

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996

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.)
--	---

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

TELEPHONE NUMBER (804) 857-4600
(Registrant's 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 / No /

As of May 3, 1996, there were 25,040,752 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
INDEX

<TABLE>
<CAPTION>

		PAGE NO. -----
PART I. FINANCIAL INFORMATION		
<S>	<C>	<C>
ITEM 1.	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
	Condensed Consolidated Balance Sheets March 31, 1996 and December 31, 1995.....	3
	Condensed Consolidated Income Statements Three Months Ended March 31, 1996 and 1995.....	4
	Condensed Consolidated Statements of Cash Flows Three Months Ended March 31, 1996 and 1995.....	5
	Notes to Condensed Consolidated Financial Statements.....	6
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.....	10
PART II. OTHER INFORMATION		
ITEM 1.	LEGAL PROCEEDINGS.....	11
ITEM 5.	OTHER INFORMATION.....	12
ITEM 6.	EXHIBITS AND REPORTS ON FORM 8-K.....	13
	Signatures.....	15

</TABLE>

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	(UNAUDITED) MARCH 31, 1996	DECEMBER 31, 1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 13,116	\$ 22,415
Accounts receivable.....	1,543	380
Merchandise inventories.....	72,677	40,113
Income taxes receivable.....	510	--
Deferred tax asset.....	732	720
Prepaid expenses and other current assets.....	2,902	2,392
	-----	-----
Total current assets.....	91,480	66,020
	-----	-----
Property and equipment, net.....	31,015	23,091
Deferred tax asset.....	2,265	2,219
Goodwill, net (Note 2).....	47,592	--
Other assets, net.....	1,218	291
	-----	-----
TOTAL ASSETS.....	\$ 173,570	\$ 91,621
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Notes payable to bank.....	\$ 18,500	\$ --
Accounts payable.....	32,710	19,603
Accrued liabilities.....	9,756	8,939
Income taxes payable.....	--	8,244
Current installments of obligations under capital leases.....	293	101
	-----	-----
Total current liabilities.....	61,259	36,887
	-----	-----
Development facility.....	52,630	--
Senior subordinated notes.....	7,000	7,000
Junior subordinated notes.....	7,000	7,000
Obligations under capital leases, excluding current installments....	785	417
Other liabilities.....	3,638	1,230
	-----	-----
Total liabilities.....	132,312	52,534
	-----	-----
Shareholders' equity (Note 3):		
Common stock, par value \$0.01. Authorized 50,000,000 shares, 25,017,300 issued and outstanding at March 31, 1996.....	250	166
Additional paid-in capital.....	4,144	2,980
Retained earnings.....	36,864	35,941
	-----	-----
Total shareholders' equity.....	41,258	39,087
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 173,570	\$ 91,621
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

3

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

THREE MONTHS ENDED MARCH 31,	
-----	-----
1996	1995

<S>	<C>	<C>
Net sales.....	\$84,975	\$48,733
Cost of sales.....	55,905	32,275
	-----	-----
Gross profit.....	29,070	16,458
	-----	-----
Selling, general, and administrative expenses:		
Operating expenses.....	24,288	14,418
Depreciation and amortization.....	2,212	1,175
	-----	-----
Total selling, general and administrative expenses.....	26,500	15,593
	-----	-----
Operating income.....	2,570	865
Interest expense.....	1,069	460
	-----	-----
Income before income taxes.....	1,501	405
Provision for income taxes.....	578	156
	-----	-----
Net income.....	\$ 923	\$ 249
	-----	-----
Net income per share.....	\$ 0.03	\$ 0.01
	=====	=====
Weighted average number of common shares and common share equivalents outstanding (Note 3):		
Primary.....	27,795	27,306
Fully diluted.....	27,866	27,439

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

4

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	----- 1996 -----	----- 1995 -----
<S>	<C>	<C>
Cash Flows from operating activities:		
Net income.....	\$ 923	\$ 249
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.....	2,212	1,175
Loss on disposal of property and equipment.....	60	39
Provision for deferred income taxes.....	(58)	(15)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents, net of effects resulting from purchase of Dollar Bills, Inc.:		
Accounts receivable.....	293	262
Merchandise inventories.....	(15,891)	(18,200)
Prepaid expenses and other current assets.....	(325)	(69)
Other assets.....	(221)	(14)
Accounts payable.....	5,312	6,868
Accrued liabilities.....	(1,597)	(1,513)
Income taxes payable.....	(7,932)	(5,954)
Other liabilities.....	33	(257)
	-----	-----
Total adjustments.....	(18,114)	(17,678)
	-----	-----
Net cash used in operating activities.....	(17,191)	(17,429)
	-----	-----
Cash flows from investing activities:		
Capital expenditures.....	(4,417)	(2,585)
Proceeds from sale of property and equipment.....	--	28
Payment for purchase of Dollar Bills, Inc., net of cash acquired.....	(52,209)	--
	-----	-----
Net cash used in investing activities.....	(56,626)	(2,557)
	-----	-----
Cash flows from financing activities:		
Repayments of revolving credit facility.....	--	(2,550)
Proceeds from revolving credit facility.....	--	9,550
Net proceeds from notes payable to bank.....	11,600	8,700
Principal payments under capital lease obligations.....	(138)	(30)
Proceeds from exercise of stock options	426	--

Proceeds from development facility.....	52,630	--
	-----	-----
Net cash provided by financing activities.....	64,518	15,670
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(9,299)	(4,316)
Cash and cash equivalents at beginning of period.....	22,415	6,016
	-----	-----
Cash and cash equivalents at end of period.....	\$ 13,116	\$ 1,700
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

5

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 March 31, 1996, and for the three-month period 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 period. 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, 1995, contained in the Company's Annual Report on Form 10-K. The results of operations for the three-month period ended March 31, 1996 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1996.

2. ACQUISITION OF DOLLAR BILLS, INC.

On January 31, 1996, the Company acquired all of the outstanding stock of Dollar Bills, Inc. ("Dollar Bills"), formerly known as Terrific Promotions, Inc., which owned and operated 136 discount variety stores under the name Dollar Bill\$, a distribution center in the Chicago area and a wholesale division. The acquisition is accounted for by the purchase method of accounting. Amounts shown in these financial statements include the aggregate purchase price and the relative fair values of the assets and liabilities of Dollar Bills. The Company financed the acquisition through borrowings under its development facility with its commercial lenders.

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight line basis over 25 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired organization.

3. STOCK SPLIT AND NET INCOME PER SHARE

In connection with a stock dividend authorized by the Board of Directors, the Company issued one-half share for each outstanding share of Common Stock, payable April 19, 1996 to shareholders of record as of April 5, 1996. All share and per share data in these financial statements and accompanying notes have been retroactively adjusted to reflect this dividend, having the effect of a three-for-two stock split.

Primary net income per share has been computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding. Common share equivalents include the weighted average number of outstanding stock options and warrants after applying the treasury method. The market price used in applying the treasury method was \$15.00 per share, restated to \$10.00 per share due to the stock split, through March 6, 1995 and the closing market price of the stock at the end of each week thereafter.

The fully diluted computation was based on the market price of the stock at the end of the quarter. Net income per share was the same using either primary or fully diluted shares and share equivalents. All amounts have been adjusted to reflect the stock split.

6

DOLLAR TREE STORES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

4. STOCK OPTION PLAN, STOCK INCENTIVE PLAN, EMPLOYEE STOCK PURCHASE PLAN AND

UNATTACHED WARRANTS

The Company maintains a stock option plan ("SOP") which was established on December 16, 1993 and a stock incentive plan ("SIP") which was established on January 1, 1995. No additional shares may be granted under the SOP and, under the terms of the SIP, options for no more than 270,000 shares of common stock may be granted in any calendar year.

At March 31, 1996 and 1995, options for the following numbers of shares (restated for the stock split) were outstanding under each plan:

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PLAN	OPTIONS FOR SHARES OUTSTANDING AT		EXERCISE PRICE/RANGE
	MARCH 31, 1996	MARCH 31, 1995	
<S>	<C>	<C>	<C>
SOP.....	432,328	616,436	\$2.90
SIP.....	264,888	157,500	\$10.00-22.83

The options above include options for 10,500 shares which were granted on February 1, 1996, but are not included in the earnings per share computation.

On January 1, 1995, the Company also established the Dollar Tree Stores, Inc. Employee Stock Purchase Plan (the "ESPP"). The Company reserved 225,000 shares of common stock for future issuance under the ESPP. The ESPP enables eligible employees, as defined in the ESPP, to buy shares of common stock for 85% of fair market value on the first day or the last day of the applicable offering period, whichever is lower. As of April 5, 1996, 5,014 shares (post-split) have been purchased under the ESPP.

Additionally, in 1993 and 1994, the Company issued unattached warrants to purchase a total of 2,482,178 shares of Common Stock to certain shareholders. These warrants carry an exercise price of \$1.93 and may be exercised upon the occurrence of certain events.

The Company adopted the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, as of January 1, 1996.

5. DOLLAR TREE STORES, INC. AND SUBSIDIARIES AND DOLLAR BILLS INC. UNAUDITED
CONDENSED CONSOLIDATED PROFORMA INCOME STATEMENT

The following unaudited pro forma financial information of the Company is based on the historical Consolidated Financial Statements of the Company for the year ended December 31, 1995 and for the three months ended March 31, 1996 adjusted to give effect to the Company's acquisition of Dollar Bills on January 31, 1996. The unaudited pro forma condensed consolidated income statements for the year ended December 31, 1995 and the three months ended March 31, 1996 give effect to the transactions described as if they had occurred on January 1, 1995 and January 1, 1996, respectively. The pro forma adjustments are based upon currently available information and upon certain assumptions that management of the Company believes are reasonable. Final purchase adjustments may differ from the pro forma adjustments herein. The pro forma financial information is presented for informational purposes and does not purport to represent what the Company's actual results of operations would have been if the transaction described had been consummated on January 1, 1995 (for the year ended December 31, 1995) or on January 1, 1996 (for the three months ended March 31, 1996).

The pro forma financial information should be read in conjunction with the related Notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements of the Company and the Notes thereto and the Financial Statements of Dollar Bills and the Notes thereto incorporated by reference.

The acquisition of Dollar Bills has been accounted for by the purchase method of accounting. Accordingly, the Company established new accounting basis for the assets and liabilities of Dollar Bills based upon the relative fair values thereof and the aggregate purchase price paid by the Company. These values are reflected in the Company's March 31, 1996 condensed consolidated balance sheet.

The unaudited pro forma condensed consolidated income statements do not purport to be indicative of the results that would have occurred had the transaction taken place at the beginning of the period presented or of future results.

<TABLE>
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Unaudited Pro Forma Condensed Consolidated Income Statements
(In thousands except per share data)
For the Year Ended December 31, 1995 For the Three Months Ended March

31, 1996	Pro Forma				Pro		
Forma	The Company	Dollar Bills	Adjustments	Pro Forma	The Company	Dollar Bills(1)	Pro
Adjustments Pro Forma	-----	-----	-----	-----	-----	-----	-----
-----	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	\$300,229	\$103,850		\$404,079	\$ 84,975	\$ 6,482	
\$ 91,457							
Gross profit	112,679	27,497		140,176	29,070	1,803	
30,873							
Selling, general and administrative expenses	75,967	22,201	(4,004) (2)	96,144	26,500	2,613	
(529) (2) 28,743			1,980 (3)				
159 (3)							
Operating income (loss) . . .	36,712	5,296		44,032	2,570	(810)	
2,130							
Interest expense	2,618	505	3,850 (4)	6,973	1,069	50	324
(4) 1,443							
Income (loss) before income taxes	34,094	4,791		37,059	1,501	(860)	
687							
Provision for income taxes . .	13,127	178	963 (5)	14,268	578	(26)	288
(5) 264							
Net income (loss)	\$20,967	\$ 4,613		\$ 22,791	\$ 923	\$ (834)	
\$ 423	=====	=====		=====	=====	=====	
=====							
Net income per share(6) . . .	\$ 0.76			\$ 0.83	\$ 0.03		
\$ 0.02	=====			=====	=====		
=====							
Weighted average number of common shares and common shares equivalent outstanding . . .	27,589			27,589	27,795		
27,795	=====			=====	=====		
=====							

</TABLE>

(1) Represents January 1996 results of Dollars Bills. The Company acquired Dollars Bills on January 31, 1996 and accordingly the Company's income statement for the three months ended March 31, 1996 includes the results of the acquired business beginning February 1, 1996.

(2) Represents the elimination of duplicative operating costs associated with Dollar Bills corporate headquarters and distribution facility.

(3) Represents amortization of goodwill recognized in connection with the acquisition of Dollar Bills which is being amortized by the Company over a 25 year period.

(4) Represents interest expense related to the borrowings under the Company's development facility used to fund the acquisition.

(5) Represents income taxes related to the conversion of Dollars Bills to a C Corporation at an assumed effective tax rate of 38.5%

(6) Net income per common share and pro forma income per common share is computed by dividing net income and pro forma net income by the weighted average number of common shares and common share equivalents outstanding. Common share equivalents include all outstanding stock options and warrants after applying the treasury stock method.

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

Three Months Ended March 31, 1996 Compared to the Three Months Ended March 31, 1995:

Net sales increased \$36.3 million, or 74.5%, to \$85.0 million for the three months ended March 31, 1996, from \$48.7 million for the three months ended March 31, 1995. Of this increase, (i) approximately 43.5%, or \$15.8 million, was attributable to the addition of 136 Dollar Bills stores in January 1996, (ii) approximately 40.5%, or \$14.7 million, was attributable to a net increase of 100 stores opened in 1995 and 1996 which are not included in the Company's comparable store net sales calculation, and (iii) approximately 16.0%, or \$5.8 million, was attributable to comparable store net sales growth, which represented an 11.8% increase over comparable store net sales in the corresponding quarter of the prior period. Dollar Bills stores are not included in the comparable store net sales calculation. Because substantially all the Company's products sell for \$1.00, the increase in comparable store net sales was a direct result of increased unit volume. Comparable store net sales were driven primarily by an earlier Easter shopping season and a strong in-stock position on seasonal and general merchandise throughout the quarter. The Company opened 24 new stores during the first quarter of 1996 compared to opening 15 new stores during the first quarter of 1995. The Company also added 136 Dollar Bills stores in January 1996.

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

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased \$12.6 million, or 76.6%, to \$29.1 million in the first quarter of 1996 from \$16.5 million in the first quarter of 1995. As a percentage of net sales, gross profit increased to 34.2% from 33.8%, reflecting lower occupancy costs as a percentage of net sales due primarily to the increase in comparable store sales, partially offset by a slight increase in merchandise costs. Management expects that merchandise costs as a percentage of net sales may continue to be higher than they have been historically due to the addition of Dollar Bills stores, which carry a higher proportion of consumable goods having a lower merchandise margin.

Selling, general and administrative expenses, which include operating expenses and depreciation and amortization, increased \$10.9 million, or 69.9%, to \$26.5 million in the first quarter of 1996 from \$15.6 million in the first quarter of 1995, and decreased as a percentage of net sales to 31.2% from 32.0% during the same period. This decrease resulted primarily from reduced payroll costs due to the comparable store net sales increase and stronger controls over hourly payroll at the stores. During the first quarter of 1996, the Company's selling, general and administrative expenses increased by approximately \$1.8 million due to transactional costs and expenses incurred in connection with the Dollar Bills acquisition. Amortization of goodwill relating to the acquisition amounted to \$0.3 million during the first quarter of 1996.

Operating income increased \$1.7 million, or 197.1%, to \$2.6 million for the first three months of 1996 from \$0.9 million for the comparable period in 1995, and increased as a percentage of net sales to 3.0% from 1.8% during the same period for the reasons noted above.

Interest expense increased \$0.6 million to \$1.1 million in the first quarter of 1996 from \$0.5 million during the first quarter of 1995. This increase is a result of borrowings under the Company's Development Facility in connection with the acquisition of Dollar Bills and the amortization of deferred financing costs relating thereto.

10

LIQUIDITY AND CAPITAL RESOURCES

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

The Company ended the first quarter of 1996 with a high cash position due to

the quarter ending on a weekend, resulting in three days of sales remaining in store accounts. Additionally, transitory funds remained in dormant Dollar Bills depository accounts. These funds were transferred into the Company's main account in early April and are used to fund working capital requirements.

During the first three months of 1996 and 1995, net cash used in operations was \$17.2 million and \$17.4 million, respectively, primarily used to build inventory levels. During the first three months of 1996 and 1995, net cash used in investing activities was \$56.6 million and \$2.6 million, respectively, the increase consisting primarily of payment for the acquisition of Dollar Bills in 1996. Net cash provided by financing activities was \$64.5 million and \$15.7 million during the first three months of 1996 and 1995, the increase primarily attributable to borrowings incurred to fund the acquisition of Dollar Bills in 1996.

The Company's borrowings under its bank facilities were \$71.1 million at March 31, 1996, and \$15.7 million at March 31, 1995. There were no amounts outstanding at December 31, 1995. Under the Company's bank facilities, an additional \$48.9 million is available at March 31, 1996.

PART II

ITEM 1. LEGAL PROCEEDINGS

On January 31, 1996, the Company bought all of the capital stock of Dollar Bills, pursuant to a stock purchase agreement (see "Other Information--Acquisition and Merger of Dollar Bills"). In March and April, 1996, Michael and Pamela Alper (the "Alpers"), former shareholders of Dollar Bills, together with a corporation they control, filed lawsuits in the state and federal courts in Cook County, Illinois, against the Company and one of its employees relating to the Dollar Bills transaction. The lawsuits seek to recover compensatory damages of not less than \$10 million, (tripled under the federal antitrust law claim described below), punitive damages, attorney's fees, costs and injunctive and other relief.

In the lawsuit, the plaintiffs claim that the Alpers were defrauded into selling the wholesale merchandising operations which were owned by Dollar Bills; that the Company improperly obtained and misused confidential and proprietary information related to those operations; that the Company breached the provisions of a confidentiality agreement which it had entered into with Dollar Bills when negotiations regarding the acquisition began; that the Company breached certain terms of the stock purchase agreement relating to the acquisition; that the Company intentionally or negligently misrepresented its intentions with respect to the wholesale merchandising operations; and that the Company and that the co-defendant conspired to violate antitrust law by excluding the plaintiffs as competitors in the wholesale merchandising business. It is possible that, in the future, the plaintiffs could amend their complaint to request that the court set aside or rescind the entire Dollar Bills transaction. The Company emphatically denies the plaintiffs' claims and will vigorously defend itself in this matter.

11

The litigation is in its preliminary stages and discovery has only recently commenced; however, based on management's understanding of the facts (which facts are contested by the plaintiffs) and the advice of its lead litigation counsel for this matter in reliance on such facts, the Company believes it is unlikely that the plaintiffs will ultimately prevail on the merits of this litigation. Accordingly, the Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's results of operations or financial condition. Nevertheless, particularly in light of the contested factual circumstances, there can be no assurances regarding the ultimate outcome of this litigation or that this litigation will not have a material adverse effect on the Company's results of operations or financial condition. In any event, the litigation has diverted, and is expected to continue to divert, the efforts and attention of the Company's management.

On April 8, 1996, the National Labor Relations Board certified the results of the March 20, 1996 election in which the employees of the Company's Norfolk warehouse declined representation by the International Brotherhood of Teamsters.

On May 1, 1996, the Company determined that certain terra cotta potted candles, approximately 31,170 sets of which it sold in April 1996, might contain a defect which could create a substantial risk of injury. As required by the Consumer Product Safety Act, the Company filed an initial report of the potential danger with the U.S. Consumer Product Safety Commission ("CPSC") on May 3, 1996. The Company has voluntarily stopped distribution of the product and intends to issue a recall to customers. The Company is not aware of any serious injuries, either to person or property, as a result of the potential defect.

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 CPSC, none of which is individually or in the aggregate material to the Company.

ITEM 5. OTHER INFORMATION

Acquisition and Merger of Dollar Bills

As previously disclosed in the Company's Form 10-K, on January 31, 1996, the Company acquired all of the outstanding capital stock of Dollar Bills. As part of that acquisition, on April 1, 1996, Dollar Bills was merged into Dollar Tree Stores, Inc. and ceased to exist as a separate corporate subsidiary. See Note 2 of the Notes to Condensed Consolidated Financial Statements.

Stock Dividend

On March 26, 1996, 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 April 5, 1996. Cash payments were made in lieu of fractional shares. As of the record date, there were 16,680,275 shares of common stock outstanding, resulting in a dividend of 8,340,076 shares of Common Stock.

Changes to Stock Option Plans

On March 26, 1996, the Company's Board of Directors authorized an amendment to the Company's Amended and Restated Stock Option Plan (the "SOP") which made certain administrative changes to the Plan and eliminated the Plan's Restrictive Stock Agreement. The Restrictive Stock Agreement had previously restricted the timing of sales of shares purchased under the SOP. Additionally, the Company's Employee Stock Purchase Plan (the "ESPP") was clarified to specifically include

12

employees of the Company's subsidiaries, as was originally intended when the Company adopted the plan.

Effect of the Stock Split on Stock Plans

The SOP and the Company's Stock Incentive Plan contain anti-dilution provisions requiring, upon a stock dividend or stock split, an equitable adjustment to the exercise price and/or the number of shares that can be purchased upon exercise. As a result of this requirement, the Company has adjusted the number of shares of Common Stock issuable upon exercise of outstanding options and the exercise price of such options. See Note 4 of the Notes to Condensed Consolidated Financial Statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

<TABLE>

<C> <S>

- *10.1 Agreement for Sale and Purchase of Stock
- **10.2 Credit Agreement--Dollar Tree Distribution, Inc., Dollar Tree Management, Inc., Dollar Tree Stores, Inc., and NationsBank, N.A., Signet Bank, Crestar Bank, and the First National Bank of Boston (January 11, 1996)
- **10.3 Commercial Notes (Development Line Notes) (January 11, 1996)
- **10.4 Commercial Notes (Working Capital Line Notes) (January 11, 1996)
- **10.5 Subordination Agreements
- **10.6 Allonges to Subordinated Notes (senior/junior notes)
- **10.7 Guaranties
- **10.8 Security Agreements--Commercial--Dollar Tree Distribution, Inc., Dollar Tree Management, Inc., Dollar Tree Stores, Inc., and NationsBank, N.A., Signet Bank, Crestar Bank, and the First National Bank of Boston
- **10.9 Negative Pledge Agreement
- **10.10 Second Amendment to Subordination Agreement
- **10.11 First Amendment to Credit Agreement
- **10.12 Stock Pledge Agreement--Dollar Tree Stores, Inc., Dollar Tree Distribution, Inc., Dollar Tree Management, Inc., Dollar Bills, Inc., and NationsBank, N.A., Signet Bank, Crestar Bank, and the First National Bank of Boston
- **10.13 Corporate Guaranty to NationsBank, N.A., Signet Bank, Crestar Bank, and First National Bank of Boston by Dollar Bills, Inc.
- **10.14 Security Agreement--Commercial--Dollar Bills, Inc., NationsBank, N.A., Signet

Bank, Crestar Bank, First National Bank of Boston

- **10.15 Non-Competition Agreements--Michael Alper and Pamela Alper
- 10.16 Letter Agreement on Extensions of Development Loan Maturity Date and Development Line Extension Request by DollarTree Stores, Inc. dated March 27, 1996
- 10.17 Waivers of Certain Rights under 9% Senior Subordinated Notes due April 1, 1997
- 10.18 Waivers of Certain Rights under 9% Junior Subordinated Notes due April 1, 1997
- 10.19 Fourth Amendment to Dollar Tree Stores, Inc. Amended and Restated Stock Option Plan (with forms of Second Amendment to 1993 Stock Option Agreement and Second Amendment to 1994 Stock Option Agreement)

13

</TABLE>

<TABLE>

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- 10.20 Technical Clarification to Dollar Tree Stores, Inc. Employee Stock Purchase Plan
- 10.21 Second Amendment to the Amended and Restated Dollar Tree Stores, Inc. Deferred Compensation Plan
- 10.22 Consent to Amendment of 9% Senior Subordinated Notes due April 1, 1997 with form of Second Allonge
- 10.23 Consent to Amendment of 9% Junior Subordinated Notes due April 1, 1997 with form of Second Allonge
- 10.24 Second Allonge to 9% Senior Subordinated Notes due April 1, 1997
- 10.25 Second Allonge to 9% Junior Subordinated Notes due April 1, 1997

</TABLE>

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- * Previously filed as an exhibit to the Company's Current Report on Form 8-K dated February 14, 1996, filed with the Securities and Exchange Commission.
- ** Previously filed as an exhibit to the Company's 1995 Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

(b) Reports on Form 8-K

1. The Company filed a Form 8-K on January 19, 1996, announcing that the Company had signed an agreement on January 16, 1996, to purchase all of the outstanding stock of Dollar Bills. This announcement stated that the transaction was expected to close January 31, 1996.

2. The Company filed a Form 8-K on February 14, 1996, outlining the above-referenced acquisition, in compliance with information required under Item 2 of the Form 8-K.

3. The Company filed a Form 8-K/A on April 12, 1996, amending the Form 8-K filed on February 14, 1996 (discussed in #2 above), to include information required under Item 7 of the Form 8-K. The Form 8-K/A included, as exhibit, the following financial statements and pro forma information:

A. Audited financial statements of Dollar Bills for the fiscal years ended September 30, 1995 and 1994.

B. Unaudited interim financial information for the year ended December 31, 1995 for Dollar Bills.

C. Unaudited pro forma condensed consolidated financial statements as of and for the year ended December 31, 1995, relating to the business combination.

14

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: May 13, 1996

DOLLAR TREE STORES, INC.

By /s/ MACON F. BROCK, JR.

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

By /s/ H. RAY COMPTON
.....
H. Ray Compton
Executive Vice President and
Chief Financial Officer
(principal financial and accounting officer)

NATIONSBANK, N.A.
CRESTAR BANK
SIGNET BANK
THE FIRST NATIONAL BANK OF BOSTON

March 27, 1996

Mr. H. Ray Compton
Dollar Tree Stores, Inc.
2555 Ellsmere Road
Norfolk, VA 23513

Re: Dollar Tree Stores, Inc. - Extensions of the Development Loan Maturity
Date and of the Development Loan Commitment Termination Date

Dear Ray:

For convenience, capitalized terms used in this letter will have the meanings assigned to them in the Credit Agreement among the undersigned and Dollar Tree Stores, Inc., Dollar Tree Distribution, Inc., and Dollar Tree Management, Inc. dated as of January 11, 1996, as amended by a First Amendment to Credit Agreement dated as of January 31, 1996, pursuant to which Dollar Bills, Inc. was added as a party to the Credit Agreement (as amended, such agreement is hereinafter referred to as the "Credit Agreement"). Pursuant to Section 2.3 of the Credit Agreement, you have requested that we extend the Development Loan Commitment Termination Date with respect to the currently unused and available portion of the aggregate Development Loan Commitment, which is \$7,370,000 for an additional 90 day period. We hereby agree to extend the Development Loan Commitment Termination Date for such amount for a period of 90 days to April 9, 1997.

Further, we are willing to and hereby agree to extend the Development Loan Maturity Date an additional 90 days to April 9, 1997. Consequently, unless it becomes due and payable sooner under the Credit Agreement, the unpaid principal amount of the Development Loan and all accrued and unpaid interest thereon shall now be due and payable in full on April 9, 1997.

To formalize all of this, in accordance with Section 2.3 of the Credit Agreement, we have each pre-executed a Development Line Extension Request and would ask that you execute it and return it to us for our files. An extra original is enclosed for you to keep for your records.

Except as modified and extended hereby, the terms of the Credit Agreement remain unaltered. As you know, the next consideration date as set forth in Exhibit 2.3(a) of the Credit Agreement is July 9, 1996, and any request to extend the Development Loan Commitment Termination Date with respect to any unused portions of the Development Line must be made by Stores in writing on the form attached to the Credit Agreement as Exhibit 2.3(b) at least 20 days prior to such consideration date.

We are glad to be able to accommodate this request and hope you will not hesitate to contact us if you have any questions.

NATIONSBANK, N.A.
By: /s/ Monique S. Adams

Title: Vice President

CRESTAR BANK
By: /s/ Bruce W. Nave

Title: Vice President

SIGNET BANK
By: /s/ James A. Whitman

Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON
By: /s/ Judith Kelly

Title: Vice President

We hereby request a 90 day extension of the Commitment Termination Date from January 10, 1997, to April 9, 1997, of \$7,370,000, which we certify to be available under the Development Line in accordance with Section 2.3 of the Credit Agreement.

Sincerely,

Dollar Tree Stores, Inc.

By: /s/ H. Ray Compton

Title: Executive Vice President

Date: March 27, 1996

ACCEPTED:

Extended Commitment Amount:

NationsBank, N.A.
By: /s/ Monique S. Adams

Title: Vice President

Date: 3/27/96

\$2,453,158.00

Crestar Bank
By: /s/ Bruce W. Nave

Title: Vice President

Date: 4/8/96

\$1,537,171.00

Signet Bank
By: /s/ James A. Whitman

Title: Vice President

Date: 4/8/96

\$1,537,171.00

The First National Bank of Boston
By: /s/ Judith Kelly

Title: Vice President

Date: 4/10/96

\$1,842,500.00

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Senior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$6,965,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

The SK Equity Fund, L.P.

By: SK Partners, L.P.

/s/ Allan Karp

Allan Karp

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Junior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$ 1,575,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

/s/ J. Douglas Perry

J. Douglas Perry

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Junior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$ 1,575,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

/s/ Joan P. Brock

Joan P. Brock

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Junior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$ 700,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

/s/ Jean T. Compton

Jean T. Compton

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Junior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$ 1,575,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

/s/ Macon F. Brock

Macon F. Brock

WAIVER

March 31, 1996

The undersigned Holder of Dollar Tree Stores, Inc. ("Issuer") 9% Junior Subordinated Note due April 1, 1997 ("Note"), in the original principal amount of \$ 1,575,000 hereby waives the Holder's right contained in Section 5 of the Note to require the Issuer to redeem such Note on or after January 1, 1996, and agrees that the Holder will not exercise such right until on or after April 1, 1997. This Waiver shall not affect any of the Holder's other rights and remedies pursuant to the Note.

/s/ Patricia W. Perry

Patricia W. Perry

FOURTH AMENDMENT TO
DOLLAR TREE STORES, INC.

AMENDED AND RESTATED STOCK OPTION PLAN

THIS FOURTH AMENDMENT ("Amendment") to the Dollar Tree Stores, Inc. Amended And Restated Stock Option Plan ("Plan") made this 1st day of February, 1996 by Dollar Tree Stores, Inc. ("Company"). All capitalized terms in this Amendment not otherwise defined shall have their respective meanings under the Plan.

WHEREAS, the Company's Common Stock is traded publicly on the Nasdaq National Market System and the issuance of Option Stock under the Plan has been registered pursuant to an effective registration statement (No. 33-92816) under the Securities Act of 1933, as amended (the "Registration"); and

WHEREAS, the Restrictive Stock Agreement, as amended, contains several provisions (including representations and warranties of exercising Participants and piggy-back registration rights) which are unnecessary given the Registration; and

WHEREAS, the Restrictive Stock Agreement, as amended, also limits the amount of Option Stock that can be sold by Participants who have exercised their Options and purchased such stock under the Plan ("Resale Limitations"); and

WHEREAS, the Company believes that the Resale Limitations are unnecessary given the success of the registered public offerings of the Company's Common Stock on March 6 and August 23, 1995 and the continued active public trading in the Company's Common Stock; and

WHEREAS, as a consequence of the foregoing, the Company believes that the Restrictive Stock Agreement is no longer desirable and no longer serves its original purpose; and

WHEREAS, the Company also wishes to amend the Plan to make simplifying and cost-saving administrative changes with regards to (i) partial exercises of stock options and (ii) notification to participants of certain capital changes.

NOW THEREFORE, the Board of Directors hereby adopts this Amendment upon the following terms and conditions effective February 1, 1996.

1. Plan Amendments. The Plan is amended as follows:

1.1. Section 1.17 is restated in its entirety as follows:

1.17 Plan. Dollar Tree Stores, Inc. Amended and Restated Stock

Option Plan, including without limitation, the Stock Option Agreement.

1.2. The content of Section 1.18 is deleted and replaced by the designation "[Reserved]".

1.3. Section 5.3 paragraph 1 is restated in its entirety as follows:

A Participant is entitled to exercise the 1993 Option or the 1994 Option in whole or in part at any time. Notwithstanding anything to the contrary, the Deemed Exercise Date must occur before the occurrence of a Lapse of the Option or the Option (or unexpired portion thereof) will be null, void and of no further effect. The Optionee is entitled to exercise the Option in whole or in part at any time the Deemed Exercise Date occurs before the occurrence of a Lapse of the Option. The Option shall be deemed to be exercised five (5) Business Days after the later of (i) the date a copy of the first page of the Stock Option Agreement (or other reasonably suitable evidence of the Option being exercised) has been presented to the Company at the Company's office designated for such purpose together with the Exercise Subscription Form annexed thereto duly executed and in proper form for exercise and (ii) the date payment in full of the Exercise Price for the number of Stock Option Agreement Shares specified in such form is, or is arranged to be, received by the Company, all subject to the terms and conditions hereof ("Deemed Exercise Date").

1.4. Section 5.3 paragraph 3 of the Plan is deleted.

1.5. Former Section 5.3 paragraph 4 of the Plan is restated in its entirety as follows:

Upon exercise of the 1993 Option or the 1994 Option, in whole or in part, in conformity with the foregoing provisions, the Company shall transfer to the Participant of the Stock Option Agreement appropriate evidence of ownership of any shares of Option Stock or other securities or property (including any money) to which the Participant is entitled, registered, or

otherwise placed in, or payable to the order of, the Participant, and shall

deliver such evidence of ownership and any other securities or property (including money) to the person or persons entitled to receive the same, together with an amount in cash in lieu of any fraction of a share as provided in the Stock Option Agreement.

1.6. Section 5.4 is restated in its entirety as follows:

5.4 Lapse of Option. In the event a Participant ceases to be an

Employee with the Employer for any reason (i.e., death, disability, retirement, or voluntary or involuntary termination of employment initiated by the Participant or by the Employer, with or without cause) the Participant's rights and privileges under this Plan or the Option shall lapse and shall be null, void, and of no further effect ("Lapse"). In the case of termination of employment with the Employer for any reason other than Death, Disability or Retirement, the date of Lapse shall be the date the Employee ceases to be an Employee. In the case of termination of employment with the Company on account of Death, Disability, or Retirement, the date of Lapse shall be one year following the date of Death, Disability, or Retirement. To the extent the Participant has exercised an Option and the Deemed Exercise Date occurs before Lapse, the Participant shall be entitled to retain any shares of Option Stock received upon such exercise.

1.7. Section 7.4 is restated in its entirety as follows:

7.4 Entire Agreement. This Plan and the Stock Option Agreement

embody the entire agreement and understanding with respect to the subject matter contained herein and therein.

2. Amendment and Restatement of Plan Exhibits. Exhibits 1 and 2 to the

Plan (1993 and 1994 Stock Option Agreements) shall be amended and restated in substantially the forms attached hereto.

WITNESS the signature of the undersigned officer of Dollar Tree Stores, Inc.

DOLLAR TREE STORES, INC.

By /s/ H. Ray Compton
.....
H. Ray Compton
Executive Vice President

SECOND AMENDMENT TO 1993 STOCK OPTION AGREEMENT

THIS SECOND AMENDMENT ("Amendment" TO THE 1993 STOCK OPTION AGREEMENT ("Agreement") made effective the ___ day of ___ 1996, by and between DOLLAR TREE STORES, INC. ("Company") and the undersigned OPTIONEE ("Optionee").

WHEREAS, Company adopted an Amended and Restated Stock Option Plan on December 16, 1993, which has been amended from time to time ("Plan").

WHEREAS, pursuant to the Plan, the Company entered into an Agreement with the Optionee which was amended in 1995.

WHEREAS, the Company and Optionee wish to eliminate the requirement for a Restrictive Stock Agreement and make certain other amendments to the Agreement.

NOW THEREFORE, the Optionee and Company hereby amend the Agreement as follows:

- 1. The sentence appearing immediately before Article 1 is deleted in its entirety.
2. Any reference to "Restrictive Stock Agreement" contained in the Agreement (including those contained in Section 1.15, Section 2.2, Section 2.3 and Article 3) is hereby deleted.
3. Section 1.16 is deleted in its entirety.
4. Section 2.3 is amended and restated in its entirety as follows:

2.3 Lapse of Option. In the event an Optionee ceases to be

an Employee with the Company for any reason (i.e., Death, Disability, Retirement, or voluntary or involuntary termination of employment initiated by the Optionee or by the Employer, with or without cause), the

Optionee's rights and privileges under the Plan or this Option shall lapse and shall be null, void, and of no further effect ("Lapse"). In the case of termination of employment with the Employer for any reason other than Death, Disability or Retirement, the date of Lapse shall be the date the Employee ceases to be an Employee. In the case of termination of employment with the Company on account of Death, Disability, or Retirement, the date of Lapse shall be the later of (i) one year following the date of Death, Disability, or Retirement, or (ii) February 1, 1997.

5. The first paragraph of Section 6.4 is deleted in its entirety.

6. The body of Article 7 is amended and restated in its entirety as follows:

1

In the case of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Option Stock) or any sale or transfer of all or substantially all of the assets of the Company to the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, the Optionee shall have the right thereafter to exercise the Option for the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by an Optionee of the number of shares of Option Stock for which the Option may have been exercised immediately prior to such consolidation, merger, sale or transfer. Adjustments for events subsequent to the effective date of such a consolidation, merger and sale of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in the Option. In any such event, effective provisions shall be made in the certificate of incorporation or bylaws of the resulting or surviving corporation, in any contract of sale, conveyance, lease or transfer, or otherwise so that the provisions set forth herein of the protection of the rights of Optionees shall thereafter continue to be applicable; any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property. The provisions of this Article 7 shall similarly apply to successive consolidations, mergers, sales, leases or transfers.

7. Article 8 is amended and restated in its entirety as follows:

ARTICLE 8

COMPLIANCE WITH SECURITY LAWS

The Optionee represents, warrants and covenants that the Optionee has acquired the Option, and will acquire the shares upon exercise thereof, for investment only and not with a view to, or for the resale in connection with, any distribution or public offering of the Option or the shares within the meaning of Securities Act of 1933, as amended (the "Act") or any applicable state securities laws. The Optionee acknowledges that the shares which may be acquired in connection upon exercise of the Option may not be transferred or resold except pursuant to the registration requirements of the Act and applicable state securities laws or pursuant to exemptions therefrom. Unless a registration statement is in effect as to the issuance of shares purchased, all stock certificates issued to the Optionee will bear a legend describing the above restrictions on transfer and resale, and Optionee agrees that the Company may place a stop order on its transfer books barring transfer or resale until there is compliance with the registration requirements of the Act and applicable state securities laws. As a result of these restrictions, the Optionee may have to hold the shares indefinitely and hereby confirms that Optionee is capable of bearing the economic risks of an investment in shares of the Company and by reason of Optionee's knowledge and experience in financial and business matters in general, and investments in particular, has evaluated the merits and risks of an investment

2

therein. Optionee understands and agrees that, upon exercise of the Option in part or in full, Optionee will be deemed to have reaffirmed the representations and warranties contained in this section and to have confirmed that the covenants of this section remain in full force and effect.

IN WITNESS WHEREOF, Dollar Tree Stores, Inc. has caused this Amendment to Stock Option Agreement to be executed by its officer thereunto duly authorized and Optionee has executed this Stock Option Agreement as of the day set forth above.

DOLLAR TREE STORES, INC.

By _____
Its: _____

Optionee's Signature

3

SECOND AMENDMENT TO 1994 STOCK OPTION AGREEMENT

THIS SECOND AMENDMENT ("Amendment") TO THE 1994 STOCK OPTION AGREEMENT ("Agreement") made effective the ____ day of _____ 1996, by and between DOLLAR TREE STORES, INC. ("Company") and the undersigned OPTIONEE ("Optionee").

WHEREAS, Company adopted an Amended and Restated Stock Option Plan on December 16, 1993, which has been amended from time to time ("Plan").

WHEREAS, pursuant to the Plan, the Company entered into an Agreement with the Optionee which was amended in 1995.

WHEREAS, the Company and Optionee wish to eliminate the requirement for a Restrictive Stock Agreement and make certain other amendment to the Agreement.

NOW THEREFORE, the Optionee and Company hereby amend the Agreement as follows:

- 1. The sentence appearing immediately before Article 1 is deleted in its entirety.
- 2. Any reference to "Restrictive Stock Agreement" contained in the Agreement (including those contained in Section 1.15, Section 2.2, Section 2.3 and Article 3) is hereby deleted.

3. Section 1.16 is deleted in its entirety.

4. Section 2.3 is amended and restated in its entirety as follows:

2.3 Lapse of Option. In the event an Optionee ceases to be an

Employee with the Company for any reason (i.e. Death, Disability, Retirement, or voluntary or involuntary termination of employment initiated by the Optionee or by the Employer, with or without cause), the Optionee's rights and privileges under the Plan or this Option shall lapse and shall be null, void, and of no further effect ("Lapse"). In the case of termination of employment with the Employer for any reason other than Death, Disability or Retirement, the date of Lapse shall be the date the Employee ceases to be an Employee. In the case of termination of employment with the Company on account of Death, Disability, or Retirement, the date of Lapse shall be the later of (i) one year following the date of Death, Disability, or Retirement, or (ii) February 1, 1997.

5. The body of Article 7 is amended and restated in its entirety as follows:

1

In the case of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Option Stock) or any sale or transfer of all or substantially all of the assets of the Company to the Person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, the Optionee shall have the right thereafter to exercise the Option for the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by an Optionee of the number of shares of Option Stock for which the Option may have been exercised immediately prior to such consolidation, merger, sale or transfer. Adjustments for events subsequent to the effective date of such a consolidation, merger and sale of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in the Option. In any such event, effective provisions shall be made in the certificate of

incorporation or bylaws of the resulting or surviving corporation, in any contract of sale, conveyance, lease or transfer, or otherwise so that the provisions set forth herein of the protection of the rights of Optionees shall thereafter continue to be applicable; any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property. The provisions of this Article 7 shall similarly apply to successive consolidations, mergers, sales, leases or transfers.

6. Article 8 is amended and restated in its entirety as follows:

ARTICLE 8

COMPLIANCE WITH SECURITY LAWS

The Optionee represents, warrants and covenants that the Optionee has acquired the Option, and will acquire the shares upon exercise thereof, for investment only and not with a view to, or for the resale in connection with, any distribution or public offering of the Option or the shares within the meaning of Securities Act of 1933, as amended (the "Act") or any applicable state securities laws. The Optionee acknowledges that the shares which may be acquired in connection upon exercise of the Option may not be transferred or resold except pursuant to the registration requirements of the Act and applicable state securities laws or pursuant to exemptions therefrom. Unless a registration statement is in effect as to the issuance of shares purchased, all stock certificates issued to the Optionee will bear a legend describing the above restrictions on transfer and resale, and Optionee agrees that the Company may place a stop order on its transfer books barring transfer or resale until there is compliance with the registration requirements of the Act and applicable state securities laws. As a result of these restrictions, the Optionee may have to hold the shares indefinitely and hereby confirms that Optionee is capable of bearing the economic risks of an investment in shares of the Company and by reason of Optionee's knowledge and experience in financial and business matters in general, and investments in particular, has evaluated the merits and risks

2

of an investment therein. Optionee understands and agrees that, upon exercise of the Option in part or in full, Optionee will be deemed to have reaffirmed the representations and warranties contained in this section and to have confirmed that the covenants of this section remain in full force and effect.

IN WITNESS WHEREOF, Dollar Tree Stores, Inc. has caused this Amendment to Stock Option Agreement to be executed by its officer thereunto duly authorized and Optionee has executed this Stock Option Agreement as of the day set forth above.

DOLLAR TREE STORES, INC.

By _____

Its: _____

Optionee's Signature

3

TECHNICAL CLARIFICATION TO
DOLLAR TREE STORES, INC.

EMPLOYEE STOCK PURCHASE PLAN

THIS TECHNICAL CLARIFICATION TO DOLLAR TREE STORES, INC. EMPLOYEE STOCK PURCHASE PLAN, made this 1st day of October, 1995, by Dollar Tree Stores, Inc. ("Company").

WHEREAS, the Company adopted the Dollar Tree Stores, Inc. Employee Stock Purchase Plan ("Plan") with the intent that participation in the Plan be available to employees of the Company's wholly-owned subsidiaries on the same basis as employees of the Company; and

WHEREAS, the Board of Directors of the Company have authorized this technical clarification to the Plan to make clear that participation in the Plan is available to employees of the Company's wholly-owned subsidiaries on the same basis as employees of the Company.

NOW THEREFORE, the Company hereby adopts this technical clarification to the Dollar Tree Stores, Inc. Employee Stock Purchase Plan upon the following terms and conditions:

1. Section 1.8 of the Plan is hereby amended and restated in its entirety as follows:

1.8 Employee. A common law employee of the Company or any Subsidiary Corporation.

2. Section 3.1 is hereby amended and restated in its entirety as follows:

3.1 Conditions of Eligibility. An Eligible Recipient is an Employee who: (1) customarily works more than 20 hours per week, and (2) has been employed by the Company or any Subsidiary Corporation for one (1) year.

3. Section 8.3 shall be amended by inserting "or any Subsidiary Corporation" after the "Company."

IN TESTIMONY WHEREOF, and as evidence of the adoption of this technical clarification by Dollar Tree Stores, Inc., it has caused the same to be signed by its officer, thereunto duly authorized in writing by the Board of Directors as of the date set forth above.

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton

Executive Vice President

Date Executed: May 3, 1996

SECOND AMENDMENT TO
AMENDED AND RESTATED DOLLAR TREE STORES, INC.

DEFERRED COMPENSATION PLAN

THIS SECOND AMENDMENT ("Amendment") TO THE AMENDED AND RESTATED DOLLAR TREE STORES, INC. DEFERRED COMPENSATION PLAN ("Plan") effective as of the 14th day of December, 1995 by Dollar Tree Stores, Inc. ("Company").

WHEREAS, the Board of Directors of the Company has noted the loyalty and extraordinary services of the Participants who have been selected to participate in the Plan; and

WHEREAS, effective December 14, 1995, the Compensation Committee of the Board of Directors voted to reward the Participants' services by distributing all remaining Transaction Benefits.

NOW THEREFORE, the Board of Directors hereby adopts this Amendment upon the following terms and conditions effective December 14, 1995:

- 1. Article 7 is added to the Plan as follows:

ARTICLE 7

PAYMENT OF REMAINING TRANSACTION BENEFITS
AND TERMINATION OF PLAN

Notwithstanding any other provision in this Plan, including but not limited to Article 3, each Participant's remaining Transaction Benefit as of December 1, 1995 shall be paid to each Participant as such time as the Board shall determine but no later than February 29, 1996. Following the payment of all Transaction Benefits, this Plan shall terminate according to Section 2.3 and Article 5.

WITNESS, the signatures of the undersigned officers.

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton

Date Executed: Mar. 25, 1996

DOLLAR TREE MANAGEMENT, INC.

By: /s/ H. Ray Compton

Date Executed: Mar. 25, 1996

DOLLAR TREE DISTRIBUTION, INC.

By: /s/ H. Ray Compton

Date Executed: Mar. 25, 1996

CONSENT TO AMENDMENT OF 9% SENIOR SUBORDINATED NOTES
DUE APRIL 1, 1997

=====

The undersigned holders of Dollar Tree Stores, Inc. (the "Issuer") 9% Senior Subordinated Notes due April 1, 1997 (the "Notes"), hereby consent to the Issuer modifying the terms of the Notes in substantially the form of the Second Allonge attached hereto as Exhibit A. This consent may be signed in counterparts.

CONSENTED to this 3rd day of May, 1996.

THE SK EQUITY FUND, L.P.
By: SK PARTNERS, L.P.

By /s/ Thomas A. Saunders, III

General Partner

/s/ Thomas A. Saunders, III

THOMAS A. SAUNDERS, III

/s/ Allan W. Karp

ALLAN W. KARP

/s/ John F. Megrue

JOHN F. MEGRUE

/s/ Christopher K. Reilly

CHRISTOPHER K. REILLY

EXHIBIT A

SECOND ALLONGE TO 9% SENIOR SUBORDINATED NOTE
DUE APRIL 1, 1997

=====

This Second Allonge to 9% Senior Subordinated Notes due April 1, 1997 (the "Notes"), made by Dollar Tree Stores, Inc. (the "Issuer"), is issued in accordance with Section Seven of the Notes with the written consent of the Issuer and the holders of at least a majority in aggregate principal amount of the Notes then outstanding and provides as follows:

1. Section 2.2 is hereby added to the Notes, providing as follows:
Section 2.2. Optional Prepayment by Issuer. The Issuer may repay this Note without penalty or premium, in whole or in part, at any time, so long as the Issuer funds such prepayment through a Public Offering; provided, however, that if such prepayment is in full, the Issuer simultaneously prepays in full all of its Senior 9% Notes and Junior 9% Notes, and if such prepayment is in part, the Issuer simultaneously prepays all of its Senior 9% Notes and Junior 9% Notes in the same proportion as the amount of prepayment tendered for this Note bears to the total outstanding principal sum of this Note.
2. This Allonge makes no other changes in the terms and conditions of the Notes.

IN WITNESS WHEREOF, the Issuer has executed this Allonge under its

corporate seal effective as of May 3, 1996.

[SEAL]

DOLLAR TREE STORES, INC.

By:

Title:

CONSENT TO AMENDMENT OF 9% JUNIOR SUBORDINATED NOTES
DUE APRIL 1, 1997

=====

The undersigned holders of Dollar Tree Stores, Inc. (the "Issuer") 9% Junior Subordinated Notes due April 1, 1997 (the "Notes"), hereby consent to the Issuer modifying the terms of the Notes in substantially the form of the Second Allonge attached hereto as Exhibit A. This consent may be signed in counterparts.

CONSENTED to this 3rd day of May, 1996.

/s/ J. Douglas Perry

J. DOUGLAS PERRY

/s/ Patricia W. Perry

PATRICIA W. PERRY

/s/ Macon F. Brock, Jr.

MACON F. BROCK, JR.

/s/ Joan P. Brock

JOAN P. BROCK

/s/ Jean T. Compton

JEAN T. COMPTON

EXHIBIT A

SECOND ALLONGE TO 9% JUNIOR SUBORDINATED NOTE
DUE APRIL 1, 1997

=====

This Second Allonge to 9% Junior Subordinated Notes due April 1, 1997 (the "Notes"), made by Dollar Tree Stores, Inc. (the "Issuer"), is issued in accordance with Section Seven of the Notes with the written consent of the Issuer and the holders of at least a majority in aggregate principal amount of the Notes then outstanding and provides as follows:

1. Section 2.2 is hereby added to the Notes, providing as follows:

Section 2.2. Optional Prepayment by Issuer. The Issuer may repay this Note without penalty or premium, in whole or in part, at any time, so long as the Issuer funds such prepayment through a Public Offering; provided, however, that if such prepayment is in full, the Issuer simultaneously prepays in full all of its Senior 9% Notes and Junior 9% Notes, and if such prepayment is in part, the Issuer simultaneously prepays all of its Senior 9% Notes and Junior 9% Notes in the same proportion as the amount of prepayment tendered for this Note bears to the total outstanding principal sum of this Note.
2. This Allonge makes no other changes in the terms and conditions of the Notes.

IN WITNESS WHEREOF, the Issuer has executed this Allonge under its corporate seal effective as of May 3, 1996.

[SEAL] DOLLAR TREE STORES, INC.

By: _____

Title: _____

SECOND ALLONGE TO 9% SENIOR SUBORDINATED NOTE
DUE APRIL 1, 1997

=====
This Second Allonge to 9% Senior Subordinated Notes due April 1, 1997 (the "Notes"), made by Dollar Tree Stores, Inc. (the "Issuer"), is issued in accordance with Section Seven of the Notes with the written consent of the Issuer and the holders of at least a majority in aggregate principal amount of the Notes then outstanding and provides as follows:

1. Section 2.2 is hereby added to the Notes, providing as follows:

Section 2.2. Optional Prepayment by Issuer. The Issuer may repay this Note without penalty or premium, in whole or in part, at any time, so long as the Issuer funds such prepayment through a Public Offering; provided, however, that if such prepayment is in full, the Issuer simultaneously prepays in full all of its Senior 9% Notes and Junior 9% Notes, and if such prepayment is in part, the Issuer simultaneously prepays all of its Senior 9% Notes and Junior 9% Notes in the same proportion as the amount of prepayment tendered for this Note bears to the total outstanding principal sum of this Note.

2. This Allonge makes no other changes in the terms and conditions of the Notes.

IN WITNESS WHEREOF, the Issuer has executed this Allonge under its corporate seal effective as of May 3, 1996.

[SEAL]

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton

Title: Executive Vice President

SECOND ALLONGE TO 9% JUNIOR SUBORDINATED NOTE
DUE APRIL 1, 1997

=====
This Second Allonge to 9% Junior Subordinated Notes due April 1, 1997 (the "Notes"), made by Dollar Tree Stores, Inc. (the "Issuer"), is issued in accordance with Section Seven of the Notes with the written consent of the Issuer and the holders of at least a majority in aggregate principal amount of the Notes then outstanding and provides as follows:

1. Section 2.2 is hereby added to the Notes, providing as follows:

Section 2.2. Optional Prepayment by Issuer. The Issuer may repay this Note without penalty or premium, in whole or in part, at any time, so long as the Issuer funds such prepayment through a Public Offering; provided, however, that if such prepayment is in full, the Issuer simultaneously prepays in full all of its Senior 9% Notes and Junior 9% Notes, and if such prepayment is in part, the Issuer simultaneously prepays all of its Senior 9% Notes and Junior 9% Notes in the same proportion as the amount of prepayment tendered for this Note bears to the total outstanding principal sum of this Note.

2. This Allonge makes no other changes in the terms and conditions of the Notes.

IN WITNESS WHEREOF, the Issuer has executed this Allonge under its corporate seal effective as of May 3, 1996.

[SEAL]

DOLLAR TREE STORES, 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 MARCH 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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