AGENCY AGREEMENT

THIS TENDER AGENCY AGREEMENT (the "Agreement" or "this Agreement") is made and entered into as of May 1, 1998, by and between DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation (the "Company"), and AMSOUTH BANK, an Alabama banking corporation, acting as trustee under the Indenture hereinafter described (in such capacity, the "Trustee") and AMSOUTH BANK, acting as tender agent under the Indenture (in such capacity, the "Tender Agent");

W I T N E S S E T H:

WHEREAS, pursuant to the terms of a Trust Indenture dated as of May 1, 1998 (the "Indenture") between Mississippi Business Finance Corporation (the "Issuer"), and the Trustee, the Issuer has issued its Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project) Series 1998 (the "Bonds") in the principal amount of up to \$19,000,000, the proceeds of which will be loaned by the Issuer to the Company pursuant to a Loan Agreement dated as of May 1, 1998 between the Company and the Issuer (the "Loan Agreement"), for the purposes stated therein; and

WHEREAS, the Company has determined that it is desirable for the registered owners of the Bonds to have the option to tender their Bonds for purchase pursuant to the terms of the Indenture through a tender agent and has agreed to enter into this Agreement for the benefit of the registered owners of the Bonds;

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

ARTICLE I

RULES OF INTERPRETATION

Section 1.1 General. Terms used in this Agreement which are not defined herein have the meanings assigned to them in the Indenture and Loan Agreement, unless the context or use indicates another or different meaning or intent. Definitions shall be equally applicable to both the singular and plural forms of any of the words and terms therein or herein defined. The words "herein" and "hereof" and words of similar import, without reference to any particular article, section or subsection, refer to this Agreement as a whole rather than to any particular article, section or subsection hereof. The headings of articles and sections herein are for convenience only and shall not affect the construction hereof.

Section 1.2 Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Mississippi.

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ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Company's Representations and Warranties. The Company confirms its representations and warranties contained in the Loan Agreement and hereby represents and warrants as of the date of execution and delivery of this Agreement that it has full power and authority to execute, deliver and perform this Agreement.

Section 2.2 Tender Agent's Representations and Warranties. The Tender Agent hereby represents and warrants as of the date of execution and delivery of this Agreement that:

- (a) It is an Alabama banking corporation with full legal right, power and authority to enter into this Agreement and to carry out the transactions contemplated hereby and, by proper corporate action, it has duly authorized the execution, delivery and performance of this Agreement;
- (b) It meets all criteria of Section 1202 of the Indenture with respect to the qualifications of a bank or trust company to act as Tender Agent under the Indenture;

- (c) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein will not conflict with or constitute on its part a material breach of or a default under its charter or bylaws or any statute, indenture, mortgage, deed of trust, lease or other agreement or instrument to which it is a party or by which it or its properties are bound or secured, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Tender Agent or any of its activities or properties; and
- (d) This Agreement has been duly authorized, executed and delivered by the Tender Agent and constitutes the legal, valid and binding obligation of the Tender Agent, enforceable in accordance with its terms.

Section 2.3 Trustee's Representations and Warranties. The Trustee hereby confirms its representations and warranties contained in the Indenture and represents and warrants as of the date of execution and delivery of this Agreement that it has full power and authority to execute and deliver this Agreement.

### ARTICLE III

#### PURCHASE OF TENDERED BONDS

##### Section 3.1 Creation of Bond Purchase Fund.

- (a) There is hereby created and established with the Tender Agent a trust fund designated "Mississippi Business Finance Corporation Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project) Series 1998 Bond Purchase Fund" (the

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"Bond Purchase Fund"). There are also hereby created and established two separate accounts in such fund designated as the "Remarketing Account" and the "Bank Account". Neither the Company nor any affiliate of the Company may deposit any funds in the Bond Purchase Fund.

For purposes of this Agreement, the term an "affiliate" of the Company shall mean any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company, provided that neither the Remarketing Agent nor the Tender Agent shall be deemed to be an affiliate of the Company by virtue of serving in the capacities to be served by them hereunder or under the Remarketing Agreement.

- (b) Any moneys received by the Tender Agent from the Remarketing Agent or other placement agent on behalf of purchasers (other than the Credit Facility Issuer) of the Bonds shall be deposited in the Remarketing Account of the Bond Purchase Fund and paid out in accordance with Section 302 of the Indenture. No funds deposited in the Remarketing Account shall have resulted either directly or indirectly from funds provided by or the sale of Bonds to the Company, the Issuer or an affiliate of the Company.
- (c) Any moneys received by the Tender Agent from the Bank pursuant to draws under the Letter of Credit related to the Bonds (the "Letter of Credit") for the purchase of Bonds shall be deposited in the Bank Account of the Bond Purchase Fund and paid out in accordance with Section 302 of the Indenture.

Section 3.2 Deposit of Bonds. The Tender Agent shall hold all Bonds delivered to it pursuant to Section 302 of the Indenture in trust for the benefit of the respective registered owners which shall have so delivered such Bonds until such Bonds shall have been delivered by the Tender Agent pursuant to Section 303 of the Indenture.

##### Section 3.3 Remarketing of Bonds.

- (a) No later than the close of business on the Business Day on which it receives an Optional Tender Notice with respect to any Bonds which are Tendered Bonds, the Tender Agent shall notify the Remarketing Agent and the Company in writing if requested or by telephone, telegram, telex or other electronic or wire transmission, specifying the principal

amount of such Tendered Bonds, the name of the Registered Owner thereof and the Variable Rate Purchase Date specified in such Optional Tender Notice.

- (b) Not later than 10:30 a.m. on the Variable Rate Purchase Date or the Conversion Date for the Bonds (the "Conversion Date") as the case may be, the Tender Agent shall notify the Trustee by telephone, telegram wire or otherwise of the amount of any drawing under the Letter of Credit necessary to purchase the Tendered Bonds, and the Bank (upon receipt of the documentation required by, and in the form prescribed by, the Letter of Credit prior to 11:00 a.m. on the Variable Rate Purchase Date or the Conversion Date, as the case may be) shall wire or otherwise deliver funds drawn under the Letter of Credit in the appropriate amount to the Trustee to be deposited into the

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Bank Account of the Bond Purchase Fund, which funds shall be received by the Tender Agent prior to 2:30 p.m. on the Variable Rate Purchase Date or the Conversion Date, as the case may be.

Section 3.4 Payment of Purchase Price. The payment by the Tender Agent of the purchase price of Bonds delivered to the Tender Agent pursuant to Section 202A or 203 of the Indenture shall be made solely from funds made available to the Tender Agent from the proceeds of the remarketing of such Bonds by the Remarketing Agent or pursuant to draws by the Trustee under the Letter of Credit, as provided in the Indenture and the Remarketing Agreement. The Trustee shall cause arrangements satisfactory to the Trustee and the Tender Agent to be made and thereafter continued whereby funds from the sources described in Section 302 of the Indenture will be made available to the Tender Agent for the timely payment of the purchase price of the Bonds. The Tender Agent shall have no responsibility with respect to the source of any funds provided to it for the purpose of paying the purchase price of the Bonds. The Tender Agent shall have no responsibility to determine the amount representing accrued interest which may be payable in connection with the purchase of Bonds and may rely conclusively on the computation of such accrued interest by the Trustee pursuant to the Indenture. The Tender Agent shall have no obligation to expend its own funds in connection with any such purchase, and shall have no obligation to pay the purchase price in any type of funds other than that received by the Tender Agent for such purpose as aforesaid. The Tender Agent shall notify the Trustee if, at the time designated for the purchase of Bonds, the Tender Agent shall have insufficient moneys for payment of the purchase price thereof. Any payment of purchase price required to be made pursuant to this Agreement shall be made to the Registered Owner of Bonds to whom such purchase price payment is due at the principal office of the Tender Agent upon presentation and surrender of such Bonds.

Section 3.5 Delivery of Purchased Bonds, etc.

- (a) The Tender Agent shall:
- (i) make available any Bonds purchased with moneys from the Remarketing Account of the Bond Purchase Fund as described in Section 302(a) of the Indenture, at the principal office of the Tender Agent, to or upon the order of the purchasers thereof; and
  - (ii) deliver any Bonds purchased with moneys from the Bank Account of the Bond Purchase Fund described in Section 302(a) of the Indenture to or upon the order of the Bank or its designee.
- (b) Bonds delivered as provided in this Section 3.5 shall be registered in the manner directed by the recipient thereof at least twenty-four hours prior to the time of delivery thereof; provided that in the case of any Bonds delivered in accordance with clause (i) of Section 3.5(a) hereof, such Bonds shall be registered in accordance with instructions furnished by the Remarketing Agent or other placement agent to the Tender Agent at least twenty-four hours prior to the time when such Bonds are required to be delivered.

Section 3.6 Delivery of Proceeds of Sale. The proceeds of the sale of any Bonds delivered or deemed delivered to the Tender Agent or the Trustee pursuant to Section 202A or 203 of the Indenture, to the extent not required to pay the purchase price thereof in accordance with Section 302 of the Indenture, shall be paid as directed by the Company. In the event the Remarketing Agent shall have

remarketed any Bonds purchased with funds from the Bank Account of the Bond Purchase Fund and pledged to the Bank ("Pledged Bonds"), upon receipt of such Pledged Bonds the Tender Agent shall deliver such Pledged Bonds to the purchasers thereof, in accordance with the instructions received by the Tender Agent from the Remarketing Agent, and the proceeds of the sale of such Pledged Bonds shall be delivered to the Bank on behalf of the Company as reimbursement under the Reimbursement Agreement.

Section 3.7 Terms of Indenture Incorporated. Notwithstanding any other provisions contained herein, the Tender Agent shall comply with the provisions of the Indenture insofar as they set forth duties and responsibilities of the Tender Agent, including without limitation Section 302 thereof. All of such provisions are hereby incorporated by this reference. In the event of any conflict between the provisions of this Agreement and the Indenture, the provisions of the Indenture shall control.

#### ARTICLE IV

##### OBLIGATIONS OF THE COMPANY

###### Section 4.1 Compensation.

- (a) The Company shall pay the Tender Agent such fees and charges as shall be agreed upon between them from time to time.
- (b) The Company shall reimburse the Tender Agent for all reasonable out-of-pocket expenses of the Tender Agent including, but not limited to counsel fees, special stationery, checks, postage, wire tender of funds, shipping, insurance, telecommunications and such other expenses associated with the giving of notices and messenger delivery.

###### Section 4.2 Indemnification.

- (a) The Company shall, to the fullest extent permitted by law, indemnify and hold the Tender Agent harmless from any and all liability, losses, damages, costs and expenses of any nature (including interest and reasonable counsel fees and disbursements) arising out of or in connection with its duties, or those of its employees or agents arising from their performance under this Agreement and the Indenture, except for liabilities, losses, damages, costs, expenses and fees arising out of the gross negligence or willful misconduct of the Tender Agent or its employees or agents.
- (b) The Tender Agent shall indemnify and hold harmless the Trustee and the Company from negligent acts or acts resulting from willful misconduct of the Tender Agent in the performance or non-performance of the duties of the Tender Agent under this Agreement and the Indenture.

#### ARTICLE V

##### THE TENDER AGENT

Section 5.1 Tender Agent's Performance; Duty of Care. The Tender Agent consents and agrees to perform and comply with all of the terms and provisions on its part contained in this Agreement and the Indenture. The duties and obligations of the Tender Agent shall be determined solely by the express provisions of this Agreement and the Indenture and no implied covenant or obligation shall be read into this Agreement or the Indenture against the Tender Agent.

Section 5.2 Waiver of Rights to Certain Funds. Any provision of this Agreement or the Indenture or any statute to the contrary notwithstanding, the Tender Agent hereby waives any rights to, or liens for, its fees, charges and expenses for services hereunder to the Trustee or from funds provided by the Company for the payment to registered owners of the purchase price of Tendered Bonds. The Tender Agent agrees that it will be reimbursed and compensated for its fees, charges and expenses for acting under and pursuant to this Agreement only from payments to be made by the Company pursuant to Section 4.1 hereof.

Section 5.3 Maintenance of Books and Records. The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and as required by the Trustee and will make such books and records available for inspection by the Trustee, the Company and the Bank during regular business hours.

## ARTICLE VI

### MISCELLANEOUS

Section 6.1 Term of Agreement. This Agreement shall remain in full force and effect until the close of business on the earlier of:

- (a) such date as all of the Bonds are no longer Outstanding; or
- (b) the Conversion Date, provided, that in each case, the Company and the Tender Agent shall have fulfilled their respective obligations hereunder, whereupon this Agreement shall terminate.

Section 6.2 Amendments.

- (a) No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the parties hereto. Any such amendment, modification or waiver shall be effective only in the specific instance and for the purpose for which given.
- (b) The Company agrees that it will not consent to any amendment of any provision in the Indenture affecting the duties, rights or responsibilities of the Tender Agent without the prior written consent of the Tender Agent.

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Section 6.3 Notices, Etc. Unless otherwise specified herein, any notices, requests or other communications given or made hereunder or pursuant hereto shall be made in writing and shall be deemed to have been validly given or made when delivered or received. Any such notice, request or other communication may be given by hand delivery, telex, telecopy, telegraph or mail (registered or certified mail, return receipt requested and postage prepaid) and shall be sent to the following addresses or numbers:

- (a) If to the Company:

Dollar Tree Distribution, Inc.  
c/o Dollar Tree Stores, Inc.  
500 Volvo Parkway  
Chesapeake, Virginia 23320  
Attention: Corporate Controller  
Telephone No.: (757) 321-5018  
Telecopier No.: (757) 321-5111

With a copy to :  
Hofheimer Nusbaum, P.C.  
Dominion Tower, Suite 1700  
999 Waterside Drive  
Post Office Box 3460  
Norfolk, Virginia 23514-3460  
Attention: W.A. Old, Jr.

- (b) If to the Trustee:

AmSouth Bank  
1901 Sixth Avenue North, Suite 730  
Birmingham, Alabama 35203  
Attention: Corporate Trust Department  
Telephone No.: (205) 326-5384  
Telecopier No.: (205) 581-7661

- (c) If to the Remarketing Agent:

First Union National Bank  
Capital Markets Group  
One First Union Center  
301 South College  
Charlotte, North Carolina 28288  
Attention: Hal A. Telimen  
Telephone No.: (704) 374-4065

(d) If to the Bank:

First Union National Bank  
Two First Union Center  
Charlotte, North Carolina 28288  
Attention: International Operations  
Telephone No.: 704-374-3091  
Telecopier No.: 704-383-6984  
Telex No.:

(e) If to the Tender Agent:

AmSouth Bank  
1901 Sixth Avenue North, Suite 730  
Birmingham, Alabama 35203  
Attention: Corporate Trust Department  
Telephone No.: (205) 326-5384  
Telecopier No.: (205) 581-7661

All notices, requests or other communications given to the Company, the Trustee, the Remarketing Agent and the Bank may be given in any manner permitted in the Indenture, the Remarketing Agreement and the Reimbursement Agreement. All oral notices, requests or other oral communications permitted hereunder shall, as soon as practicable thereafter, be confirmed in writing.

Section 6.4 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto shall be delivered to the Trustee, the Company and the Tender Agent.

Section 6.5 Successors and Assigns. The rights, duties and obligations of the Company, the Trustee and the Tender Agent shall inure, without further act, to their respective successors and permitted assigns; provided, however, that the Tender Agent may not assign its obligations hereunder without the prior written consent of the Company and that such successor or permitted assign shall be either a bank or a trust company meeting the criteria set forth in Section 1202 of the Indenture.

Section 6.6 Time. All references herein to time shall be to Norfolk, Virginia time.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed in its name and behalf by their duly authorized officers as of the date above written.

Dollar Tree Distribution, Inc.

By: /s/ H. Ray Compton  
-----

Title: Executive Vice President

AmSouth Bank,  
as Tender Agent

By: /s/ Ann M. Harris  
-----

Title: Vice President

AmSouth Bank,  
as Trustee

By: /s/ Ann M. Harris  
-----

Title: Vice President

[Signature Page of Tender Agency Agreement]

REMARKETING AGREEMENT

THIS AGREEMENT dated as of May 1, 1998, is by and between DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation (the "Company"), and FIRST UNION NATIONAL BANK, a national banking association, acting through its Capital Markets Group (in such capacity, the "Remarketing Agent");

W I T N E S S E T H:

WHEREAS, Mississippi Business Finance Corporation (the "Issuer") intends to issue and sell its Bonds, designated Mississippi Business Finance Corporation Incremental Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project) Series 1998 (the "Bonds") in the aggregate principal amount of up to \$19,000,000 pursuant to a Trust Indenture dated as of May 1, 1998 (the "Indenture") between the Company and AmSouth Bank, as Trustee (the "Trustee"), and to loan the proceeds thereof to the Company pursuant to the provisions of and for the purposes described in the Loan Agreement dated as of May 1, 1998, between the Issuer and the Company (the "Loan Agreement"); and

WHEREAS, during the Variable Rate Period (as defined in the Indenture) for any Bonds the Company agrees to compensate the Remarketing Agent for remarketing such Bonds from time to time as provided under the Indenture and hereunder;

NOW, THEREFORE, for and in consideration of the covenants herein made, the parties agree as follows:

Section 1. Appointment and Duties; Definitions.

(a) The Company hereby appoints the Capital Markets Group of First Union National Bank to serve as Remarketing Agent under the Indenture, and First Union National Bank, acting through its Capital Markets Group, hereby accepts such appointment and agrees to perform the duties of the Remarketing Agent under Sections 202(d), 301, 302, 303, 304 and 1201 of the Indenture in accordance with the terms of the Indenture and this Agreement. The Remarketing Agent shall comply with the provisions of the Indenture insofar as they set forth duties and responsibilities of the Remarketing Agent and all of such provisions are hereby incorporated herein by this reference. In the event of any conflict between the provisions of this Agreement and the Indenture, the provisions of the Indenture shall control, except that the provisions of Sections 5 and 8 hereof shall supersede the Indenture in the event of any conflict.

(b) Unless a different meaning clearly appears from the context, all words and terms used herein shall have the respective meanings assigned to such terms in the Indenture.

Section 2. Duties of the Remarketing Agent.

(a) During the Variable Rate Period for any Bonds, upon receipt of notification from the Tender Agent of a demand to purchase any such Bonds from a Bondholder as provided in the Indenture until the date of such purchase specified in such notice, and thereafter, the Remarketing Agent will use its best efforts to arrange for the sale of such Bonds at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of such sale (a "Remarketing").

(b) The Remarketing Agent agrees to keep such books and records as shall be consistent with prudent industry practice and to make those books and records available for inspection by the Issuer, the Trustee and the Company at all reasonable times.

(c) Conditions. Any placement pursuant to paragraph (a) of this Section 2 shall be subject to the following conditions:

(1) The Purchaser shall be a person or an institution that customarily acquires securities with characteristics similar to the Bonds in the ordinary course of its business and that is an "accredited investor" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended from time to time (the "Securities Act"), under any of the following categories at the time of the sale of the Bonds to that person or institution:

(i) a bank, as defined in Section 3(a)(2) of the Securities Act, acting in its individual or fiduciary capacity;

(ii) a broker-dealer registered pursuant to Section

15 of the Securities Act of 1934, as amended (the "Exchange Act");

(iii) an insurance company, as defined in Section 2(13) of the Securities Act;

(iv) an investment company, as defined under the Investment Company Act of 1940;

(v) a natural person whose individual net worth, or joint net worth with such person's spouse, at the time of his or her purchase exceeds \$1,000,000;

(vi) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year;

(vii) a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Bonds, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) promulgated under the Securities Act; or

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(viii) any entity in which all the owners are accredited investors.

(2) The Bonds will be offered solely to such Purchaser for investment for its own account and not with a view to dividing or participating its interests with others or for resale in connection with a distribution of all or any portion of the Bonds; provided, however, that such Purchaser shall at all times have the right to resell or otherwise dispose of all or any part of the Bonds as permitted by law and subject to all applicable state and federal laws, rules and regulations (including, but not limited to, the right to have the Bonds purchased at the times and in the manner set forth in the Indenture).

(d) Suspension of Placement. The Remarketing Agent will suspend placement solicitations when requested by the Company. Bonds will not be placed by the Remarketing Agent after it has been notified by the Trustee or the Credit Facility Trustee of the occurrence or continuance of any Event of Default under the Indenture which has resulted in an acceleration (which has not been rescinded or annulled) of the Bonds pursuant to the Indenture.

(e) Compliance With Law. The Remarketing Agent agrees that it will perform its obligations hereunder and as set forth in the Indenture in respect of the Remarketing in accordance with and as permitted by applicable federal and state law.

### Section 3. Fees.

(a) The Company shall pay to the Remarketing Agent, in connection with serving as Remarketing Agent, a fee of 1/10 of 1% per annum, based on a 365-day year and the actual number of days elapsed, multiplied by (i) during the first year following the Closing Date, \$10,000,000; (ii) during the second year following the Closing Date, the aggregate principal amount of Bonds Outstanding on the first anniversary of the Closing Date, but if such aggregate principal amount is reduced during such second year, the Remarketing Agent shall return to the Company at the end of the second year that portion of the fee exceeding what the fee would have been for the second year had it been based on the weighted average aggregate principal amount of Bonds Outstanding; and (iii) thereafter, the aggregate principal amount of Bonds Outstanding. In each case, the fee will be payable annually in advance on the Closing Date and on each anniversary thereof, the first such payment to be delivered on the Closing Date in the amount of \$10,000. If the Remarketing Agent resigns pursuant to Section 8 hereof, the Remarketing Agent shall refund to the Company the unearned balance of fees paid to the Remarketing Agent by the Company for the year in which such resignation occurs.

(b) The Company also agrees to reimburse the Remarketing Agent for all reasonable expenses incurred in connection with any Remarketing of the Bonds, including without limitation, attorneys' fees and disbursements.

Section 4. Disclosure. The Company agrees to furnish the Remarketing Agent with as many copies of the Placement Memorandum (as defined in the Placement Agreement) as the Remarketing Agent may reasonably request; the Company agrees to furnish the Remarketing

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Agent with such other information as the Remarketing Agent deems necessary or useful from time to time in connection with the Remarketing of the Bonds in accordance with the terms hereof. The Company consents to the use of the Placement Memorandum (including any amendments, modifications and supplements thereto) and all other documents and other information provided to the Remarketing Agent by the Company for the purpose of remarketing the Bonds in accordance with the terms hereof. If at any time during the term of this Agreement any event or condition known to the Company relating to or affecting the Company, the Issuer, the Bonds or any document or agreement relating to the Bonds or executed in connection with the issuance or original placement thereof shall occur that might affect the accuracy or completeness of any material statement of fact contained in the Placement Memorandum, the Company shall promptly notify the Remarketing Agent in writing of the circumstances and details of such event or condition. The Company will assist the Remarketing Agent, at the Company's expense, in the amendment of the Placement Memorandum from time to time in order to assure the accuracy and completeness of the Placement Memorandum. Unless the Company notifies the Remarketing Agent of any such event or condition affecting the accuracy or completeness of the Placement Memorandum as set forth in this Section 4, the Remarketing Agent may assume that the Placement Memorandum or Disclosure Document is accurate and complete.

#### Section 5. Indemnity.

(a) The Company agrees to indemnify and hold harmless the Remarketing Agent, and its directors, officers, employees, agents and any Controlling Person of the Remarketing Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (any and all of whom are referred to as "Indemnified Parties") from and against any and all losses, claims, damages and liabilities, joint or several (including all legal or other expenses reasonably incurred by any Indemnified Party in connection with the preparation for or defense of any claim, action or proceeding in any state or federal court or before any state or federal administrative agency, whether or not resulting in any liability), to which the Indemnified Party may become subject under any applicable federal or state law, regulation or otherwise caused by or arising out of or in any way relating to (i) the good faith performance by the Remarketing Agent of its duties hereunder or under the Indenture (other than those arising out of the negligence or willful misconduct of such Indemnified Party), or (ii) any untrue or misleading statement or alleged untrue or misleading statement of a material fact contained in the Placement Memorandum, or the omission or the alleged omission to state in the Placement Memorandum a material fact required to be stated in the Placement Memorandum or necessary to make the statements in the Placement Memorandum, in light of the circumstances under which they were made, not misleading, with the exception of statements or omissions related to the Placement Agent or the Bank, including without limitation statements in the Placement Memorandum in the sections entitled "Book Entry System," "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT," "TAX TREATMENT," "PLACEMENT AGENT," and "REMARKETING AGENT." This indemnity agreement is in addition to any other liability that the Company may otherwise have.

(b) Promptly after receipt by any Indemnified Party of any claim of the commencement of any action or proceeding in respect of which indemnity may be sought against the Company, such Indemnified Party will notify the Company in writing of such claim or commencement of

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such action. Failure to so notify the Company shall not relieve the Company from any liability that it may have under this Section 5. If such an action is brought against an Indemnified Party and such Indemnified Party notifies the Company of its commencement, the Company may, or if so requested by such Indemnified Party will, participate in it or assume its defense with counsel reasonably satisfactory to the Indemnified Party and after notice from the Company to the Indemnified Party of an election to assume the defense, the Company will not be liable to the Indemnified Party under this Section for any legal or other costs incurred in connection with the defense other than reasonable costs of investigation. If the Company does not employ counsel to take charge of the defense or if an Indemnified Party reasonably concludes that there may be defenses available to it different from or in addition to those available to the Company (in which case the Company will not have the right to assume the defense on behalf of the Indemnified Party), legal and other expenses reasonably incurred by the Indemnified Party will be paid by the Company. Any obligation under this Section of the Company to reimburse an Indemnified Party for expenses includes the obligation to make advances to the Indemnified Party to cover such expenses in reasonable amounts and at reasonable periodic intervals not more often than monthly as requested by the Indemnified Party. The Company will not be liable for any settlement effected without its prior written consent which the Company agrees will not be unreasonably withheld.

(c) The Company also agrees to reimburse the Indemnified Parties for all reasonable expenses incurred by any of them, including compensation for witnesses' time and separate counsel fees, in connection with being compelled to appear as a witness in any action brought against the Company or the Issuer or any other party in connection with or in any way relating to the Bonds, whether or not the Remarketing Agent is named a party.

Section 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to choice of law principles.

Section 7. Amendments.

(a) The terms of this Agreement as set forth herein shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by all of the parties hereto.

(b) The Company agrees that it will not consent to any amendment of any provision in the Indenture affecting the duties, rights or responsibilities of the Remarketing Agent without the prior written consent of the Remarketing Agent, and further agrees that it will notify the Remarketing Agent of any amendments to any of the documents executed in connection with the Bonds.

Section 8. Termination. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least 30 days' notice to the Issuer, the Company, the Credit Facility Issuer and the Trustee. The Remarketing Agent will resign at any time at the request of the Company.

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Section 9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

DOLLAR TREE DISTRIBUTION, INC.

By: /s/ H. Ray Compton  
-----  
Name: H. Ray Compton  
Title: Executive Vice President

[Execution by the Remarketing Agent follows on the next page.]

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FIRST UNION NATIONAL BANK,  
as Remarketing Agent

By: /s/ Hal A. Teliment  
-----  
Name: Hal A. Telimen  
Title: Senior Vice President

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## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of the 1st day of May, 1998 (this "Guaranty"), is made by each of the undersigned Affiliates or Subsidiaries of DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation (the "Borrower"), and each other Subsidiary of the Borrower that, after the date hereof, executes an instrument of accession hereto substantially in the form of Exhibit A (a "Guarantor Accession"; the undersigned and such other Subsidiaries of the Borrower, collectively, the "Guarantors"), in favor of the Bank (as hereinafter defined). Capitalized terms used herein without definition shall have the meanings given to them in the Reimbursement Agreement referred to below.

### RECITALS

A. The Borrower and First Union National Bank (the "Bank"), are parties to a Letter of Credit and Reimbursement Agreement, dated as of the date hereof (as amended, modified, supplemented or restated from time to time, the "Reimbursement Agreement"), pursuant to which the Bank has issued an irrevocable direct-pay letter of credit in the stated amount of \$19,304,521 (the "Letter of Credit"). The Bank has issued the Letter of Credit as credit enhancement for the Mississippi Business Finance Corporation Taxable Variable Rate Demand Revenue Bonds (Dollar Tree Distribution, Inc. Project) Series 1998 in the aggregate principal amount of up to \$19,000,000 (the "Bonds"). The Bonds have been issued by the Mississippi Business Finance Corporation (the "Issuer") pursuant to a Trust Indenture dated as of the date hereof between the Issuer and AmSouth Bank, as trustee (the "Trustee").

B. As a condition, among others, to the issuance of the Letter of Credit pursuant to the Reimbursement Agreement, each Guarantor has agreed, by executing and delivering this Guaranty, to guarantee to the Bank the payment in full of the Guaranteed Obligations (as hereinafter defined). The Bank is relying on this Guaranty in its decision to extend credit to the Borrower under the Reimbursement Agreement, and would not enter into the Reimbursement Agreement without this Guaranty.

C. The Borrower and the Guarantors are engaged in related businesses and undertake certain activities and operations on an integrated basis. Each Guarantor will therefore obtain benefits as a result of the extension of credit to the Borrower under the Reimbursement Agreement, which benefits are hereby acknowledged, and, accordingly, desires to execute and deliver this Guaranty.

### STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to induce the Bank to enter into the Reimbursement Agreement and to issue the Letter of Credit for the account of the Borrower, each Guarantor hereby agrees as follows:

1. Guaranty. (a) Each Guarantor hereby irrevocably, absolutely and unconditionally, and jointly and severally:

(i) guarantees to the Bank the full and prompt payment, at any time and from time to time as and when due (whether at the stated maturity, by acceleration or otherwise), of all of the obligations of the Borrower to the Bank, including without limitation (y) all principal of and interest on draws on the Letter of Credit, and all fees, expenses, indemnities and other amounts payable by the Borrower under the Reimbursement Agreement or any other document executed in connection therewith (including, to the fullest extent permitted by law, interest accruing after the filing of a petition or commencement of a case by or with respect to the Borrower seeking relief under any Insolvency Laws (as hereinafter defined), regardless of whether a claim for any such interest is allowed against the Borrower in any such proceeding), and (z) all obligations under the Reimbursement Agreement that, but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, would become due (all liabilities and obligations described in this clause (i), collectively, the "Guaranteed Obligations"); and

(ii) agrees to pay upon demand all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred or paid by the Bank in connection with any suit, action or proceeding to enforce or protect any rights of the Bank hereunder, including costs and expenses for which the Bank is entitled to reimbursement under or pursuant to the Reimbursement Agreement or

any other document executed in connection therewith, and in connection with any amendment, modification, waiver or consent hereof or pursuant hereto (all liabilities and obligations described in this clause (ii), collectively, the "Other Obligations"; and the Other Obligations, together with the Guaranteed Obligations, the "Total Obligations");

provided, however, that notwithstanding any other provisions contained herein, no provision of this Guaranty shall require or permit the collection from any Guarantor of interest in excess of the maximum rate or amount that such Guarantor may be required or permitted to pay pursuant to applicable law.

(b) The guaranty of each Guarantor set forth in this Section is a guaranty of payment as a primary obligor, and not a guaranty of collection.

2. Guaranty Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute and unconditional, are independent of the Guaranteed Obligations, any other

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obligations of the Borrower and any security for or other guaranty or liability in respect thereof, whether given by such Guarantor or any other Person, and shall not be discharged, released, limited, deferred, reduced or otherwise affected to any extent by reason of any of the following, whether or not such Guarantor or other Person has notice or knowledge thereof:

(i) any change in the time, manner or place of payment of, or in any other term of, any Guaranteed Obligations or any guaranty or other liability in respect thereof, or any amendment, modification or supplement to, restatement of, or consent to any rescission or waiver of or departure from, any provisions of the Reimbursement Agreement or any agreement or instrument delivered pursuant thereto;

(ii) the invalidity or unenforceability of any Guaranteed Obligations, any guaranty or other liability in respect thereof or any provisions of the Reimbursement Agreement or any agreement or instrument delivered pursuant thereto;

(iii) the addition or release of Guarantors hereunder or the taking, acceptance or release of other guarantees of any Guaranteed Obligations or other security for any Guaranteed Obligations or for any guaranty or other liability in respect thereof;

(iv) any discharge, modification, settlement, compromise or other action in respect of any Guaranteed Obligations or any guaranty or other liability in respect thereof, including any acceptance or refusal of any offer or performance with respect to the same or the subordination of the same to the payment of any other obligations;

(v) any agreement not to pursue or enforce or any failure to pursue or enforce (whether voluntarily or involuntarily as a result of operation of law, court order or otherwise) any right or remedy in respect of any Guaranteed Obligations, any guaranty or other liability or security in respect thereof; any sale, exchange, release, substitution, compromise or other action in respect of any security; or any failure to create, protect, perfect, secure, insure, continue or maintain any Liens in any security;

(vi) the exercise of any right or remedy available under the Reimbursement Agreement, at law, in equity or otherwise in respect of any security for any Guaranteed Obligations or for any guaranty or other liability in respect thereof, in any order and by any manner thereby permitted, including, without limitation, foreclosure on any security by any manner of sale thereby permitted, whether or not every aspect of such sale is commercially reasonable;

(vii) any bankruptcy, reorganization, arrangement, liquidation, insolvency, dissolution, termination, reorganization or like change in the corporate structure or existence of the Borrower or any other Person directly or indirectly liable for any Guaranteed Obligations;

(viii) any manner of application of any payments by or amounts received or collected from any Person, by whomsoever paid and howsoever realized, whether in

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reduction of any Guaranteed Obligations or any other obligations of the Borrower or any other Person directly or indirectly liable for any Guaranteed Obligations, regardless of what Guaranteed Obligations may remain unpaid after any such application; or

(ix) any other circumstance that might otherwise constitute a

legal or equitable discharge of, or a defense, set-off or counterclaim available to, the Borrower, any Guarantor or a surety or guarantor generally, other than the occurrence of all of the following: (y) the indefeasible payment in full of the Total Obligations and (z) the termination of the Bank's commitments under the Reimbursement Agreement and the Letter of Credit (the events in clauses (y) and (z) above, collectively, the "Termination Requirements").

3. Certain Waivers. Each Guarantor hereby knowingly, voluntarily and expressly waives:

(i) all presentments, demands for payment, demands for performance, protests and notices of any other kind, including without limitation notices of nonpayment or other nonperformance (including notice of default under the Reimbursement Agreement or any documents executed in connection therewith with respect to any Guaranteed Obligations), protest, dishonor, acceptance hereof, extension of additional credit to the Borrower and of any of the matters referred to in Section 2 and of any rights to consent thereto;

(ii) any right to require the Bank, as a condition of payment or performance by such Guarantor hereunder, to proceed against, or to exhaust or have resort to any security from or any deposit balance or other credit in favor of, the Borrower, any other Guarantor or any other Person directly or indirectly liable for any Guaranteed Obligations, or to pursue any other remedy or enforce any other right; and any other defense based on an election of remedies with respect to any security for any Guaranteed Obligations or for any guaranty or other liability in respect thereof, notwithstanding that any such election (including any failure to pursue or enforce any rights or remedies) may impair or extinguish any right of indemnification, contribution, reimbursement or subrogation or other right or remedy of any Guarantor against the Borrower, any other Guarantor or any other Person directly or indirectly liable for any Guaranteed Obligations or any such security; and, without limiting the generality of the foregoing, each Guarantor hereby specifically waives the benefits of Sections 26-7 through 26-9, inclusive, of the General Statutes of North Carolina, as amended from time to time, and any similar statute or law of any other jurisdiction, as the same may be amended from time to time;

(iii) any right or defense based on or arising by reason of any right or defense of the Borrower or any other Person, including, without limitation, any defense based on or arising from a lack of authority or other disability of the Borrower or any other Person, the invalidity or unenforceability of any Guaranteed Obligations, any security therefor or the Reimbursement Agreement or any other agreement or instrument delivered pursuant thereto, or the cessation of the liability of the Borrower for any reason other than the satisfaction of the Termination Requirements;

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(iv) any defense based on the Bank's acts or omissions in the administration of the Guaranteed Obligations, any guaranty or other liability in respect thereof or any security for any of the foregoing, and promptness, diligence or any requirement that the Bank create, protect, perfect, secure, insure, continue or maintain any Liens in any such security;

(v) any right to assert against the Bank, as a defense, counterclaim, crossclaim or set-off, any defense, counterclaim, claim, right of recoupment or set-off that it may at any time have against the Bank (including, without limitation, failure of consideration, statute of limitations, payment, accord and satisfaction and usury), other than compulsory counterclaims; and

(vi) any defense based on or afforded by any applicable law that limits the liability of or exonerates guarantors or sureties or that may in any other way conflict with the terms of this Guaranty.

4. Waiver of Subrogation; Subordination. Each Guarantor hereby knowingly, voluntarily and expressly waives all claims and rights that it may have against the Borrower at any time as a result of any payment made under or in connection with this Guaranty or the performance or enforcement hereof, including all rights of subrogation to the rights of any of the Bank against the Borrower, all rights of indemnity, contribution or reimbursement against the Borrower, all rights to enforce any remedies of the Bank against the Borrower, and any benefit of, and any right to participate in, any Collateral or other security held by the Bank to secure payment of the Guaranteed Obligations, in each case whether such claims or rights arise by contract, statute (including without limitation the Bankruptcy Code), common law or otherwise. Each Guarantor agrees that all indebtedness and other obligations, whether now or hereafter

existing, of the Borrower or any of its Subsidiaries or other Affiliates to such Guarantor, including without limitation any such indebtedness in any proceeding under the Bankruptcy Code and any intercompany receivables, together with any interest thereon, shall be, and hereby are, subordinated and made junior in right of payment to the Total Obligations. Each Guarantor further agrees that if any amount shall be paid to or any distribution received by any Guarantor (i) on account of any such indebtedness at any time after the occurrence and during the continuance of an Event of Default, or (ii) on account of any such rights of subrogation, indemnity, contribution or reimbursement at any time prior to the satisfaction of the Termination Requirements, such amount or distribution shall be deemed to have been received and to be held in trust for the benefit of the Bank, and shall forthwith be delivered to the Bank in the form received (with any necessary endorsements in the case of written instruments), to be applied against the Guaranteed Obligations, whether or not matured, in accordance with the terms of the Reimbursement Agreement and without in any way discharging, limiting or otherwise affecting the liability of such Guarantor under any other provision of this Guaranty. Additionally, in the event the Borrower or any Subsidiary or other Affiliate of the Borrower becomes a "debtor" within the meaning of the Bankruptcy Code, the Bank shall be entitled, at its option, as attorney-in-fact for each Guarantor, and is hereby authorized and appointed by each Guarantor, to file proofs of claim on behalf of each relevant Guarantor and vote the rights of each such Guarantor in

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any plan of reorganization, and to demand, sue for, collect and receive every payment and distribution on any indebtedness of the Borrower or such Subsidiary or Affiliate to any Guarantor in any such proceeding, each Guarantor hereby assigning to the Bank all of its rights in respect of any such claim, including the right to receive payments and distributions in respect thereof.

5. Representations and Warranties. Each Guarantor hereby represents and warrants to the Bank as follows:

(a) Such Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the full corporate power and authority (i) to execute, deliver and perform this Guaranty and any other document in respect of the Total Obligations to which it is or will be a party, including without limitation the Reimbursement Agreement (all such other documents, the "Reimbursement Documents"), (ii) to own and hold its property and (iii) to engage in its business as presently conducted.

(b) Such Guarantor has taken all necessary corporate action to execute, deliver and perform this Guaranty and the Reimbursement Documents to which it is or will be a party, and has, or on any later date of execution and delivery will have, validly executed and delivered the Guaranty and each of the Reimbursement Documents to which it is or will be a party. This Guaranty constitutes, and each of such Reimbursement Documents upon execution and delivery will constitute, the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by general equitable principles.

(c) The execution, delivery and performance by such Guarantor of this Guaranty and the other Reimbursement Documents to which it is a party, and compliance by it with the terms hereof and thereof, do not and will not (i) violate any provision of its articles or certificate of incorporation or bylaws, (ii) contravene any requirement of law applicable to it, (iii) conflict with, result in a breach of or constitute (with notice, lapse of time or both) a default under any indenture, loan agreement, mortgage, deed of trust, lease or other agreement or instrument to which it is a party, by which it or any of its properties is bound or to which it is subject, or (iv) result in or require the creation or imposition of any Lien upon any of its properties, other than Liens created pursuant to the Reimbursement Documents.

(d) No consent, approval, authorization or other action by, notice to, or registration or filing with, any Governmental Authority is or will be required as a condition to or otherwise in connection with the due execution, delivery and performance by such Guarantor of this Guaranty and the other Reimbursement Documents to which it is a party or the legality, validity or enforceability hereof or thereof.

(e) Except as may be disclosed in Schedule 2.6 to the Reimbursement Agreement, there are no actions, investigations, suits or proceedings pending or, to the knowledge of such Guarantor, threatened, at law, in equity or in arbitration, before any court, other Governmental Authority or other Person, (i) against or affecting such Guarantor or any of its properties that

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would, if adversely determined, be reasonably likely to have a Material Adverse

Effect or (ii) with respect to this Guaranty or any of the other Reimbursement Documents to which such Guarantor is a party.

(f) Such Guarantor has been provided with a true and complete copy of the executed Reimbursement Agreement, as in effect as of the date it became a party hereto, and its principal officers are familiar with the contents thereof, particularly insofar as the contents thereof relate or apply to such Guarantor.

6. Financial Condition of Borrower. Each Guarantor represents that it has knowledge of the Borrower's financial condition and affairs and that it has adequate means to obtain from the Borrower on an ongoing basis information relating thereto and to the Borrower's ability to pay and perform the Guaranteed Obligations, and agrees to assume the responsibility for keeping, and to keep, so informed for so long as this Guaranty is in effect with respect to such Guarantor. Each Guarantor agrees that the Bank shall have no obligation to investigate the financial condition or affairs of the Borrower for the benefit of any Guarantor nor to advise any Guarantor of any fact respecting, or any change in, the financial condition or affairs of the Borrower that might become known to the Bank at any time, whether or not such Bank knows or believes or has reason to know or believe that any such fact or change is unknown to any Guarantor, or might (or does) materially increase the risk of any Guarantor as guarantor, or might (or would) affect the willingness of any Guarantor to continue as a guarantor of the Guaranteed Obligations.

7. Events Of Default. The occurrence of any one or more of the following events shall constitute an event of default hereunder (each, an "Event of Default"):

(a) Failure of any Guarantor to pay any of the Total Obligations after the same shall become due, whether at maturity, by acceleration or otherwise;

(b) Failure of any Guarantor to observe and perform the covenants contained Articles V and VI of the Reimbursement Agreement required to be observed and performed by it;

(c) Any warranty or representation made by any Guarantor in this Guaranty, the Reimbursement Agreement or any document, instrument or certificate delivered to the Bank in connection therewith shall be incorrect in any material sense when made or deemed made;

(d) The occurrence and continuance of any default or event of default under the Reimbursement Agreement, or in any other agreement now existing or hereafter executed evidencing or securing any of the Total Obligations; or

(e) The occurrence and continuance of any default or event of default in any agreement between any Guarantor and the Bank.

8. Payments; Application; Setoff. (a) Each Guarantor agrees that, upon the failure of the Borrower to pay any Guaranteed Obligations when and as the same shall become due

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(whether at the stated maturity, by acceleration or otherwise), and without limitation of any other right or remedy that the Bank may have at law, in equity or otherwise against such Guarantor, such Guarantor will forthwith pay or cause to be paid to the Agent, for the benefit of the Bank, an amount equal to the amount of the Guaranteed Obligations then due and owing as aforesaid.

(b) All payments made by each Guarantor hereunder will be made in dollars to the Bank, without set-off, counterclaim or other defense.

(c) All payments made hereunder shall be applied upon receipt as follows:

(i) first, to the payment of all Other Obligations owing to the Bank;

(ii) second, after payment in full of the amounts specified in clause (i) above, to the ratable payment of all other Total Obligations owing to the Bank; and

(iii) third, after payment in full of the amounts specified in clauses (i) and (ii) above, and following the termination of this Guaranty, to the Guarantors or any other Person lawfully entitled to receive such surplus.

(d) The Guarantors shall remain jointly and severally liable to the extent of any deficiency between the amount of all payments made hereunder and the aggregate amount of the sums referred to in clauses (i) and (ii) of subsection (c) above.

(e) In addition to all other rights and remedies available under the Reimbursement Agreement or applicable law or otherwise, upon and at any time after the occurrence and during the continuance of any Event of Default, the Bank may, and is hereby authorized by each Guarantor, at any such time and from time to time, to the fullest extent permitted by applicable law, without presentment, demand, protest or other notice of any kind, all of which are hereby knowingly and expressly waived by each Guarantor, to set off and to apply any and all deposits (general or special, time or demand, provisional or final) and any other property at any time held (including at any branches or agencies, wherever located), and any other indebtedness at any time owing, by the Bank to or for the credit or the account of such Guarantor against any or all of the obligations of such Guarantor to the Bank hereunder now or hereafter existing, whether or not such obligations may be contingent or unmatured, each Guarantor hereby granting to the Bank a continuing security interest in and Lien upon all such deposits and other property as security for such obligations. The Bank agrees to notify any affected Guarantor promptly after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

9. No Waiver. The rights and remedies of the Bank expressly set forth in this Guaranty and the Reimbursement Agreement are cumulative and in addition to, and not exclusive of, all other rights and remedies available at law, in equity or otherwise. No failure or delay on the part of the Bank in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or be construed to

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be a waiver of any Default or Event of Default. No course of dealing between any of the Guarantors and the Bank or their agents or employees shall be effective to amend, modify or discharge any provision of this Guaranty or the Reimbursement Agreement or to constitute a waiver of any Default or Event of Default. No notice to or demand upon any Guarantor in any case shall entitle such Guarantor or any other Guarantor to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to exercise any right or remedy or take any other or further action in any circumstances without notice or demand.

10. Enforcement. The obligations of each Guarantor hereunder are independent of the Guaranteed Obligations, and a separate action or actions may be brought against each Guarantor whether or not action is brought against the Borrower or any other Guarantor and whether or not the Borrower or any other Guarantor is joined in any such action. Each Guarantor agrees that to the extent all or part of any payment of the Guaranteed Obligations made by any Person is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by or on behalf of the Bank to a trustee, receiver or any other party under any insolvency law (the amount of any such payment, a "Reclaimed Amount"), then, to the extent of such Reclaimed Amount, this Guaranty shall continue in full force and effect or be revived and reinstated, as the case may be, as to the Guaranteed Obligations intended to be satisfied as if such payment had not been received; and each Guarantor acknowledges that the term "Guaranteed Obligations" includes all Reclaimed Amounts that may arise from time to time.

11. Amendments, Waivers, etc. (a) This Guaranty contains the complete understanding of the parties hereto with respect to the subject matter herein. Each Guarantor acknowledges that it is not relying upon any statements or representations of the Bank not contained in this Guaranty and that such statements or representations, if any, are of no force or effect and are fully superseded by this Guaranty. No amendment, modification, waiver, discharge or termination of this Guaranty or any provision hereof, nor any consent to any departure by any Guarantor therefrom, shall in any event be effective unless in writing and signed by the Bank and such Guarantor.

(b) No delay or failure to take action on the part of the Bank in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between any Guarantor and the Bank or its agents or employees shall be effective to change, modify or discharge any provision of this Guaranty or to constitute a waiver of any Event of Default. No notice to or demand upon any Guarantor in any case shall entitle such Guarantor or any other Guarantor to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to exercise any right or remedy or take any other or further action in any circumstances without notice or demand. All rights and remedies under this Guaranty, the Reimbursement Agreement and the other documents executed in connection therewith are cumulative to, and not exclusive of, any rights or remedies that are available at law, in equity or otherwise.

12. Addition, Release of Guarantors. Each Guarantor recognizes that the provisions of the Reimbursement Agreement require Persons that become Subsidiaries of the Borrower and that are not already parties hereto to become Guarantors hereunder by executing a Guarantor Accession, and agrees that its obligations hereunder shall not be discharged, limited or otherwise affected by reason of the same, or by reason of the Bank's actions in effecting the same or in releasing any Guarantor hereunder, in each case without the necessity of giving notice to or obtaining the consent of any other Guarantor.

13. Continuing Guaranty; Term; Successors and Assigns; Survival. This Guaranty is a continuing guaranty and covers all of the Guaranteed Obligations as the same may arise and be outstanding at any time and from time to time from and after the date hereof, and shall (i) remain in full force and effect until satisfaction of all of the Termination Requirements, (ii) be binding upon and enforceable against each Guarantor and its successors and assigns (provided, however, that no Guarantor may sell, assign or transfer any of its rights, interests, duties or obligations hereunder without the prior written consent of the Bank) and (iii) inure to the benefit of and be enforceable by the Bank and its successors and assigns. All representations, warranties, covenants and agreements herein shall survive the execution and delivery of this Guaranty and any Guarantor Accession.

14. Governing Law; Consent to Jurisdiction; Appointment of Borrower as Representative, Process Agent, Attorney-in-Fact. (a) THIS GUARANTY HAS BEEN EXECUTED, DELIVERED AND ACCEPTED AT, AND SHALL BE DEEMED TO HAVE BEEN MADE IN, NORTH CAROLINA AND SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTORS DETERMINED, IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAW PROVISIONS) OF THE STATE OF NORTH CAROLINA. AS PART OF THE CONSIDERATION FOR NEW VALUE THIS DAY RECEIVED, EACH GUARANTOR HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE COURT WITHIN MECKLENBURG COUNTY, NORTH CAROLINA OR ANY FEDERAL COURT LOCATED WITHIN THE WESTERN DISTRICT OF THE STATE OF NORTH CAROLINA FOR ANY PROCEEDING INSTITUTED HEREUNDER OR UNDER ANY OF THE OTHER CREDIT DOCUMENTS, OR ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY OR ANY OF THE OTHER CREDIT DOCUMENTS, OR ANY PROCEEDING TO WHICH THE BANK OR SUCH GUARANTOR IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE BANK OR SUCH GUARANTOR. EACH GUARANTOR IRREVOCABLY AGREES TO BE BOUND (SUBJECT TO ANY AVAILABLE RIGHT OF APPEAL) BY ANY JUDGMENT RENDERED OR RELIEF GRANTED THEREBY AND FURTHER WAIVES ANY OBJECTION THAT IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH PROCEEDING.

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(b) EACH GUARANTOR HEREBY IRREVOCABLY DESIGNATES AND APPOINTS THE BORROWER AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE ON ITS BEHALF ALL SERVICE OF PROCESS IN ANY ACTION OR PROCEEDING AND ANY OTHER NOTICE OR COMMUNICATION HEREUNDER, CONSENTS THAT ALL SERVICE OF PROCESS UPON IT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL DIRECTED TO THE BORROWER AT ITS ADDRESS SET FORTH HEREINABOVE (AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT THEREOF OR THREE (3) BUSINESS DAYS AFTER DEPOSIT IN THE UNITED STATES MAELS, PROPER POSTAGE PREPAID AND PROPERLY ADDRESSED), AND AGREES THAT SERVICE SO MADE SHALL BE EFFECTIVE AND BINDING UPON SUCH GUARANTOR IN EVERY RESPECT AND THAT ANY OTHER NOTICE OR COMMUNICATION GIVEN TO THE BORROWER AT THE ADDRESS AND IN THE MANNER SPECIFIED HEREIN SHALL BE EFFECTIVE NOTICE TO SUCH GUARANTOR. FURTHER, EACH GUARANTOR DOES HEREBY IRREVOCABLY MAKE, CONSTITUTE AND APPOINT THE BORROWER AS ITS TRUE AND LAWFUL ATTORNEY-IN-FACT, WITH FULL AUTHORITY IN ITS PLACE AND STEAD AND IN ITS NAME, THE BORROWER'S NAME OR OTHERWISE, AND WITH FULL POWER OF SUBSTITUTION IN THE PREMISES, FROM TIME TO TIME IN THE BORROWER'S DISCRETION TO AGREE ON BEHALF OF, AND SIGN THE NAME OF, SUCH GUARANTOR TO ANY AMENDMENT, MODIFICATION OR SUPPLEMENT TO, RESTATEMENT OF, OR WAIVER OR CONSENT IN CONNECTION WITH, THIS GUARANTY, THE REIMBURSEMENT AGREEMENT OR ANY DOCUMENT OR INSTRUMENT PURSUANT HERETO OR THERETO, AND TO TAKE ANY OTHER ACTION AND DO ALL OTHER THINGS ON BEHALF OF SUCH GUARANTOR THAT THE BORROWER MAY DEEM NECESSARY OR ADVISABLE TO CARRY OUT AND ACCOMPLISH THE PURPOSES OF THIS GUARANTY AND THE REIMBURSEMENT AGREEMENT. THE BORROWER WILL NOT BE LIABLE FOR ANY ACT OR OMISSION NOR FOR ANY ERROR OF JUDGMENT OR MISTAKE OF FACT UNLESS THE SAME SHALL OCCUR AS A RESULT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE BORROWER. THIS POWER, BEING COUPLED WITH AN INTEREST, IS IRREVOCABLE BY ANY GUARANTOR FOR SO LONG AS THIS GUARANTY SHALL BE IN EFFECT WITH RESPECT TO SUCH GUARANTOR. BY ITS SIGNATURE HERETO, THE BORROWER CONSENTS TO ITS APPOINTMENT AS PROVIDED FOR HEREIN AND AGREES PROMPTLY TO DISTRIBUTE ALL PROCESS, NOTICES AND OTHER COMMUNICATIONS TO EACH GUARANTOR.

(c) NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE BANK TO BRING ANY ACTION OR PROCEEDING AGAINST ANY GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION.

15. Arbitration; Preservation and Limitation of Remedies. (a) Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute,

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claim or controversy arising out of, connected with or relating to this Guaranty or the Reimbursement Agreement ("Disputes") between or among the Guarantors and the Bank, or any of them, 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, claims brought as class actions, claims arising from documents executed in the future, or claims arising out of or connected with the transactions contemplated by this Guaranty and the Reimbursement Agreement. Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"), as in effect from time to time, and Title 9 of the U.S. Code, as amended. All arbitration hearings shall be conducted in the city in which the principal office of the Bank is located. 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. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted.

(b) Notwithstanding the preceding binding arbitration provisions, the parties hereto agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, either alone, in conjunction with or during a Dispute. Any party hereto 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 security by exercising a power of sale granted pursuant to the Reimbursement Agreement 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; (iii) obtaining provisional or ancillary remedies, including injunctive relief, sequestration, garnishment, attachment, appointment of a receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. 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. The parties hereto agree that no party shall have a remedy of punitive or exemplary damages against any other party in any Dispute, and each party hereby waives any right or claim to punitive or exemplary damages that it has now or that may arise in the future in connection with any Dispute, whether such Dispute is resolved by arbitration or judicially.

16. Waiver of Jury Trial. EACH GUARANTOR AND, BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, THE BANK, HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ITS RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY OR THE REIMBURSEMENT AGREEMENT, OR ANY PROCEEDING TO WHICH THE BANK OR SUCH GUARANTOR IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE

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BANK OR SUCH GUARANTOR. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including, without limitation, contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Guarantor and, by its acceptance of the benefits hereof, the Bank, (i) acknowledges that this waiver is a material inducement to enter into a business relationship, that it has relied on this waiver in entering into this Guaranty or accepting the benefits hereof, as the case may be, and that it will continue to rely on this waiver in its related future dealings with the other parties hereto, and (ii) further warrants and represents that it has reviewed this waiver with its legal counsel and that, based upon such review, it knowingly and voluntarily waives its jury trial rights to the extent permitted by applicable law. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, MODIFICATIONS OR SUPPLEMENTS TO OR RESTATEMENTS OF THIS GUARANTY OR THE REIMBURSEMENT AGREEMENT. IN THE EVENT OF LITIGATION, THIS GUARANTY MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT. IN THE EVENT THAT THE WAIVER OF JURY TRIAL HEREIN SHALL BE DETERMINED TO BE INVALID OR UNENFORCEABLE AS A MATTER OF LAW WITH RESPECT TO ANY PARTY, THE PROVISIONS OF SECTION 15 SHALL GOVERN AS TO THE MATTERS SET FORTH THEREIN WITH RESPECT TO SUCH PARTY.

17. Notices. All notices and other communications provided for

hereunder shall be in writing (including telegraphic, telex, facsimile transmission or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered (a) if to any Guarantor, in care of the Borrower and at the Borrower's address for notices set forth in the Reimbursement Agreement and (b) if to the Bank, at its address for notices set forth in the Reimbursement Agreement; or to such other address as any of the Persons listed above may designate for itself by like notice to the other Persons listed above; and in each case, with copies to such other Persons as may be specified under the provisions of the Reimbursement Agreement. All such notices and communications shall be deemed to have been given (i) if mailed as provided above by any method other than overnight delivery service, on the third Business Day after deposit in the mails, (ii) if mailed by overnight delivery service, telegraphed, telexed, telecopied or cabled, when delivered for overnight delivery, delivered to the telegraph company, confirmed by telex answerback, transmitted by telecopier or delivered to the cable company, respectively, or (iii) if delivered by hand, upon delivery; provided that notices and communications to the Bank shall not be effective until received by the Bank.

18. Severability. To the extent any provision of this Guaranty is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Guaranty in any jurisdiction.

19. Construction. The headings of the various sections and subsections of this Guaranty have been inserted for convenience only and shall not in any way affect the meaning or

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construction of any of the provisions hereof. Unless the context otherwise requires, words in the singular include the plural and words in the plural include the singular.

20. Counterparts; Effectiveness. This Guaranty may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Guaranty shall become effective, as to any Guarantor, upon the execution and delivery by such Guarantor of a counterpart hereof or a Guarantor Accession.

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IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed by its duly authorized officers as of the date first above written.

The Borrower hereby joins in this Guaranty for purposes of evidencing its consent to, and agreement to perform, the provisions of Section 14(b).

GUARANTORS:

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

DOLLAR TREE MANAGEMENT, INC.

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

Accepted and agreed to:

FIRST UNION NATIONAL BANK

By: /s/ Hal A. Telimen

-----  
Title: Senior Vice President

[Signatures continued]

BORROWER:

DOLLAR TREE DISTRIBUTION, INC.

By: /s/ H. Ray Compton

-----  
Title: Executive Vice President

LETTER OF CREDIT  
AND  
REIMBURSEMENT AGREEMENT

by and between

DOLLAR TREE DISTRIBUTION, INC.

and

FIRST UNION NATIONAL BANK

Dated as of May 1, 1998

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but rather is for convenience of reference only.)

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LETTER OF CREDIT AND  
REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT, dated as of May 1, 1998 (the "Agreement" or "Reimbursement Agreement"), is by and between DOLLAR TREE DISTRIBUTION, INC., a Virginia corporation (the "Borrower") and FIRST UNION NATIONAL BANK, a national banking association organized and existing under the laws of the United States with its principal offices located in Charlotte, North Carolina (the "Bank");

W I T N E S S E T H:

WHEREAS, arrangements have been made pursuant to a Trust Indenture dated as of May 1, 1998 between Mississippi Business Finance Corporation (the "Issuer") and AmSouth Bank, as Trustee (the "Trustee") (as amended, the "Indenture") for the issuance and sale by the Issuer of its Mississippi Business Finance Corporation Incremental Taxable Variable Rate Demand Revenue Bonds in the original aggregate principal amount of \$19,000,000 (the "Bonds"); and

WHEREAS, the proceeds from the sale of the Bonds have been loaned to the Borrower pursuant to a Loan Agreement dated as of May 1, 1998, between the Issuer and the Borrower (as amended or supplemented, the "Loan Agreement"); and

WHEREAS, in order to enhance the marketability of the Bonds, the Borrower has requested that the Bank issue an irrevocable direct-pay letter of credit in the form attached hereto as Exhibit A (such letter of credit or any successor or substitute letter of credit issued by the Bank or its successor herein individually and collectively called the "Letter of Credit") in an amount of up to \$19,304,521, of which \$19,000,000 will support the principal of the Bonds, and \$304,521 will support up to 45 days' interest on the Bonds at an assumed rate of 13% per annum;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter appearing, and to induce the Bank to issue the Letter of Credit, the Borrower does hereby covenant and agree with the Bank as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. All words and terms defined in Article I of the Loan Agreement shall have the same meanings in this Agreement, unless otherwise specifically defined herein. The terms defined in this Article I have, for all purposes of this Agreement, the meanings specified

hereinabove or in this Article, unless defined elsewhere herein or the context clearly requires otherwise.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by, or under direct or indirect common control with, such Person or (ii) that directly or indirectly owns more than 5% of the voting securities of such Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership or voting securities, by contract or otherwise. Notwithstanding anything herein to the contrary, for purposes of this Agreement, the term "Affiliate" shall not include DTS or any of its Subsidiaries.

"Agreement" means this Letter of Credit and Reimbursement Agreement, as the same may from time to time be amended, modified or supplemented in accordance with the terms hereof.

"Bankruptcy Code" means 11 U.S.C. ss. 101 et seq., as amended.

"Bond Documents" means, collectively, the Loan Agreement, the Note, the Indenture, the Bonds, the Remarketing Agreement, the Placement Agreement and the Placement Memorandum, as the same may be amended, modified or supplemented from time to time in accordance with their respective terms.

"Business Day" means any day not a Saturday, Sunday or legal holiday, on which commercial banks in Charlotte, North Carolina are open for business.

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

"Cash Equivalents" means (i) securities issued or unconditionally guaranteed by the United States of America or any agency or instrumentality thereof, backed by the full faith and credit of the United States of America and maturing within 90 days from the date of acquisition, (ii) commercial paper issued by any Person organized under the laws of the United States of America, maturing within 90 days from the date of acquisition and, at the time of acquisition, having a rating of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, (iii) time deposits and certificates of deposit maturing within 90 days from the date of issuance and issued by a bank or trust company organized under the laws of the United States of America or any state thereof that has combined capital and surplus of at least \$500,000,000 and that has (or is a subsidiary of a bank holding company that has) a long-term unsecured debt rating of at least A or the equivalent thereof by S&P or at least A2 or the equivalent thereof by Moody's, (iv) repurchase obligations with a term not exceeding seven (7) days with respect to underlying securities of the types described in clause (i) above entered into with any bank or trust company meeting the qualifications specified in clause (iii) above, and

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(v) money market funds substantially all of whose assets are comprised of securities of the types described in clauses (i) through (iv) above.

"Commission Payment Date" shall have the meaning set forth in Section 3.4(a).

"Commitment Letter" means that certain commitment letter from the Bank to the Borrower dated February 12, 1998, and accepted and executed by the Borrower on or before the date of issuance of the Bonds, along with any supplements and addenda thereto.

"Consistent Basis" means, in reference to the application of Generally Accepted Accounting Principles, that the accounting principles observed in the period referred to are comparable in all material respects to those applied in

the preceding period, except as to any changes consented to by the Bank.

"Consolidated Capital Expenditures" means, for any period, the aggregate amount (whether paid in cash or accrued as a liability) that would, in accordance with Generally Accepted Accounting Principles, be included on the consolidated statement of cash flows of DTS and its Subsidiaries for such period as additions to equipment, fixed assets, real property or improvements or other capital assets (including, without limitation, Capital Lease obligations); provided, however, that Capital Expenditures shall not include any such expenditures for replacements and substitutions for capital assets, to the extent made with the proceeds of insurance.

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

"Consolidated Current Liabilities" means, at any time, all liabilities of DTS and its Subsidiaries which would, in accordance with Generally Accepted Accounting Principles, be classified as current liabilities.

"Consolidated EBITDA" means, for any period, the aggregate of (i) the Consolidated Net Income (or Deficit) of DTS and its Subsidiaries for such period, plus (ii) the sum of interest expense, federal, state, local and other income taxes, depreciation, amortization of intangible assets, and other noncash expenses or charges reducing income for such period, all to the extent taken into account in the calculation of such Consolidated Net Income (or Deficit) for such period, minus (iii) the sum of extraordinary or nonrecurring gains (including in connection with the sale or write-up of assets) and other noncash credits increasing income for such period, all to the extent taken into account in the calculation of such Consolidated Net Income (or Deficit) for such period.

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"Consolidated Funded Debt" means, at any time, the outstanding balances of all Indebtedness for borrowed money or other extensions of Credit of DTS and its Subsidiaries on a consolidated basis (other than with respect to intercompany Indebtedness), plus Capitalized Leases.

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

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

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

(a) the total book value of all assets of DTS and its Subsidiaries properly classified as intangible assets under Generally Accepted Accounting Principles, including such items as goodwill, the purchase price of acquired assets in excess of the fair market value thereof, unamortized debt discount and expenses, trademarks, trade names, service marks, brand names, copyrights, patents and licenses, and rights with respect to the foregoing, but not including goodwill in an amount up to \$75,000,000 resulting from the acquisition of operating businesses by DTS or a subsidiary after the date hereof; plus

(b) all amounts representing any write-up in the book value of any assets of DTS or its Subsidiaries resulting from a revaluation thereof subsequent to December 31, 1997; plus

(c) to the extent not already deducted, all reserves; plus

(d) the value of any minority interests in Subsidiaries; plus

(e) the aggregate amount of all loans made by DTS or any Subsidiary to any officer, employee, or shareholder of DTS or any Subsidiary; plus

(f) assets located, and notes and receivables due from obligors domiciled, outside of the United States of America (excluding inventory in transit)

"Consolidated Total Assets" means, at any date, all assets of DTS and

its Subsidiaries that, in accordance with Generally Accepted Accounting Principles, should be classified as assets on a consolidated balance sheet of DTS and its Subsidiaries.

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

"Credit Agreement" means that certain Amended and Restated Revolving Credit Agreement dated as of September 27, 1996 among the Borrower, the Guarantors and the financial institutions parties thereto from time to time, as the same is or has been amended, modified, supplemented or restated from time to time.

"Date of Issuance" means the date of issuance of the Letter of Credit.

"Debt Service" means, for any period, the sum of (i) the aggregate (without duplication) of all principal and interest paid or payable by DTS and its Subsidiaries during such period in respect of Indebtedness (including, without limitation, the Bonds and Capitalized Leases, but excluding payments on intercompany Indebtedness), plus (ii) Distributions made during such period, plus (iii) Rents paid during such period, in each case determined in accordance with Generally Accepted Accounting Principles.

"Distribution" means, with respect to any Person, the declaration or payment of any dividend on or in respect of any shares of any class of capital stock, other than (a) dividends payable solely in shares of common stock of such Person and (b) the payment of cash in lieu of the distribution of fractional shares in the event of any stock dividend or stock split; the purchase, redemption, or other retirement of any shares of any class of capital stock of such Person, directly or indirectly by such Person through a Subsidiary of such Person or otherwise, unless such capital stock shall be redeemed or reacquired through the exchange of such stock with stock of the same class, and except for the redemption, repurchase, or acquisition of stock of the Borrower or Dollar Tree Management, Inc. by DTS; the return of capital by such Person to its shareholders as such; or any other distribution (whether of such or other property) on or in respect of any shares of any class of capital stock of such Person.

"DTS" means Dollar Tree Stores, Inc.

"Eminent Domain" means the taking of title to, or the temporary use of, the Collateral or any part thereof pursuant to eminent domain or condemnation proceedings, or any voluntary conveyance of any part of the Collateral during the pendency of, or as a result of a threat of, such proceedings.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of its business and not in response to any third party action or request of any kind) or proceedings relating in any way to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (collectively, "Claims"), including (i) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims by any third party

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seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Substances or arising from alleged injury or threat of injury to human health or the environment.

"Environmental Laws" means any and all federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations, rules of common law and orders of courts or Governmental Authorities, relating to the protection of human health or occupational safety or the environment, now or hereafter in effect and in each case as amended from time to time, including requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Substance.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, including any rules and regulations promulgated thereunder.

"Event of Default" has the meaning specified in Article VIII hereof.

"Expiration Date" means May 19, 1999, the expiration date of the Letter of Credit, as such date may be extended pursuant to the terms of Section 3.10 hereof.

"Generally Accepted Accounting Principles" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting which have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented or amended.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any central bank thereof, any municipal, local, city or county government, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guarantors" means DTS, Dollar Tree Management, Inc., and any other material subsidiary of DTS or the Borrower from time to time, and any successor or assign permitted under the Guaranty.

"Guaranty" means the Guaranty Agreement dated as of May 1, 1998 by and between the Guarantors and the Bank, as the same may be amended, restated or supplemented as therein permitted.

"Hazardous Substances" means any substances or materials (i) that are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants or toxic substances under any Environmental Law, (ii) that are defined by any Environmental Law as toxic, explosive, corrosive, ignitable, infectious, radioactive, mutagenic or otherwise hazardous, (iii) the presence

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of which require investigation or response under any Environmental Law, (iv) that constitute a nuisance, trespass or health or safety hazard to Persons or neighboring properties, (v) that consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance or (vi) that contain, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or wastes, crude oil, nuclear fuel, natural gas or synthetic gas.

"Indebtedness" means all obligations, contingent and otherwise, that in accordance with Generally Accepted Accounting Principles should be classified upon the consolidated balance sheet of DTS and its Subsidiaries as liabilities, or to which reference should be made by footnotes thereto including in any event and whether or not so classified: (i) all obligations for borrowed money or other extensions of credit whether or not secured or unsecured, absolute or contingent, including, without limitation, unmatured reimbursement obligations with respect to letters of credit or guarantees issued for the account of or on behalf of DTS and its Subsidiaries, and all obligations representing the deferred purchase price of property, other than accounts payable arising in the ordinary course of business, (ii) all obligations evidenced by bonds, notes, debentures or other similar instruments; (iii) all liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (iv) all guarantees, endorsements (other than endorsements in the ordinary course of business of negotiable instruments or documents for deposit or collection) and other contingent obligations whether direct or indirect in respect of indebtedness of others or otherwise, including any obligations with respect to puts, swaps, and other similar undertakings, any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer in respect of any letters of credit; (v) that portion of all obligations arising under Capital Leases that is required to be capitalized on the consolidated balance sheet of DTS and its Subsidiaries; and (vi) all redeemable preferred stock of DTS or its Subsidiaries valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends.

"Note" means the promissory note of the Borrower dated as of May 1, 1998 in the principal amount of \$19,000,000, issued by the Borrower to the Issuer, as such promissory note may be further amended, restated, modified or supplemented.

"Permitted Dividends" means cash dividends in an aggregate amount per year not to exceed fifty percent (50%) of Consolidated Net Income during the

twelve-month period ending on the last day of the fiscal quarter immediately preceding the dividend declaration.

"Permitted Intercompany Distribution" means a Distribution from the Borrower to a Guarantor, or from a Guarantor to the Borrower or another Guarantor.

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"Permitted Liens" means any of the following liens securing any indebtedness of Borrower, its Subsidiaries or the Guarantors on their property, real or personal, whether now owned or hereafter acquired:

(a) liens securing intercompany Indebtedness;

(b) liens on properties to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations that are not overdue or that the Borrower, a Guarantor or any Subsidiary is contesting in good faith by appropriate proceedings and with due diligence;

(c) deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(d) liens on properties in respect of judgments or awards, the Indebtedness with respect to which is permitted by Section 6.3;

(e) liens of carriers, warehousemen, mechanics and materialmen, and other like liens on properties in existence less than 40 days from the date of creation thereof in respect of obligations that are not overdue or that the Borrower, a Guarantor or any Subsidiary is contesting in good faith by appropriate proceedings and with due diligence;

(f) encumbrances on properties consisting of easements, rights of way, zoning restrictions, restrictions on the use of real property and defects and irregularities in the title thereto, landlord's or lessor's liens under leases to which the Borrower, a Guarantor or any Subsidiary is a party, and other minor liens or encumbrances none of which interferes materially with the use of the property affected in the ordinary conduct of the business of the Borrower, any Guarantor or any Subsidiary, which defects do not individually or in the aggregate have a materially adverse effect on the business of the Borrower, any Guarantor or any Subsidiary individually or of DTS and its Subsidiaries on a consolidated basis;

(g) presently outstanding liens listed on Schedule 6.4 hereto;

(h) any extension, renewal or refunding of any Lien permitted hereunder; and

(i) liens in favor of the Bank under this Agreement, the Bond Documents or the Loan Documents (as defined in the Credit Agreement).

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, association, joint venture or a government or agency or political subdivision or instrumentality thereof.

"Prime Rate" means the rate of interest designated by the Bank from time to time as its prime commercial rate with any change in said prime commercial rate to be effective as to the

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Borrower as of the day of the relevant change in said prime commercial rate. The Prime Rate is not intended to be the lowest rate of interest charged by the Bank in connection with the extension of credit to its customers. The Bank reserves the right to make loans to its customers bearing interest at rates which are at, above or below the Prime Rate.

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

"State" means the State of North Carolina.

"Subsidiary" means, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time. Unless the context indicates otherwise, all references herein to Subsidiaries are references to Subsidiaries of the Borrower (excluding Dollar Tree Properties, Inc.).

"Tender Advance" has the meaning assigned to that term in Section 3.3 of this Agreement.

"Tender Draft" has the meaning assigned to that term in the Letter of Credit.

"Termination Date" means the last day a drawing is available under the Letter of Credit.

"Trustee" means any Person or group of Persons at the time serving as trustee under the Indenture.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants to the Bank (which representations and warranties shall survive the delivery of the documents mentioned herein and the issuance of the Letter of Credit) that:

2.1 Incorporation. Each of the Borrower, its Subsidiaries and the Guarantors is a corporation duly organized, existing and in good standing under the laws of the state of its incorporation, has the power to own its properties and to carry on its business as now being conducted, and is duly qualified as a foreign entity to do business in every jurisdiction in which the nature of its business makes such qualification necessary and is in good standing in each such

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jurisdiction, except where such qualification or good standing is not material to the business of the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

2.2 Power and Authority. Each of the Borrower, its Subsidiaries and the Guarantors is duly authorized under all applicable provisions of law to execute, deliver and perform this Agreement and the Guaranty, and all corporate action on its part required for the lawful execution, delivery and performance hereof and thereof has been duly taken; and this Agreement and the Guaranty, upon the due execution and delivery hereof or thereof, will be the valid and binding obligation of the Borrower enforceable in accordance with its terms. Neither the execution of this Agreement or the Guaranty, nor the fulfillment of or compliance with the provisions and terms hereof or thereof, will (A) conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a violation of or default under, the Articles of Incorporation, Bylaws or any other organizational documents of the Borrower or any Subsidiary, or any agreement or instrument to which the Borrower or any Subsidiary is now a party or any applicable law, regulation, judgment, writ, order or decree to which the Borrower, any Subsidiary or any of their respective properties are subject, or (B) create any lien, charge or encumbrance upon any of the property or assets of the Borrower or any Subsidiary pursuant to the terms of any agreement or instrument to which the Borrower or any Subsidiary is a party or by which it or any of its properties, are bound.

2.3 Financial Condition. The consolidated balance sheet of DTS and its Subsidiaries for the fiscal year ended as of December 31, 1997 and the related consolidated statements of income and statement of cash flows for the year then ended, copies of which have been furnished to the Bank, are correct and complete in all material respects and fairly present the financial condition of DTS and its Subsidiaries as at the date of said balance sheet and the results of their operations for such period. Neither DTS nor any of its Subsidiaries has any material direct or contingent liabilities as of the date of this Agreement which are not provided for or reflected in the balance sheet dated December 31, 1997, or referred to in notes thereto. All such financial statements have been prepared in accordance with Generally Accepted Accounting Principles applied on a Consistent Basis maintained throughout the period involved. There has been no material adverse change in the business, properties or condition, financial or otherwise, of the Borrower, DTS or the Subsidiaries of either since December 31,

2.4 Title to Assets. DTS and its Subsidiaries have good and marketable title to their respective properties and assets, including the properties and assets reflected in the most recent financial statements and notes thereto described in Section 2.3 hereof, except for such assets as have been disposed of since the date of said financial statements in the ordinary course of business or as are no longer useful in the conduct of business, and all such properties and assets are free and clear of all liens, mortgages, pledges, encumbrances or charges of any kind except liens reflected in such financial statements or otherwise permitted hereunder.

2.5 Contingent Liabilities. Neither the Borrower nor any Subsidiary or Guarantor has guaranteed any obligations of others or, to the best of the Borrower's knowledge, is contingently liable in any manner, direct or indirect, except (i) with respect to intercompany Indebtedness or (ii) as otherwise permitted hereunder.

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2.6 Litigation. Except as set forth on Schedule 2.6 hereto, there are no pending or, to the best of the Borrower's knowledge, threatened actions, suits or proceedings before any court, arbitrator or governmental or administrative body or agency which may materially adversely affect the properties, business or condition, financial or otherwise, of the Borrower, any Subsidiary or any Guarantor.

2.7 Taxes. Except as set forth on Schedule 2.7 hereto, each of the Borrower, its Subsidiaries and the Guarantors has filed or properly extended all tax returns required to be filed by it and all material taxes due with respect thereto have been paid, and no controversy in respect of additional taxes, state, federal or foreign, of the Borrower, any Subsidiary, or any Guarantor is pending, or, to the knowledge of the Borrower, threatened.

2.8 Contract or Restriction. Neither the Borrower nor any Subsidiary or Guarantor is a party to or bound by any contract or agreement or subject to any charter or other corporate restrictions, or subject to the renegotiation of any contract, which does or may materially and adversely affect its business, properties or condition, financial or otherwise.

2.9 Trademarks, Franchises and Licenses. Each of the Borrower, its Subsidiaries and the Guarantors owns, possesses, or has the right to use all necessary patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights and copyrights to conduct its businesses as now conducted, without known material conflict with any patent, license, franchise, trademark, trade name, or copyright of any other Persons, except where such failure would not have a material adverse effect on the Borrower, Subsidiary, or Guarantor, as applicable.

2.10 No Default. Neither the Borrower, any Guarantor nor any Subsidiary is in default in the performance, observance or fulfillment of any of its material obligations, covenants or conditions contained in any agreement or instrument to which it is a party, including, without limitation, the Credit Agreement, except where such default would not have a material adverse effect on the Borrower, the Subsidiaries and the Guarantors, taken as a whole.

2.11 Governmental Authority. The Borrower has received the written approval of all Governmental Authorities, if any, necessary to carry out the terms of this Agreement, and no further governmental consents or approvals are required in the making or performance of this Agreement or the Guaranty by the Borrower, its Subsidiaries and the Guarantors.

2.12 No Untrue Statements. Neither this Agreement nor any reports, schedules, certificates, information, exhibits, agreements or instruments heretofore or simultaneously with the execution of this Agreement delivered to the Issuer, the Bank or the Trustee by the Borrower or any Subsidiary or Guarantor in connection with the negotiation of this Agreement or the issuance and sale of the Bonds contains any material misrepresentation or untrue statement of any material fact or omits to state any material fact necessary to make this Agreement or any such reports, schedules, certificates, information, exhibits, agreements or instruments not materially misleading.

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2.13 ERISA Requirements. Neither the Borrower nor any Subsidiary or Guarantor has incurred any material accumulated funding deficiency within the meaning of ERISA, or incurred any material liability to the Pension Benefit

Guaranty Corporation established under ERISA (or any successor thereto under ERISA) in connection with any employee pension benefit plan established or maintained by it or by any Person under common control with any of them (within the meaning of Section 414(c) of the Internal Revenue Code of 1986, as amended, or of Section 4001(b) of ERISA), or in which employees of any of them are entitled to participate; and no Reportable Event (as defined in ERISA) in connection with any such plan has occurred or is continuing, except where such incurrence or Reportable Event would not have a material adverse effect on the Borrower, its or Subsidiaries and the Guarantors, taken as a whole, as applicable.

2.14 Pollution and Environmental Control; Hazardous Substances. Each of the Borrower, its Subsidiaries and the Guarantors has obtained all material permits, licenses and other authorizations which are required under, and is in material compliance with, all Environmental Laws. Neither the Borrower nor any Subsidiary or Guarantor, nor to the Borrower's best knowledge any previous owner of any real property owned or occupied by the Borrower or any Subsidiary or any Guarantor, has disposed of any Hazardous Substances on any portion of any such real property.

2.15 Project Site. The construction and operation of the Project, as described in the plans and specifications therefor heretofore furnished to the Bank, complies in all material respects with presently existing or amended zoning and other land use restrictions affecting the Project Site, including without limitation any restrictive covenants.

2.16 Labor Relations. Neither the Borrower nor any Subsidiary is engaged in any unfair labor practice that could have a material adverse effect on its business, property or condition (financial or otherwise). There is no significant strike, labor dispute, slowdown or stoppage pending against the Borrower or any Subsidiary or Guarantor or, to the best knowledge of the Borrower, threatened against any of them.

### ARTICLE III

#### REIMBURSEMENT AND OTHER PAYMENTS

3.1 Letter of Credit. The Bank agrees, on the terms and conditions hereinafter set forth, to issue and deliver the Letter of Credit in favor of the Trustee in substantially the form of Exhibit A attached hereto upon fulfillment of the applicable conditions set forth in Article VII hereof. The Bank agrees that any and all payments under the Letter of Credit will be made with the Bank's own funds.

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3.2 Reimbursement and Other Payments. Except as otherwise provided in Section 3.3 below, the Borrower shall pay to the Bank:

(a) on or before 4:00 P.M. (Charlotte, North Carolina time) on the date that any amount is drawn under the Letter of Credit, (so long as the Borrower receives notice of the amount of such draw by 11:00 a.m. Charlotte time on the date of such draw) a sum (together with interest on such sum from the date such amount is drawn until the same is paid, at the rate per annum provided in clause (b) of this Section 3.2) equal to such amount so drawn under the Letter of Credit plus, to the extent permitted by applicable law, any and all reasonable charges and expenses which the Bank may pay or incur relative to the Letter of Credit;

(b) on demand, interest on any and all amounts remaining unpaid by the Borrower when due hereunder from the date such amounts become due until payment thereof in full, at a fluctuating interest rate per annum equal at all times to the lesser of the Prime Rate plus two percent (2%) or the highest lawful rate permitted by applicable law;

(c) on demand, any and all reasonable expenses incurred by the Bank in enforcing any rights under this Agreement and the Guaranty; and

(d) on demand, all charges, commissions, costs and expenses set forth in Sections 3.4, 3.5 and 3.9 hereof.

3.3 Tender Advances.

(a) If the Bank shall make any payment of that portion of the purchase price corresponding to principal and interest of the Bonds drawn under the Letter of Credit pursuant to a Tender Draft and the conditions set forth in Section 7.3 shall have been fulfilled, such payment shall constitute a tender advance made by the Bank to the

Borrower on the date and in the amount of such payment (a "Tender Advance"); provided that if the conditions of said Section 7.3 have not been fulfilled, the amount so drawn pursuant to the Tender Draft shall be payable in accordance with the terms of Section 3.2(a) above. Notwithstanding any other provision hereof, the Borrower shall repay the unpaid amount of each Tender Advance, together with all unpaid interest thereon, on the earlier to occur of: (i) such date as any Bonds purchased pursuant to a Tender Draft are resold as provided in Section 3.3(d) hereof; (ii) on the date one year following the date of such Tender Advance; or (iii) the Termination Date. The Borrower may prepay the outstanding amount of any Tender Advance in whole or in part, together with accrued interest to the date of such prepayment on the amount prepaid. The Borrower shall notify the Bank prior to 11:00 A.M. Charlotte, North Carolina time on the date of such prepayment of the amount to be prepaid.

(b) The Borrower shall pay interest on the unpaid amount of each Tender Advance from the date of such Tender Advance until such amount is paid in full, payable monthly, in arrears, on the first day of each month during the term of each Tender

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Advance and on the date such amount is paid in full, at a fluctuating interest rate per annum in effect from time to time equal to the Prime Rate, provided that the unpaid amount of any Tender Advance which is not paid when due shall bear interest at the lower of the Prime Rate plus two percent (2%) or the highest rate permitted by applicable law, payable on demand and on the date such amount is paid in full.

(c) Pursuant to Article IX, the Borrower has agreed that, in accordance with the terms of the Indenture, Bonds purchased with proceeds of any Tender Draft shall be delivered by the Tender Agent to the Bank or its designee to be held by the Bank or its designee in pledge as collateral securing the Borrower's payment obligations to the Bank hereunder. Bonds so delivered to the Bank or its designee shall be registered in the name of the Borrower, as provided for in Section 9.1.

(d) Prior to or simultaneously with the resale of Pledged Bonds, the Borrower shall prepay the then outstanding Tender Advances (in the order in which they were made) by paying to the Bank an amount equal to the sum of (A) the amounts advanced by the Bank pursuant to the corresponding Tender Drafts relating to such Bonds, plus (B) the aggregate amount of accrued and unpaid interest on such Tender Advances. Such payment shall be applied by the Bank in reimbursement of such drawings (and as prepayment of Tender Advances resulting from such drawings in the manner described above), and, upon receipt by the Bank of a certificate completed and signed by the Trustee in substantially the form of Annex F to the Letter of Credit, the Borrower irrevocably authorizes the Bank to rely on such certificate and to reinstate the Letter of Credit in accordance therewith. Funds held by the Tender Agent as a result of sales of the Pledged Bonds by the Remarketing Agent shall be paid to the Bank by the Tender Agent to be applied to the amounts owing by Borrower to the Bank pursuant to this paragraph (d). Upon payment to the Bank of the amount of such Tender Advance to be prepaid, together with accrued interest on such Tender Advance to the date of such prepayment on the amount to be prepaid, the principal amount outstanding of Tender Advances shall be reduced by the amount of such prepayment and interest shall cease to accrue on the amount prepaid.

#### 3.4 Commission and Fees.

(a) The Borrower shall pay to the Bank a fee or commission at the rate of 0.18% per annum on the amount available to be drawn under the Letter of Credit (computed on the date that such commission is payable) from and including the Date of Issuance until the Termination Date, payable: (i) as to the first year of the initial period for which the Letter of Credit is issued, on the Date of Issuance; and (ii) thereafter, annually in advance on the anniversary of the Date of Issuance (each of the dates described in (i) and (ii), a "Commission Payment Date"); provided, however, that if the Funded Debt to EBITDA Ratio set forth in Section 6.21 is between 0.75 to 1.00 and 1.25 to 1.00 for any fiscal quarter of the Borrower, or if the Borrower shall have failed to comply with any of the other financial covenants set forth in Sections 6.18, 6.19, 6.20 and 6.22, then in either case the commission due and owing to the Bank pursuant to this

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paragraph (a) on the next succeeding Commission Payment Date shall be 0.25% per annum.

(b) On or before the date of issuance of any additional amounts of Bonds after the Date of Issuance, the Borrower shall pay to the Bank a fee or commission on such additional amounts of Bonds, at the appropriate rate pursuant to paragraph (a) hereof, for the portion of the year remaining until the next succeeding Commission Payment Date.

(c) The Borrower shall pay to the Bank, upon transfer of the Letter of Credit in accordance with its terms, a transfer fee of \$1,000.

(d) The Borrower shall pay to the Bank, upon each drawing under the Letter of Credit in accordance with its terms, a fee of \$50 per drawing.

3.5 Increased Costs Due to Change in Law. In the event of any change in any existing or future law, regulation, ruling or other interpretation having influence over the Bank which shall either: (a) impose, modify or make applicable any reserve, special deposit, capital requirement, assessment or similar requirement against the Letter of Credit; or (b) impose on the Bank any other condition regarding the Letter of Credit, and the result of any event referred to in clause (a) or (b) above shall be to increase the cost (including a reasonable allocation of resources) or decrease the yield to the Bank of issuing or maintaining the Letter of Credit (which increase in cost shall be the result of the Bank's reasonable allocation of the aggregate of such cost increases or yield decreases resulting from such events), then, upon demand by the Bank, the Borrower shall immediately pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for such increased cost or decreased yield. A statement of charges submitted by the Bank shall be conclusive, absent manifest error, as to the amount owed.

3.6 Computation. All payments of interest, commission and other charges under this Agreement shall be computed on the per annum basis of a year of 360 days and calculated for the actual number of days elapsed.

3.7 Payment Procedure. All payments made by the Borrower under this Agreement shall be made to the Bank in lawful currency of the United States of America and in immediately available funds at the Bank's office in Charlotte, North Carolina before 12:00 Noon (Charlotte, North Carolina time) on the date when due, except for payments made pursuant to Section 3.2(a).

3.8 Business Days. If the date for any payment hereunder falls on a day which is not a Business Day, then for all purposes of this Agreement the same shall be deemed to have fallen on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payments of interest or commission, as the case may be.

3.9 Reimbursement of Expenses. The Borrower will pay all reasonable legal fees (computed without regard to any statutory presumption) incurred by the Bank in connection with the preparation, execution and delivery of this Agreement, the Letter of Credit, the Guaranty, any

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and all other agreements and transactions contemplated hereby and thereby and by the Bond Documents (including any amendments hereto or thereto or consents or waivers hereunder or thereunder) and will also pay all fees, charges or taxes for the recording or filing of the Guaranty. The Borrower will also pay for all reasonable out-of-pocket expenses of the Bank in connection with the administration of the Letter of Credit, this Agreement and the Guaranty. The Borrower will, upon request, promptly reimburse the Bank for all amounts expended, advanced or incurred by the Bank to collect or satisfy any obligation of the Borrower under this Agreement or the Guaranty, or to enforce the rights of the Bank under this Agreement or the Guaranty, which amounts will include, without limitation, all court costs, reasonable attorneys' fees, fees of auditors and accountants and investigation expenses incurred by the Bank in connection with any such matters.

3.10 Extension of Expiration Date. The Bank hereby agrees that the Expiration Date shall automatically be extended for successive one-year terms effective on the Expiration Date and each anniversary date of the Expiration Date unless (i) the Bank shall have notified the Borrower and the Trustee in writing at least 120 days prior to the Expiration Date, as extended from time to time pursuant to this Section 3.10, that the Bank will not extend such applicable Expiration Date or (ii) the Letter of Credit is otherwise terminated in accordance with its terms.

3.11 Obligations Absolute. The obligations of the Borrower under this

Agreement shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of the Letter of Credit, the Bonds, any of the other Bond Documents, the Guaranty or any other agreement or instrument related thereto;

(b) any amendment or waiver of or any consent to departure from the terms of the Letter of Credit, the Bonds, any of the other Bond Documents, the Guaranty or any other agreement or instrument related thereto;

(c) the existence of any claim, setoff, defense or other right which either the Borrower or the Issuer may have at any time against the Trustee, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any other Person, whether in connection with this Agreement, the Guaranty, the Letter of Credit, the Bond Documents, the Project or any unrelated transaction;

(d) any statement, draft or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect, or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) the surrender or impairment of any security for the performance or observance of any of the terms of this Agreement.

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#### ARTICLE IV

##### SECURITY

4.1 Security. As security for the full and timely payment and performance by the Borrower of its respective obligations hereunder, the Borrower shall on the date hereof deliver to the Bank the Guaranty.

4.2 Insurance Required. The Borrower will keep the Project continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar operations including, without limiting the generality of any other covenants contained herein or in the Bond Documents or the Guaranty:

(a) general comprehensive liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project Site (such coverage to include provisions waiving subrogation against the Bank) in amounts not less than \$1,000,000 with respect to bodily injury to any one person, \$1,000,000 with respect to bodily injury to two or more persons in any one accident and \$1,000,000 with respect to property damage resulting from any one occurrence;

(b) liability insurance with respect to the operation of its facilities under the workers' compensation laws of the State of Mississippi;

(c) business interruption insurance with respect to a material interruption in the operation of its facilities; and

(d) if at any time the Project Site is in an area that has been identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, the Borrower shall purchase and maintain a flood insurance policy satisfactory to the Bank.

provided, however, that the insurance so required may be provided by blanket policies now or hereafter maintained by the Borrower.

4.3 General Requirements Applicable to Insurance.

(a) Each insurance policy obtained in satisfaction of the requirements of Section 4.2 hereof:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State, and of recognized standing;

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(ii) shall be in such form and have such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, if any, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and are acceptable in all respects to the Bank;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days prior written notice to the Bank; and

(iv) shall provide that losses thereunder, prior to the occurrence of an Event of Default (or event which, with notice or lapse of time or both would constitute an Event of Default) hereunder shall be adjusted with the insurer by the Borrower at its expense on behalf of the insured parties and the decision of the Borrower as to any adjustment shall be final and conclusive; and

(b) Prior to expiration of any such policy, the Borrower shall furnish the Bank with evidence satisfactory to the Bank that the policy or certificate has been renewed or replaced or is no longer required by this Agreement.

4.4 Advances by Bank. In the event the Borrower shall fail to maintain, or cause to be maintained, (i) the full insurance coverage required pursuant to Section 4.3 or (ii) the Project Site in good repair and good operating condition, the Bank may (but shall be under no obligation to), after 10 days' written notice to the Borrower and the Issuer and the failure of the Borrower to obtain the required insurance or to commence (and complete with due diligence) the making of the required repairs, renewals and replacements, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and the Borrower agrees to reimburse the Bank to the extent of the amounts so advanced with interest thereon at a rate per annum equal to the Prime Rate plus two (2) percentage points, or the maximum rate permitted by law, whichever is lower, from the date of advance to the date of reimbursement. Any amounts so advanced by the Bank shall become an additional obligation of the Borrower secured by the Guaranty.

4.5 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Sections 4.2(a), 4.2(b) and 4.2(c) hereof shall be applied by the Borrower toward extinguishment of the defect or claim or satisfaction of the liability with respect to which such insurance proceeds may be paid.

4.6 Requisitions from the Project Fund; Covenants Relating to Construction.

(a) Use of Proceeds. The funds contained in the Project Fund (as defined in the Indenture) shall be subject to disbursement to the Borrower pursuant to the terms of the Indenture to (i) pay the cost of issuance of the Bonds, and (ii) to pay for the cost of the Project.

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(b) Construction of the Project. The Borrower shall diligently pursue and complete or cause the completion in good workmanlike fashion of the acquisition, construction and installation of the Project.

(c) Inspector. The Borrower will permit the Bank and its representatives, including, without limitation, the Person appointed by the Bank as its representative relating to the construction of the Project (the "Inspector"), to enter upon any of the Project Site, to inspect the Project and all materials to be used in the construction thereof, and to examine all detailed plans and drawings which are or may be kept at the site, and will cooperate and cause the contractors of the Borrower to cooperate, with the Bank and the Inspector in connection with any such inspections. The Borrower shall have no right to rely on any inspection, or lack thereof, by the Bank or its Inspector. The Borrower agrees to pay all costs incurred by the Bank in connection with any such inspections.

#### ARTICLE V

#### AFFIRMATIVE COVENANTS

Until all the obligations of the Borrower hereunder to be performed and paid shall have been performed and paid in full, and for so long as the Letter

of Credit shall be outstanding, the Borrower covenants and agrees that, unless the Bank consents otherwise in writing:

5.1 Repayment of Obligations. The Borrower will promptly repay the payment obligations of the Borrower hereunder and under the Guaranty when due, according to the terms of this Agreement and the Guaranty.

5.2 Performance Under Reimbursement Agreement and Guaranty. The Borrower and the Guarantors will, and the Borrower will cause each of its Subsidiaries to, perform all obligations required to be performed by each of them under the terms of this Agreement and the Guaranty and any other agreements now or hereafter existing or entered into between the Borrower, its Subsidiaries, the Guarantors and the Bank, or any of them, subject to any applicable notice and cure provisions contained therein.

5.3 Financial and Business Information about the Borrower. The Borrower shall deliver to the Bank:

(a) As soon as practicable and in any event within 45 days after the close of each fiscal quarter of DTS, beginning with the close of the current fiscal quarter, (i) consolidated balance sheets and consolidated statements of income and cash flows of DTS and its Subsidiaries for or relating to the quarter then ended, all prepared in accordance with Generally Accepted Accounting Principles (subject to normal year-end adjustments and the absence of notes), applied on a Consistent Basis, and certified by the chief executive officer and chief financial officer of the Borrower or of DTS;

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(b) As soon as practicable and in any event within 90 days after the close of each fiscal year of DTS, beginning with the close of the current fiscal year, an audited consolidated balance sheet of DTS and its Subsidiaries as of the close of such fiscal year (and unaudited consolidating balance sheets for DTS and its Subsidiaries) and audited consolidated statements of income and cash flows of DTS and its Subsidiaries for the fiscal year then ended (and unaudited consolidating statements of income and cash flows), prepared by an independent certified public accountant reasonably acceptable to the Bank in accordance with Generally Accepted Accounting Principles, applied on a Consistent Basis, and accompanied by a report thereon by such certified public accountants and, with respect to such audited financial statements, containing an opinion that is not qualified with respect to scope limitations imposed by Borrower or DTS, as to going concern or with respect to accounting principles followed by DTS not in accordance with Generally Accepted Accounting Principles;

(c) Concurrently with the delivery of the financial statements described in subsections (a) and (b) above, a certificate from the chief executive officer and chief financial officer, senior vice president-finance or corporate controller of DTS certifying to the Bank that to the best of their knowledge after review of this Agreement and appropriate inquiry, the Borrower and DTS have kept, observed, performed and fulfilled each and every covenant, obligation and agreement binding upon the Borrower and DTS contained in this Agreement or the Guaranty, and that no Event of Default, or any event which with the giving of notice or lapse of time or both would constitute an Event of Default, has occurred or specifying any such Event of Default;

(d) Immediately upon issuance, each notice, financial report, proxy statement, or other communication rendered to its shareholders; and

(e) Upon the Bank's request, such other information about the financial condition, Business or operations of the Borrower or DTS and their Subsidiaries as the Bank may from time to time reasonably request.

5.4 Notice of Certain Events. The Borrower shall promptly, after any senior financial officer of the Borrower learns or obtains knowledge of the occurrence thereof, give written notice to the Bank of:

(a) any litigation or proceeding brought against the Borrower, any of its Subsidiaries or a Guarantor (other than those previously disclosed) which may have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole, whether or not the claim is considered by the Borrower to be covered by insurance, and the Borrower shall, if requested by the Bank, set up such reserves as the Bank reasonably determines are necessary to protect the Bank against loss;

(b) any written notice of a violation received by the Borrower, any of its Subsidiaries or a Guarantor from any governmental regulatory body or law enforcement authority which, if such violation were established, might have a material and adverse effect on the business of the Borrower, its Subsidiaries and the Guarantors, taken as a whole or the ability of the Borrower to fulfill its obligations hereunder;

(c) any labor controversy that has resulted in a strike or other work action materially affecting the Borrower, any of its Subsidiaries or a Guarantor;

(d) any attachment, judgment, lien, levy or order (other than Permitted Liens) in an amount exceeding \$2,000,000 that may be placed on or assessed against or threatened against the Borrower, any of its Subsidiaries or a Guarantor, which is not satisfied and as to which all appeal periods have expired;

(e) any other matter that has resulted in a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole;

(f) any breach or violation of or noncompliance with any covenant or condition of this Agreement or any Event of Default hereunder.

5.5 Corporate Existence. The Borrower will, and will cause each of its Subsidiaries to, maintain and preserve its corporate existence and all rights, privileges and franchises now enjoyed, except where failure to do so will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

5.6 Payment of Indebtedness; Performance of Other Obligations. The Borrower and the Guarantors will, and the Borrower will cause each of its Subsidiaries to, pay all material Indebtedness before such indebtedness shall become past due, all taxes, assessments and other governmental charges that may be levied or assessed upon it or the Project Site when due and all other material obligations in accordance with customary trade practices, and comply with all acts, rules, regulations and orders of any legislative, administrative or judicial body or official applicable to the Project, the Project Site or any part thereof or to the operation of its business; provided, however, that the Borrower, a Guarantor or any Subsidiary may in good faith by appropriate proceedings and with due diligence contest any such indebtedness, taxes, assessments, governmental charges, acts, rules, regulations, orders and directions that do not in the Bank's reasonable judgment materially and adversely affect the Borrower's ability to fulfill its obligations under Article III hereof, and if requested by the Bank, shall establish reserves reasonably satisfactory to the Bank. The Borrower and the Guarantors will, and the Borrower will cause each of its Subsidiaries to, observe and remain in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and obtain all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or the conduct of its business, and observe and perform all covenants and conditions of all agreements and instruments to which it is a party, except where failure to do so will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

5.7 Payment of Trade Accounts Payable, Etc. The Borrower will, and will cause each of its Subsidiaries to, pay all of its trade accounts that are payable or accrued as of the date thereof (except for trade accounts that are by their terms payable on a date later than 90 days after the date thereof and trade accounts that the Borrower or one of its Subsidiaries disputes in good faith by appropriate proceedings and with due diligence) within 90 days after the date thereof, except where failure to do so will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

5.8 Maintenance of Insurance. The Borrower will, and will cause each of its Subsidiaries to, maintain and pay for insurance upon the Project Site in accordance with Sections 4.3 and 4.4 of this Agreement, including builder's risk insurance if applicable, wherever located, covering casualty, hazard, public liability, product liability, and such other risks and in such amounts and with such insurance companies as shall be reasonably satisfactory to the Bank, and such amounts shall not be less than the amounts required pursuant to Section 4.3; and the Borrower will deliver certified copies of such insurance policies to the Bank.

5.9 Maintenance of Books and Records; Inspection. The Borrower and the Guarantors will, and the Borrower will cause each of its Subsidiaries to, maintain adequate books, accounts and records, and prepare all financial information required under this Agreement in accordance with Generally Accepted Accounting Principles (subject, in the case of unaudited interim statements, to normal year-end adjustments and the absence of notes) and in material compliance with the regulations of any governmental regulatory body having jurisdiction over it, and permit employees or agents of the Bank at any reasonable time to inspect the properties of the Borrower, its Subsidiaries and the Guarantors, and to examine or audit the books, accounts and records of the Borrower, its Subsidiaries and the Guarantors and make copies and memoranda of them, and to discuss the affairs, finances and accounts of the Borrower, its Subsidiaries and the Guarantors with its officers, employees and independent public accountants and attorneys (and by this provision the Borrower, its Subsidiaries and the Guarantors authorize said accountants to discuss the finances and affairs of the Borrower, its Subsidiaries and the Guarantors), all at such reasonable times and as often as may be reasonably requested, but in any event at least twice during each fiscal year of the Borrower.

5.10 Comply with ERISA. Except where noncompliance will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors taken as a whole, the Borrower will, and will cause each of its Subsidiaries to, at all times make prompt payment of contributions required to meet the minimum funding standards set forth in ERISA with respect to any employee benefit plan; not withdraw from participation in, permit the termination or partial termination of, or permit the occurrence of any other event with respect to any employee benefit plan that could result in liability to the Pension Benefit Guaranty Corporation; notify the Bank as soon as practicable of any "reportable event" (as defined in Section 4043(b) of ERISA) and of any additional act or condition arising in connection with any employee benefit plan which the Borrower or any of its Subsidiaries believe might constitute grounds for the termination thereof by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States district court of a trustee to administer such plan; and furnish to the Bank upon the Bank's

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request, such additional information about any employee benefit plan as may be reasonably requested. Neither the Borrower nor any of its Subsidiaries or the Guarantors will permit the occurrence of any "prohibited transaction" (as defined in ERISA).

5.11 Consolidated Omnibus Budget Reconciliation Act. Each of the employee benefit plans of the Borrower and its Subsidiaries shall at all times satisfy the requirements set forth in Section 4980B of the Internal Revenue Code of 1986, as amended, and all regulations from time to time promulgated thereunder, and such other provisions of the Internal Revenue Code that replace or complement such Section, except where failure to do so will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

5.12 Maintenance of Properties; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, conduct its business in an orderly, efficient and customary manner, keep its properties used in the operations of its business in good working order and condition (normal wear and tear excepted), and from time to time make all needed repairs to, renewals of or replacements of its properties (except to the extent that any of such properties is obsolete or is being replaced) so that the efficiency of such property shall be fully maintained and preserved. The Borrower and its Subsidiaries shall file or cause to be filed in a timely manner all material reports, applications, estimates and licenses that shall be required by any governmental authority and which, if not timely filed, would have a material and adverse effect on the Borrower and its Subsidiaries, taken as a whole.

5.13 Provision of Information about the Project. Upon request by the Bank, and to the extent then available, the Borrower will furnish to the Bank in form satisfactory to the Bank, (i) a copy of the construction contract with the general contractor who shall construct the Project (as defined in the Loan Agreement); (ii) an architect's or engineer's certification that all work has been done and materials installed in compliance with plans and specifications; (iii) a complete set of plans and specifications of the Project, which plans and specifications are to be in full compliance with all building codes and local ordinances; and (iv) proof as to payment of construction bills, lien waivers, inspection reports, statements showing itemization of present and prospective expenditures, a statement of items due and unpaid, and, if applicable, a list of items necessary for completion of the Project.

5.14 Taxes and Liens. The Borrower will, and will cause each of its Subsidiaries to, promptly pay or cause to be paid all material taxes, assessments or other governmental charges which may lawfully be levied or assessed upon its income or profits or upon any of its property, real, personal

or mixed, and also any lawful claims for labor, material and supplies which, if unpaid, might become a lien or charge against any such property, the failure to pay any of which taxes or claims would have a material adverse effect on the Borrower, and its Subsidiaries taken as a whole; provided, however, that neither the Borrower nor any Subsidiary shall be required to pay or cause to be paid any such tax, assessment, charge, levy or claim so long as the validity thereof shall be actively contested in good faith by proper proceedings and, if requested by the Bank, reserves with respect thereto acceptable to the Borrower's independent certified public accountants shall be established and maintained; but provided further that any such tax, assessment, charge, levy or claim shall be paid forthwith upon the commencement of proceedings

to foreclose any lien securing the same unless a surety bond satisfactory to the Bank is obtained and delivered to the Bank.

5.15 Observe all Laws. The Borrower will conform to and duly observe all laws, regulations and other valid requirements of any regulatory authority with respect to the conduct of its business, except where failure to do so will not have a material adverse effect on the Borrower, its Subsidiaries and the Guarantors, taken as a whole.

5.16 Redemption of Bonds. The Borrower will redeem the Bonds in accordance with Section 701(a) of the Indenture and pursuant to the following schedule:

<TABLE>  
<CAPTION>

Date of Redemption (June 1 of the year listed) -----	Principal Amount Redeemed -----
<S> <C>	<C>
2006	250,000
2007	250,000
2008	500,000
2009	500,000
2010	1,000,000
2011	1,000,000
2012	1,250,000
2013	1,500,000
2014	1,750,000
2015	2,000,000
2016	2,500,000
2017	3,000,000
2018	3,500,000

</TABLE>

5.17 Year 2000. The Borrower has taken appropriate action necessary to assure that the Borrower's and its Subsidiaries' material computer based systems are able to operate, and effectively process data including dates, on and after January 1, 2000. At the request of the Bank, the Borrower will provide the Bank with assurances acceptable to the Bank of the Borrower's year 2000 compatibility.

ARTICLE VI

NEGATIVE COVENANTS

Until all the obligations of the Borrower hereunder to be performed and paid shall have been performed and paid in full, and for so long as the Letter of Credit shall be outstanding, the Borrower covenants and agrees that, unless the Bank consents otherwise in writing, the Borrower and the Guarantors will not, and the Borrower will not permit any Subsidiary to, either directly or indirectly:

6.1 Merger and Dissolution; Sale of Assets. Without the prior written consent of the Bank, which consent will not be withheld or delayed unreasonably become a party to any merger or consolidation, or agree to or effect any asset acquisition or disposition or stock acquisition or disposition (other than the acquisition or disposition of assets in the ordinary course of business for fair consideration and consistent with past practices) except (i) the merger or consolidation of one or more of the Subsidiaries of DTS with and into DTS, (ii) the merger or consolidation of two or more Subsidiaries of DTS, or (iii) the merger or consolidation of a Subsidiary of DTS into a target corporation, or the merger or consolidation of a target corporation into a Subsidiary of DTS, in

either case where substantially all of the consideration given by DTS in the transaction consists of 10% or less of the stock of DTS, determined by value, and where the surviving entity is a Guarantor.

6.2 Acquisitions. Without the prior written consent of the Bank, which consent will not be withheld or delayed unreasonably, acquire the business or all or a substantial portion of the assets of any Person, whether by purchase of stock, assets or otherwise, provided that the Borrower, the Guarantors and the Subsidiaries, taken as a whole, may make acquisitions the aggregate consideration for which does not exceed \$75,000,000.

6.3 Indebtedness. Create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(a) Indebtedness to the Bank arising under this Agreement, the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement);

(b) current liabilities of the Borrower, a Subsidiary or any Guarantor incurred in the ordinary course of business but not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(c) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of ss.5.6;

(d) Indebtedness in respect of judgments or awards not in excess of \$2,000,000.00 in the aggregate that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Borrower, Subsidiary or Guarantor (as applicable) shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(e) endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(f) intercompany Indebtedness;

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(g) Indebtedness incurred for the construction of a new distribution and office center for the Borrower, its Subsidiaries or a Guarantor, the terms of which Indebtedness are approved by the Bank in its discretion, which approval shall not be unreasonably withheld;

(h) Indebtedness existing on the date of this Agreement and listed and described on Schedule 6.3 hereto.

6.4 Liens and Encumbrances. Create, assume or suffer to exist any lien, deed of trust, mortgage, encumbrance or security interest (including the interest of a conditional seller of goods) securing a charge or obligation, on or of any of its property, real or personal, whether now owned or hereafter acquired, including without limitation any raw materials inventory or work in process, except for Permitted Liens.

6.5 Transactions With Related Persons. Except as described in Schedule 6.5 hereof or otherwise permitted hereunder, make any loan or advance to, purchase, trust, assume or guarantee any note to or from, or enter into any transaction with, any of its officers, directors, shareholders or Affiliates, or any member of the immediate family of any of its officers, directors, shareholders or Affiliates, or subcontract any operations to any Affiliate, except (i) pursuant to the reasonable requirements of its business and upon fair and reasonable terms that are fully disclosed to the Bank and are no less favorable to it than would obtain in a comparable arm's length transaction with a Person not an Affiliate of the Borrower or such Subsidiary, as the case may be, or (ii) transactions aggregating less than \$200,000 in any twelve-month period.

6.6 Restrictions on Dividends, etc. Declare or pay any dividends, other than dividends payable solely in its own stock or Permitted Dividends, upon any of its stock, or purchase, redeem, retire, or otherwise acquire, directly or indirectly, any shares of its stock, or make any distribution of cash, property or assets among the holders of shares of its stock, or make any material change in its capital structure; provided, however, that any Subsidiary may declare and pay dividends to the Borrower.

6.7 Sale and Leaseback. Enter into any arrangement with any Person providing for the leasing by the Borrower of any asset that has been sold or

transferred by the Borrower to such Person.

6.8 New Business. Without the written consent of the Bank, engage in any business other than a retail or wholesale business engaged in the sale of merchandise or a business reasonably related thereto.

6.9 Subsidiaries or Partnerships. Create any new Subsidiary or transfer any assets to a Subsidiary, other than a Subsidiary which is a Guarantor, or become a partner or joint venturer in any partnership or joint venture.

6.10 Hazardous Wastes. Permit, in violation of any federal, state or local laws, regulations or orders, any hazardous or toxic wastes, contaminants, oil, radioactive or other materials the removal of which is required or the maintenance of which is restricted, prohibited or

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penalized by any federal, state or local agency, authority or governmental unit to be brought on to any real property owned by the Borrower or any Subsidiary, or if so brought or found located thereon, shall be immediately removed, with proper disposal, and all required environmental cleanup procedures shall be diligently undertaken pursuant to all such laws, ordinances and regulations.

6.11 Fiscal Year. Change its fiscal year from a December 31 year end without furnishing prior written notice thereof to, and first obtaining the consent of, the Bank, which consent shall not be unreasonably withheld or delayed.

6.12 Consolidated Tangible Net Worth. Permit Consolidated Tangible Net Worth as of the last day of any fiscal year, beginning with the fiscal year ending December 31, 1998, to be less than the sum of (i) the Consolidated Tangible Net Worth as of the immediately preceding fiscal year end, plus (ii) the greater of (A) \$20,000,000 or (B) sixty-five percent (65%) of the Consolidated Net Income (or Deficit) for the fiscal year in which the determination of the Borrower's compliance with this Section is then being made.

6.13 Capital Expenditures. Permit Consolidated Capital Expenditures (exclusive of costs relating (i) to the Project and any future office or distribution center, and (ii) to the acquisition of an operating business or businesses for which the portion of the consideration representing Consolidated Capital Expenditures does not exceed \$25,000,000 in the aggregate under this clause (ii)) to exceed the following amounts for the following periods:

<TABLE>  
<CAPTION>

	Period	Maximum Amount of Capital Expenditures
	-----	-----
<S>	<C>	<C>
	Fiscal Year 1998	\$35,000,000
	Fiscal Year 1999	\$40,000,000
	Fiscal Year 2000	\$50,000,000
	Fiscal Year 2001	\$50,000,000
	Fiscal Year 2002	\$55,000,000

</TABLE>

6.14 Current Ratio. Permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than the following amounts for the following periods:

<TABLE>  
<CAPTION>

	Period	Minimum Current Ratio
	-----	-----
<S>	<C>	<C>
	Date of Issuance	1.45 : 1.00
	Through Fiscal Year 1999	
	Thereafter	1.50 : 1.00

</TABLE>

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6.15 Funded Debt to EBITDA Ratio. Permit the ratio of Consolidated Funded Debt to Consolidated EBITDA, measured quarterly in arrears on a rolling four (4)-quarter basis, to be greater than 1.50 to 1.00.

6.16 Operating Cash Flow to Debt Service Ratio. Permit the ratio of Consolidated Operating Cash Flow to Debt Service (excluding, for purposes of

this determination, Consolidated Capital Expenditures relating (i) to the Project and (ii) to the acquisition of an operating business or businesses for which the portion of the consideration representing Consolidated Capital Expenditures does not exceed \$25,000,000 in the aggregate under this clause (ii), measured quarterly on a rolling four (4)-quarter basis, to be less than 1.85 to 1.00.

## ARTICLE VII

### CONDITIONS TO ISSUANCE OF LETTER OF CREDIT

7.1 Conditions to Issuance. The obligation of the Bank to issue the Letter of Credit shall be subject to the Bank's receipt of the following, in form satisfactory to the Bank:

- (a) two executed counterparts of this Agreement;
- (b) executed counterparts of each of the Bond Documents (except for the Note and the Bonds, as to which a specimen copy may be furnished) and the Guaranty;
- (c) evidence of compliance with the insurance requirements contained herein (upon which there shall be affixed appropriate long form loss payable clauses);
- (d) opinions dated the Date of Issuance addressed to, and in form and substance acceptable to, the Bank from the Issuer's counsel and Bond Counsel, as to such matters as the Bank may require;
- (e) an opinion of counsel for the Borrower and the Guarantors dated the Date of Issuance addressed to the Bank, and substantially in the form attached hereto as Exhibit C, or otherwise in form and substance acceptable to, the Bank;
- (f) (i) a copy of the Articles of Incorporation of the Borrower, certified as of a date no earlier than 60 days prior to the Date of Issuance by the Secretary of the Commonwealth of the Commonwealth of Virginia; and (ii) a certificate dated no earlier than 60 days prior to the Date of Issuance of the Secretary of the Commonwealth of the Commonwealth of Virginia as to the good standing of the Borrower;

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(g) a certificate from the secretary or an assistant secretary of each of the Borrower and the Guarantors certifying to and attaching copies of its bylaws and resolutions of its board of directors authorizing and approving the transactions contemplated by this Agreement and the Guaranty, and as to the incumbency of each of its officers executing any of such documents;

(h) an opinion from Watkins Ludlam Winter & Stennis, P.A., Bond Counsel, or a letter in substantially the form of Exhibit D hereto consenting to the Bank's reliance on certain opinions delivered by such counsel in form and substance satisfactory to the Bank and its counsel;

(i) copies of all governmental approvals required in connection with this transaction, including resolution of the Issuer authorizing the issuance of the Bonds;

(j) evidence of payment to the Bank of the initial annual letter of credit commission pursuant to Section 3.4(a) of this Agreement;

(k) an executed counterpart of the Commitment Letter; and

(l) such other documents, instruments and certifications as the Bank may require.

7.2 Additional Conditions Precedent to Issuance of the Letter of Credit. The obligation of the Bank to issue the Letter of Credit shall be subject to the following further conditions precedent:

(a) On the date of issuance the following statements shall be true and the Bank shall have received a certificate signed by an authorized officer of the Borrower, dated the date of issuance, stating that:

(i) The representations and warranties contained in Article II of this Agreement, Section 2.2 of the Loan

Agreement, and in the Guaranty are true and correct on and as of the date of issuance of the Letter of Credit as though made on and as of such date; and

(ii) No event has occurred or would result from the issuance of the Letter of Credit, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and

(b) There shall have been no introduction of or change in, or in the interpretation of, any law or regulation that would make it unlawful or unduly burdensome for the Bank to issue the Letter of Credit, no outbreak or escalation of hostilities or other calamity or crisis affecting the Bank, no suspension of or material limitation on trading on the New York Stock Exchange or any other national securities exchange, no declaration

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of a general banking moratorium by United States or North Carolina banking authorities, and no establishment of any new restrictions on transactions in securities or on banks materially affecting the free market for securities or the extension of credit by banks.

7.3 Conditions Precedent to Each Tender Advance. Each payment made by the Bank under the Letter of Credit pursuant to a Tender Draft shall constitute a Tender Advance hereunder only if on the date of such payment the following statements shall be true:

(a) The representations and warranties contained in Article II of this Agreement, Section 2.2 of the Loan Agreement, and in the Guaranty are true and correct on and as of the date of such Tender Advance as though made on and as of such date; and

(b) No event has occurred or would result from such Tender Advance, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

Unless the Borrower shall have previously advised the Bank in writing or the Bank has actual knowledge that one or more of the above statements is no longer true, the Borrower shall be deemed to have represented and warranted, on the date of payment by the Bank under the Letter of Credit pursuant to a Tender Draft, that on the date of such payment the above statements are true and correct.

## ARTICLE VIII

### DEFAULT

8.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement, whereupon all obligations of the Borrower hereunder, whether then owing or contingently owing, will, at the option of the Bank or its successors or assigns, immediately become due and payable by the Borrower without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived, and the Borrower will pay the reasonable attorneys' fees incurred by the Bank, or its successors or assigns, in connection with such Event of Default:

(a) Failure of the Borrower to pay when due (i) any payment of principal, interest, commission, charge or expense referred to in Article III hereof, except for amounts owed by the Borrower pursuant to a Tender Advance under Section 3.3 and (ii) any payment of principal or interest referred to in Section 3.3 hereof, and such failure shall continue for a period of five (5) days after notice of such failure is given by the Bank to the Borrower; or

(b) The occurrence of an "event of default" or an "Event of Default" under any of the Guaranty or any of the Bond Documents or the Credit Agreement or any documents executed in connection therewith; or

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(c) The Borrower or any Subsidiary defaults in the payment of principal or interest on any other material Indebtedness (other than the indebtedness to the Bank arising hereunder) beyond any period of grace provided with respect thereto, or in the performance of any other agreement, term or conditions contained in any agreement under which

any such material obligation is created, if the effect of such default is to cause, or permit the holder or holders of such material obligation to cause such obligation to become due prior to its stated maturity; or

(d) Any material representation, warranty, certification or statement made by the Borrower herein, or in any writing furnished by or on behalf of the Borrower or any Subsidiary in connection with the loan by the Issuer under the Loan Agreement or pursuant to this Agreement, or in the Guaranty shall have been false, misleading or incomplete in any material respect on the date as of which made; or

(e) The Borrower or any Subsidiary defaults in the performance or observance of any agreement, covenant, term or condition binding on it contained herein or in the Guaranty and such default shall not have been remedied within ten (10) days (or any shorter period set forth in such agreement or document) after the earlier of: (i) the Borrower having knowledge thereof or (ii) written notice having been received by it from the Bank; or

(f) With respect to the Borrower or any Subsidiary, (i) the commencement of its liquidation or dissolution or the suspension of its business or the entry of an order or decree approving or requiring the same, (ii) the filing by it of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code"), or under any other insolvency act or law, state or federal, now or hereafter existing, or any other action by it indicating its consent to, approval of, or acquiescence in any such petition or proceeding, (iii) the application by it for (or the consent or acquiescence to) the appointment of a receiver or a trustee or an assignment for the benefit of creditors, or (iv) its inability or admission in writing of its inability to pay its debts as they mature; or

(g) With respect to the Borrower or any Subsidiary, (i) the filing of an involuntary petition against it in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code or under any other insolvency act or law, state or federal, now or hereafter existing, or the involuntary appointment of a receiver or trustee for it or for all or a substantial part of its property, and the continuance of any of such action for thirty (30) days undismissed or undischarged, or (ii) the issuance of an order for attachment, execution or similar process against any substantial part of its property and the continuance of any such order for sixty (60) days undismissed or undischarged; or

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(h) The entry of an order in any proceedings against the Borrower decreeing the dissolution or split-up of the Borrower; or

(i) The entry of a final judgment against the Borrower or any Subsidiary, which with other outstanding final judgments against the Borrower and its Subsidiaries exceeds an aggregate of \$2,000,000, if within thirty (30) days after entry thereof such judgment shall not have been discharged or execution thereof stayed pending appeal; or

(j) The dissolution or termination of the existence of the Borrower or any Guarantor, except as permitted hereunder; or

(k) The Guaranty shall for any reason cease to be in full force and effect or any Guarantor or any Person acting on its behalf shall deny or disaffirm such Guarantor's obligations under the Guaranty;

then upon the occurrence of an Event of Default and at any time thereafter, the Bank may (A) pursuant to Section 902 of the Indenture, advise the Trustee that an Event of Default has occurred and instruct the Trustee to declare the principal of all Bonds then outstanding and interest thereon to be immediately due and payable, and (B) proceed hereunder, and under the Guaranty and, to the extent therein provided, under the Bond Documents, in such order as it may elect, and exercise all other rights and remedies available to it at law; and the Bank shall have no obligation to proceed against any Person, to exhaust any other remedy or remedies which it may have, or to resort to any other or particular security, whether held by or available to the Bank.

8.2 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, under the Guaranty, or now or hereafter

existing at law or in equity.

## ARTICLE IX

### PLEDGED BONDS

9.1 The Pledge. The Borrower hereby pledges, assigns, hypothecates, transfers, and delivers to the Bank all its right, title and interest to, and hereby grants to the Bank a first lien on, and security interest in, all right, title and interest of the Borrower in and to the following (hereinafter collectively called the "Pledged Bond Collateral"):

(i) all Bonds delivered by the owners thereof to the Tender Agent (as defined in the Indenture) or Remarketing Agent (as defined in the Indenture) and purchased on behalf of the Borrower with proceeds of drawings under the Letter of Credit (the "Pledged Bonds");

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(ii) all income, earnings, profits, interest, premium or other payments in whatever form in respect of the Pledged Bonds; and

(iii) all proceeds (cash and non-cash) arising out of the sale, exchange, collection, enforcement or other disposition of all or any portion of the Pledged Bonds.

The Pledged Bond Collateral shall serve as security for the payment and performance when due of all obligations of the Borrower hereunder. The Borrower shall deliver, or cause to be delivered, the Pledged Bonds to the Bank or to a pledge agent designated by the Bank immediately upon receipt thereof or, in the case of Pledged Bonds held under a book-entry system administered by The Depository Trust Company ("DTC"), New York, New York (or any other clearing corporation), the Borrower shall cause the Pledged Bonds to be reflected on the records of DTC (or such other clearing corporation) as a position held by the Bank (or a pledge agent acceptable to the Bank) as a DTC participant (or a participant in such other clearing corporation) and the Bank (or its pledge agent) shall reflect on its records that the Pledged Bonds are owned beneficially by the Borrower subject to the pledge in favor of the Bank.

9.2 Remedies Upon Default. If any Event of Default shall have occurred and be continuing, the Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Borrower or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Bond Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Bond Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Bond Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby expressly waived or released. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Pledged Bond Collateral or in any way relating to the rights of the Bank hereunder, including reasonable attorneys' fees and legal expenses, to the payment in whole or in part of the obligations of the Borrower hereunder in such order as the Bank may elect, the Borrower remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Bank of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code, need the Bank account for the surplus, if any, to the Borrower. The Borrower agrees that the Bank need not give more than ten days notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Borrower if it has signed after an Event of Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights

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and remedies granted to the Bank in this Agreement and in any other instrument

or agreement securing, evidencing or relating to any of the obligations of the Borrower hereunder, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State at that time.

9.3 Valid Perfected First Lien. The Borrower covenants that the pledge, assignment and delivery of the Pledged Bond Collateral hereunder will create a valid, perfected, first priority security interest in all right, title or interest of the Borrower in or to such Pledged Bond Collateral, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Borrower which would include the Pledged Bond Collateral. The Borrower covenants and agrees that it will defend the Bank's right, title and security interest in and to the Pledged Bond Collateral and the proceeds thereof against the claims and demands of all persons whomsoever.

9.4 Release of Pledged Bonds. The Pledged Bonds shall not be released:

(a) in connection with Pledged Bonds purchased with the proceeds of a Tender Draft, (i) until the Bank shall have been reimbursed in full for any drawings under the Letter of Credit in order to purchase Pledged Bonds, and (ii) until the amount available to be drawn under the Letter of Credit shall have been reinstated in an amount equal to the principal amount (and related interest) of the Pledged Bonds to be so released. If the Borrower, or the Remarketing Agent or the Tender Agent on behalf of the Borrower, reimburses the Bank for any such Tender Advances and such payment is accompanied by a certificate completed and signed by the Trustee in substantially the form of Annex G to the Letter of Credit, the Bank or its Agent may release from the lien of this Pledge Agreement and deliver to the Borrower (or its order) or the Remarketing Agent (if such reimbursement is made by the Remarketing Agent or Tender Agent on behalf of the Borrower or if such Bonds are to be remarketed) Pledged Bonds in a principal amount equal to the amount of such reimbursement; and

(b) in connection with Pledged Bonds that are purchased with the proceeds of a Conversion Draft, until the Bank is reimbursed in full pursuant to Section 3.2 of the Reimbursement Agreement with respect to the drawing under the Letter of Credit in connection with the presentation of such Conversion Draft. Upon such reimbursement, there may be released from the lien of this Pledge Agreement and delivered to the Borrower (or its order) Pledged Bonds in a principal amount equal to the amount of such reimbursement.

With respect to a Tender Draft, the Bank will instruct the Agent not to release Pledged Bonds until the Agent receives notice from the Bank that the Letter of Credit has been reinstated in the principal amount of the Pledged Bonds to be released.

## ARTICLE X

### MISCELLANEOUS

#### 10.1 Indemnification.

(a) The Borrower hereby indemnifies and holds the Bank harmless from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank may incur in its role as issuer of the Letter of Credit hereunder: (i) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit, or (ii) by reason of or in connection with the execution, delivery or performance of any of the Bond Documents or the Guaranty or any transaction contemplated by any thereof; provided, however, that the Borrower shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank. In addition, if the Borrower has generated, stored, or disposed of any hazardous substances on the Project Site, the Borrower agrees to indemnify the Bank against any liability, cost and expense, including reasonable attorneys' fees, arising out of or resulting from any such generation, storage, disposal or location. Anything herein to the contrary notwithstanding, nothing in this Section 10.1 is intended or shall be construed to limit the Borrower's reimbursement obligation contained in Article III hereof. Without prejudice to the survival of any other obligation of the Borrower, the indemnities and obligations of the Borrower contained in this Section 10.1 shall survive the payment in full of amounts payable pursuant to Article III and the

Termination Date.

(b) The Borrower shall pay, indemnify, defend and hold harmless the Bank, from and against any and all claims, demands, suits, actions, investigations, proceedings and damages, and all reasonable attorney's fees and disbursements and other costs and expenses actually incurred in connection therewith (as and when they are incurred and whether or not suit is brought), at any time asserted against, imposed upon or incurred by any of them in connection with or arising out of any pending or threatened investigation, litigation or proceeding, or any action taken by any Person, with respect to any Environmental Claim arising out of or related to any property or operations of Borrower or any of its Subsidiaries including, without limitation, the Project Site. No action taken by legal counsel chosen by the Bank in defending against any such Environmental Claim shall vitiate or in any way impair the Borrower's obligation and duty hereunder to indemnify and hold harmless the Bank. In no event shall any site visit, observation, or testing by the Bank be a representation that Hazardous Substances are or are not present in, on, or under the site, or that there has been or shall be compliance with any Environmental Laws. Neither the Borrower nor any other party is entitled to rely on any site visit, observation, or testing by the Bank. The Bank owes no duty of care to protect the Borrower or any other Person against, or to inform, the Borrower or any other Person of, any adverse condition affecting any site or property. The Bank has no authority to direct the response of the Borrower or any other Person with regard to conditions that might reasonably give rise to an Environmental Claim.

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10.2 Transfer of Letter of Credit. The Letter of Credit may be transferred and assigned in accordance with its terms.

10.3 Reduction of Letter of Credit.

(a) The Letter of Credit is subject to reduction pursuant to its terms.

(b) If the amount available to be drawn under the Letter of Credit shall be permanently reduced in accordance with the terms thereof, then the Bank shall have the right to require the Trustee to surrender the Letter of Credit to the Bank and to issue on such date, in substitution for such outstanding Letter of Credit, a substitute irrevocable letter of credit, substantially in the form of the Letter of Credit but with such changes therein as shall be appropriate to give effect to such reduction, dated such date, for the amount to which the amount available to be drawn under the Letter of Credit shall have been reduced.

10.4 Liability of the Bank. The Borrower, to the extent permitted by applicable law, assumes all risks of the acts or omissions of the Trustee and any beneficiary or transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Bank nor any of its officers, directors, employees, agents or consultants shall be liable or responsible for:

(a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee or any beneficiary or transferee in connection therewith;

(b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged;

(c) payment by the Bank against presentation of documents which do not comply on their face with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or

(d) any other circumstances whatsoever in any way related to the making or failure to make payment under the Letter of Credit;

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to comply with the terms of the Letter of Credit, without responsibility for further investigation, regardless of any notice or information to the contrary. Anything in this Section 10.4 to the contrary notwithstanding, the Bank shall be liable to the Borrower for direct, as opposed to consequential, damages if the Borrower proves those damages were caused by the willful misconduct or gross negligence of the Bank.

10.5 Successors and Assigns. This Agreement shall be binding upon the

Borrower, its successors and assigns and all rights against the Borrower arising under this Agreement shall be

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for the sole benefit of the Bank, its successors and assigns, all of whom shall be entitled to enforce performance and observance of this Agreement to the same extent as if they were parties hereto.

10.6 Notices. All notices, requests and demands to or upon the respective parties hereto shall be deemed to have been given or made when hand delivered or mailed first class, certified or registered mail, postage prepaid, addressed as follows or to such other address as the parties hereto shall have been notified pursuant to this Section 10.6:

The Bank: First Union National Bank  
One First Union Center  
301 South College Street  
Charlotte, North Carolina 28288  
Attention: Hal A. Telimen

The Borrower  
or DTS: Dollar Tree Distribution, Inc.  
c/o Dollar Tree Stores, Inc.  
500 Volvo Parkway  
Chesapeake, Virginia 23320  
Attention: Corporate Controller

with a copy to: Hofheimer, Nusbaum, P.C.  
1700 Dominion Tower  
999 Waterside Drive  
Norfolk, VA 23510-3320  
Attention: W.A. Old, Jr., Esq.

except in cases where it is expressly herein provided that such notice, request or demand is not effective until received by the party to whom it is addressed, in which event said notice, request or demand shall be effective only upon receipt by the addressee.

10.7 Amendment. This Agreement may be amended, modified or discharged only upon an agreement in writing of the Borrower and the Bank.

10.8 Effect of Delay and Waivers. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy now or hereafter existing at law or in equity or by statute, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Agreement should be breached by any party and thereafter waived by the other party so empowered to act, such waiver shall be limited to the particular breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Agreement.

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10.9 Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.10 Severability. The invalidity or unenforceability of any one or more phrases, sentences, clauses or Sections contained in this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement, or any part thereof.

10.11 Payment of Expenses. The Borrower shall be liable for the payment of all fees and expenses, including reasonable attorneys' fees (computed without regard to any statutory presumption), incurred in connection with the preparation, execution, performance and enforcement of this Agreement and the Guaranty, the modification hereof or thereof, and the exercise of any rights and remedies of the Bank hereunder or thereunder. The obligations of the Borrower contained in this Section 10.11 shall survive the payment in full of amounts payable pursuant to Article III and the Termination Date.

10.12 (Reserved).

10.13 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina. The Borrower hereby acknowledges that the Letter of Credit shall be governed by and construed in accordance with Uniform Customs and Practice for Documentary Credits (1993 revisions), International Chamber of Commerce Publication No. 500.

10.14 References. The words "herein", "hereof", "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection.

10.15 Taxes, Etc. Any taxes (excluding income taxes) payable or ruled payable by federal or state authority in respect of the Letter of Credit, this Agreement or the Guaranty shall be paid by the Borrower upon demand by the Bank, together with interest and penalties, if any.

10.16 Consent to Jurisdiction. AS PART OF THE CONSIDERATION FOR NEW VALUE THIS DAY RECEIVED, THE BORROWER HEREBY CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF ANY STATE COURT WITHIN MECKLENBURG COUNTY, NORTH CAROLINA OR ANY FEDERAL COURT LOCATED WITHIN THE WESTERN DISTRICT OF THE STATE OF NORTH CAROLINA FOR ANY PROCEEDING INSTITUTED HEREUNDER OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF DOCUMENT EXECUTED IN CONNECTION HERewith, OR ANY PROCEEDING TO WHICH THE BANK OR THE BORROWER IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE BANK OR THE BORROWER. THE BORROWER

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IRREVOCABLY AGREES TO BE BOUND (SUBJECT TO ANY AVAILABLE RIGHT OF APPEAL) BY ANY JUDGMENT RENDERED OR RELIEF GRANTED THEREBY AND FURTHER WAIVES ANY OBJECTION THAT IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH PROCEEDING. ALL SERVICE OF PROCESS WILL BE MADE IN ACCORDANCE WITH APPLICABLE LAW. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

10.17 Arbitration; Remedies.

(a) Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any document executed in connection herewith ("Disputes") between or among parties hereto or thereto 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, claims brought as class actions, claims arising from documents executed in the future, or claims arising out of or connected with the transaction contemplated by this Agreement. Arbitration shall be conducted under and governed by the Commercial Financial Disputes 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. The expedited procedures set forth in Rule 53 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. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted.

(b) Notwithstanding the foregoing, the Borrower and Bank agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, either alone, in conjunction with or during a Dispute. The Borrower and the Bank 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 the Guaranty 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 any arbitrator to grant similar remedies that may be requested by a party in a Dispute.

The Borrower and the Bank 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.

10.18 Indirect Means. Any act which the Borrower is prohibited from doing shall not be done indirectly through a Subsidiary or by any other indirect means.

IN WITNESS WHEREOF, the Borrower and the Bank have caused this Agreement to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized representatives, all as of the date first above written.

THE BORROWER:

DOLLAR TREE DISTRIBUTION, INC.

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

ATTEST:

Frederick C. Coble  
-----  
Assistant Secretary

(CORPORATE SEAL)

THE BANK:

FIRST UNION NATIONAL BANK

By: /s/ Eileen McCrickard  
-----  
Title: Vice President

As to Sections 2.3, 2.10, 5.2, 5.3, 5.4, 5.6, 5.9 and 5.10 and Articles II and VI only:

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

As to Sections 5.2, 5.4, 5.6, 5.9, 5.10 and  
Articles II and VI only:

DOLLAR TREE MANAGEMENT, INC.

By: /s/ H. Ray Compton  
-----  
Title: Executive Vice President

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. SUMMARY FINANCIAL INFORMATION FOR THE PERIOD ENDED JUNE 30, 1997 IS HEREIN RE-PRESENTED TO REFLECT EARNINGS PER SHARE AS RECALCULATED FOR STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 128.

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