

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

(Mark One)

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

TELEPHONE NUMBER (757) 857-4600  
(Registrants telephone number, including area code)

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

Yes  / X / No  / /

As of November 1, 1996, there were 25,877,265 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)

	(Unaudited) September 30, 1996	December 31, 1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 4,121	\$ 22,415
Accounts receivable.....	2,364	380
Merchandise inventories .....	112,439	40,113
Deferred tax asset .....	853	720
Prepaid expenses and other current assets ...	4,104	2,392
	-----	-----
Total current assets.....	123,881	66,020
	-----	-----
Property and equipment, net.....	34,693	23,091
Deferred tax asset.....	2,750	2,219
Goodwill, net (note 2) .....	46,985	--
Other assets, net.....	730	291
	-----	-----
TOTAL ASSETS.....	\$209,039	\$ 91,621
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank.....	\$ 36,500	\$ --
Accounts payable .....	38,369	19,603
Accrued liabilities .....	9,957	8,939
Income taxes payable.....	832	8,244
Current installments of obligations under capital leases.....	343	101
	-----	-----
Total current liabilities.....	86,001	36,887
	-----	-----
Notes payable to bank, long-term portion (notes 2 and 3).....	40,000	--
Senior subordinated notes.....	--	7,000
Junior subordinated notes.....	--	7,000
Obligations under capital leases, excluding current installments.....	956	417
Other liabilities.....	3,662	1,230
	-----	-----
Total liabilities.....	130,619	52,534
	-----	-----
Shareholders' equity:		
Common stock, par value \$0.01. Authorized 100,000,000 shares, 25,874,104 issued and outstanding at September 30, 1996 (note 8)..	259	166
Additional paid-in capital.....	31,608	2,980
Retained earnings.....	46,553	35,941
	-----	-----
Total shareholders' equity.....	78,420	39,087
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..	\$209,039	\$ 91,621
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

DOLLAR TREE STORES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED INCOME STATEMENTS  
(In thousands, except per share data)  
(Unaudited)

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
	-----		-----
	1996	1995	
	-----	-----	
	1996	1995	

Net sales .....	\$110,588	\$ 67,427	\$298,252	\$179,045
Cost of sales.....	68,698	41,359	191,633	114,179
	-----	-----	-----	-----
Gross profit.....	41,890	26,068	106,619	64,866
	-----	-----	-----	-----
Selling, general, and administrative expenses:				
Operating expenses.....	28,075	17,974	77,843	48,555
Depreciation and amortization.....	2,681	1,438	7,486	3,911
	-----	-----	-----	-----
Total selling, general and administrative expenses.....	30,756	19,412	85,329	52,466
	-----	-----	-----	-----
Operating income.....	11,134	6,656	21,290	12,400
Interest expense.....	1,408	791	4,032	1,937
	-----	-----	-----	-----
Income before income taxes...	9,726	5,865	17,258	10,463
Provision for income taxes...	3,748	2,260	6,646	4,029
	-----	-----	-----	-----
Net income.....	\$ 5,978	\$ 3,605	\$ 10,612	\$ 6,434
	=====	=====	=====	=====
Net income per share .....	\$ 0.21	\$ 0.13	\$ 0.38	\$ 0.23
	=====	=====	=====	=====
Weighted average number of common shares and common share equivalents outstanding (note 3):				
Primary .....	28,664	27,674	28,191	27,536
Fully diluted.....	28,707	27,723	28,255	27,698

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	----- 1996	----- 1995
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 10,612	\$ 6,434
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.....	7,485	3,911
Loss on disposal of property and equipment ...	258	208
Provision for deferred income taxes.....	(664)	(403)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents, net of effects resulting from purchase of Dollar Bills, Inc.:		
Accounts receivable.....	(411)	67
Merchandise inventories.....	(56,291)	(33,727)
Prepaid expenses and other current assets...	(1,527)	(545)
Other assets .....	267	(39)
Accounts payable.....	10,971	7,454
Accrued liabilities.....	(1,105)	(192)
Income taxes payable.....	(7,412)	(5,701)
Other liabilities.....	57	(463)
	-----	-----
Total adjustments.....	(48,372)	(29,046)
	-----	-----
Net cash used in operating activities .....	(37,760)	(22,612)
	-----	-----
Cash flows from investing activities:		
Capital expenditures .....	(12,495)	(8,987)
Proceeds from sale of property and equipment.....	23	32
Payment for purchase of Dollar Bills, Inc.,		

net of cash acquired.....	(52,209)	--
	-----	-----
Net cash used in investing activities.....	(64,681)	(8,955)
	-----	-----
Cash flows from financing activities:		
Net proceeds from notes payable to bank.....	29,600	28,600
Principal payments under capital lease obligations.....	(174)	(52)
Proceeds from options exercised and purchase of shares under ESPP.....	2,902	238
Proceeds from public offering.....	25,819	--
Proceeds from long-term debt.....	92,630	--
Repayment of long-term debt.....	(52,630)	--
Repayment of senior and junior subordinated notes.....	(14,000)	--
	-----	-----
Net cash provided by financing activities..	84,147	28,786
	-----	-----
Net decrease in cash and cash equivalents.....	(18,294)	(2,781)
Cash and cash equivalents at beginning of period...	22,415	6,016
	-----	-----
Cash and cash equivalents at end of period.....	\$ 4,121	\$ 3,235
	=====	=====

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 September 30, 1996, and for the three- and nine-month periods then ended, are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim 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- and nine-month periods ended September 30, 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 a development facility with its commercial lenders, which, together with its working capital facility, was refinanced into a \$135 million revolving credit facility on September 27, 1996 (see note 3).

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. LONG-TERM DEBT

On September 27, 1996, the Company entered into a credit agreement with its banks which provides for a \$135 million revolving credit facility to be used for working capital, letters of credit, and development needs, bearing interest at the agent bank's prime rate or LIBOR plus a spread, at the Company's option. Currently, the interest rate is approximately 6.6%. The credit facility is secured by the Company's assets. The agreement, among

other things, requires the maintenance of certain specified ratios, restricts the amount of capital expenditures, restricts the payments of cash dividends and other distributions, prohibits the incurrence of certain new indebtedness, prohibits a change in control, and establishes certain minimum beneficial ownership requirements of the founding shareholders. The maturity date of the facility is May 31, 2000. The facility must be paid down to a specified amount for at least 30 consecutive days at any time between December 1 and March 1 of each year. For 30 days during the period from December 1, 1996 to March 1, 1997, the facility must be paid down to \$40 million.

#### 4. 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 greater of the average market price of the stock at the end of each week in the period or the market price at the end of the period. 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.

#### 5. 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 September 30, 1996 and 1995, options for the following numbers of shares (restated for the stock split) were outstanding under each plan:

PLAN	Options for Shares September 30, 1996	Options for Shares Outstanding at September 30, 1995	Exercise Price/Range
SOP.....	342,456	613,254	\$ 2.90
SIP.....	480,091	178,950	\$10.00 - 33.50

The options above include options for 227,735 shares, net of lapses and cancellations, granted during the second quarter of 1996 and 9,500 shares

granted during the third quarter of 1996 which are not included in the earnings per share calculation.

On January 1, 1995, the Company also established The Dollar Tree Stores, Inc. Employee Stock Purchase Plan (the "ESPP"). The Company reserved 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 November 8, 1996, 9,168 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.

#### 6. REGISTRATION STATEMENT FILED ON FORM S-3

The Company sold 750,000 shares of Common Stock on June 10, 1996, pursuant to a registration statement filed on Form S-3 under the Securities Act of 1933. In connection with this offering, the Company received approximately \$25.3 million, net of offering expenses. The Company used the proceeds of the offering to repay its 9% Senior and Junior Subordinated Notes and pay down its development facility.

7. 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 nine months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 September 30, 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>  
<CAPTION>

1996	Unaudited Pro Forma Condensed Consolidated Income Statements (In thousands except per share data)						
	For the Year Ended December 31, 1995			For the Nine Months Ended September 30,			
Pro Forma	The Company	Dollar Bills	Pro Forma Adjustments	Pro Forma	The Company	Dollar Bills(1)	Pro Forma Adjustments
<S>	<C>	<C>		<C>	<C>	<C>	
<C>							
Net sales.....	\$300,229	\$103,850		\$404,079	\$298,252	\$ 6,482	
\$304,734							
Gross profit.....	112,679	27,497		140,176	106,619	1,803	
108,422							
Selling, general & administrative expenses.....	75,967	22,201	(4,004) (2)	96,144	85,329	2,613	(529) (2)
87,572			1,980 (3)				159 (3)
Operating income (loss).....	36,712	5,296		44,032	21,290	(810)	
20,850							
Interest expense...	2,618	505	3,850 (4)	6,973	4,032	50	324 (4)
4,406							
Income (loss) before							

income taxes.....	34,094	4,791	37,059	17,258	(860)	
16,444						
Provision for income taxes.....	13,127	178	963 (5)	14,268	6,646	(26)
6,332						(288) (5)
Net income (loss)..	\$ 20,967	\$ 4,613	\$ 22,791	\$10,612	\$ (834)	
\$10,112						
	=====	=====	=====	=====	=====	
Net income						
per share(6).....	\$ 0.76		\$ 0.83	\$ 0.38		
\$ 0.36						
	=====		=====	=====		
Weighted average number of common shares and common share equivalents outstanding:.....	27,589		27,589	28,191		
28,191						
	=====		=====	=====		

</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 nine months ended September 30, 1996 includes the results of the acquired business beginning February 1, 1996.

(2) Represents the elimination of duplicative operating costs associated

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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.

#### NOTE 8. INCREASE IN AUTHORIZED SHARES OF COMMON STOCK

On July 23, 1996, the shareholders of the Company approved an increase in authorized shares of Common Stock from 50,000,000 to 100,000,000 shares.

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

##### THE THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

##### RESULTS OF OPERATIONS AND GENERAL COMMENTS

Net sales increased \$43.2 million, or 64.0%, to \$110.6 million for the three months ended September 30, 1996, from \$67.4 million for the three months ended September 30, 1995. Of this increase, (i) approximately 59.6%, or \$25.7 million, was attributable to the acquisition of 136 Dollar Bill\$ stores on January 31, 1996, (ii) approximately 34.1%, or \$14.8 million, was attributable to stores opened in 1995 and 1996 which are not included in the Company's comparable store net sales calculation, and (iii) approximately 6.3%, or \$2.7 million, was attributable to comparable store net sales growth, which represented a 4.3% increase over comparable store net sales in the corresponding quarter of the prior period. Dollar Bill\$ 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. The Company opened 26 new stores during the third quarter of 1996; the same number of stores (26) was opened during the

third quarter of 1995.

Management anticipates that the primary source 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

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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 \$15.8 million, or 60.7%, to \$41.9 million in the third quarter of 1996 from \$26.1 million in the third quarter of 1995. As a percentage of net sales, gross profit decreased to 37.9% from 38.7%, primarily due to increases in merchandise costs (including freight), inventory shrinkage and markdowns, offset by slight decreases in occupancy and distribution costs as a percentage of net sales. Higher inventory shrinkage resulted from physical inventories completed at approximately half of the 136 Dollar Bill\$ stores, which experience greater shrinkage than seen in the Dollar Tree stores. Increased markdowns during the third quarter of 1996 compared to the third quarter of 1995 are due to a difference in timing of markdowns and continued merchandise clearance in the Dollar Bill\$ stores. Year-to-date, inventory shrinkage and markdowns as a percentage of sales are consistent with last year.

Selling, general and administrative expenses, which include operating expenses and depreciation and amortization, increased \$11.3 million, or 58.4%, to \$30.8 million in the third quarter of 1996 from \$19.4 million in the third quarter of 1995, and decreased as a percentage of net sales to 27.8% from 28.8% during the same period. This decrease resulted primarily from hourly payroll costs savings due to controls instituted during the first quarter. In the fourth quarter, management expects, but there can be no assurances, that any payroll savings will be sufficient to offset the minimum wage increase which became effective October 1, 1996. During the third quarter of 1996, the Company's operating expenses increased by approximately \$0.3 million due to costs and expenses incurred in connection with the Dollar Bills litigation and integration. Amortization of goodwill relating to the acquisition amounted to \$0.5 million for the third quarter of 1996.

Operating income increased \$4.5 million, or 67.3%, to \$11.1 million for the third quarter of 1996 from \$6.7 million for the comparable period in 1995, and increased as a percentage of net sales to 10.1% from 9.9% during the same period for the reasons noted above.

#### INTEREST EXPENSE

Interest expense increased \$0.6 million in the third quarter of 1996 compared to the third quarter of 1995 to \$1.4 million from \$0.8 million during the same period. This increase is primarily a result of borrowings under the Company's development facility in connection with the Dollar Bills acquisition, and the amortization of deferred financing costs relating thereto.

#### THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

#### RESULTS OF OPERATIONS AND GENERAL COMMENTS

Net sales increased \$119.2 million, or 66.6%, to \$298.3 million for the nine months ended September 30, 1996, from \$179.0 million for the nine months ended September 30, 1995. Of this increase, (i) approximately 55.1%, or \$65.7

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million, was attributable to the acquisition of 136 Dollar Bill\$ stores on January 31, 1996, (ii) approximately 37.4%, or \$44.6 million, was attributable to stores opened in 1995 and 1996 which are not included in the Company's comparable store net sales calculation, and (iii) approximately 7.5%, or \$8.9 million, was attributable to comparable store net sales growth, which represented a 5.4% increase over comparable store net sales in the corresponding quarter of the prior period. Dollar Bill\$ 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. The Company opened 79 new stores and closed three stores during the first nine months of 1996 compared to opening 71 new stores and closing two stores during the first nine months of 1995.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased \$41.8 million, or 64.4%, to



\$106.6 million in the first nine months of 1996 from \$64.9 million in the first nine months of 1995. As a percentage of net sales, gross profit decreased to 35.7% from 36.2%, primarily due to increased sales of domestic and consumable products, which generally carry a lower merchandise margin, partially offset by a decrease in freight costs, as domestic freight is less costly than foreign freight, and slight decreases in occupancy and distribution costs as a percentage of net sales. Management expects that the Company's product mix will continue to contain a higher proportion of domestic products, due to the addition of Dollar Bill\$ stores and the introduction of more domestic goods in existing stores.

Selling, general and administrative expenses, which include operating expenses and depreciation and amortization, increased \$32.9 million, or 62.6%, to \$85.3 million in the first nine months of 1996 from \$52.5 million in the first nine months of 1995, and decreased as a percentage of net sales to 28.6% from 29.3% during the same period. This decrease resulted primarily from hourly payroll costs savings, partially offset by transactional costs and expenses, including the amortization of goodwill, incurred with the purchase of Dollar Bills. During the first nine months of 1996, the Company's operating expenses, excluding amortization, increased by approximately \$2.4 million due to costs and expenses incurred in connection with the Dollar Bills acquisition and litigation. Amortization of goodwill relating to the acquisition amounted to \$1.3 million for the first nine months of 1996.

Operating income increased \$8.9 million, or 71.7%, to \$21.3 million for the first nine months of 1996 from \$12.4 million for the comparable period in 1995, and increased as a percentage of net sales to 7.1% from 6.9% during the same period for the reasons noted above.

#### INTEREST EXPENSE

Interest expense increased \$2.1 million in the first nine months of 1996 compared to the first nine months of 1995 to \$4.0 million from \$1.9 million during the same period. This increase is primarily a result of borrowings under the Company's development facility in connection with the Dollar Bills acquisition, and the amortization of deferred financing costs relating

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thereto.

#### 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.

During the first nine months of 1996 and 1995, net cash used in operations was \$37.8 million and \$22.6 million, respectively, primarily used to build inventory levels. During the first nine months of 1996 and 1995, net cash used in investing activities was \$64.7 million and \$9.0 million, respectively, the increase consisting primarily of payment for the acquisition of Dollar Bills in 1996 and payment for capital expenditures in both years. Net cash provided by financing activities was \$84.1 million and \$28.8 million during the first nine months of 1996 and 1995, the increase primarily attributable to borrowings incurred to fund the acquisition of Dollar Bills in January 1996 and to capital raised during a public offering completed in June, 1996.

On September 27, 1996, the Company replaced its existing working capital and development facilities with a new \$135.0 million revolving credit facility. The Company's borrowings under its bank facilities were \$76.5 million at September 30, 1996, and \$28.6 million at September 30, 1995. There were no amounts outstanding at December 31, 1995. Under the Company's new bank facilities, an additional \$58.5 million is available at September 30, 1996 (see note 3).

#### PART II . OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS.

On August 30, 1996, the Company filed a motion to dismiss the lawsuit previously filed against the Company in the United States District Court for the Northern District of Illinois, Eastern Division by the former owners of Dollar Bill\$ and a corporation they control; the lawsuit was previously reported in the Company's Forms 10-Q for the periods ended March 31 and June 30, 1996. The Company emphatically denies the Plaintiffs' claims and will continue to defend

itself vigorously in this matter.

This litigation is in its early stages and discovery is not yet completed; however, based on management's understanding of the facts as developed in discovery (which facts are contested by the Plaintiffs) and the advice of its litigation counsel for this matter in reliance on such facts, the Company believes that it is unlikely that the Plaintiffs will ultimately prevail on the merits of this litigation. Accordingly, the Company believes that the

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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.

As reported in the 10-Q for the second quarter of 1996, the Company terminated its relationship with a Hong Kong trading company that had obtained payment on a number of letters of credit issued on the Company's behalf by falsely claiming that conforming goods had been shipped, when in fact the trading company had either shipped non-conforming goods or empty containers. All undrawn irrevocable letters of credit issued to that trading company have now reached their expiry date. Although there can be no assurances in this regard, the Company believes it is unlikely that its losses in connection with this matter will exceed its previously established reserves.

Additionally, the Company is a party to ordinary routine litigation and proceedings incidental to its business, including certain matters which may occasionally be asserted by the U.S. Consumer Product Safety Commission, none of which is individually or in the aggregate material to the Company.

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

##### (a) Exhibits

- 10.1 Amended and Restated Revolving Credit Agreement (the "Credit Agreement") among the Company, Dollar Tree Distribution, Inc., Dollar Tree Management, Inc., and The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, Amsouth Bank of Alabama, and Union Bank of California, N.A. (collectively, the "Banks").
- 10.2 Schedule 1 to Credit Agreement.
- 10.3 Form of Revolving Credit Note between Dollar Tree Distribution, Inc. as maker and the Banks.
- 10.4 Amendment and Ratification of Security Agreement by and between the Company and The First National Bank of Boston as agent for the Banks.
- 10.5 Amendment and Ratification of Security Agreement by and between Dollar Tree Distribution, Inc. and The First National Bank of Boston as agent for the Banks.
- 10.6 Amendment and Ratification of Security Agreement by and between Dollar Tree Management and The First National Bank of Boston as agent for the Banks.
- 10.7 Unlimited Guaranty by the Company.

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- 10.8 Unlimited Guaranty by Dollar Tree Management, Inc.
- 10.9 Amendment and Ratification of Negative Pledge Agreement by and between the Company and The First National Bank of Boston as agent for the Banks.
- 10.10 Amendment and Ratification of Negative Pledge Agreement by and between certain shareholders of the Company and The First National Bank of Boston as agent for the Banks.

##### (b) Reports on Form 8-K.

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

SIGNATURES

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

DATE: November 11, 1996

DOLLAR TREE STORES, INC.

By: /s/ H. Ray Compton

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

AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

The Lenders, DTS, DTM, and DTD have agreed to amend and restate the Credit Agreement pursuant to a certain Amended and Restated Revolving Credit Agreement dated September 27, 1996 (the "Amended Credit Agreement"), pursuant to which, among other things, (i) the principal amount of the Loans to be made to DTD shall be increased to \$135,000,000.00, (ii) First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A. shall join as Lenders, and (iii) NationsBank, N.A. shall resign as Agent, and The First National Bank of Boston, shall be appointed as successor Agent of the Lenders.

In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

1

for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street

Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

2

rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and  
acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and  
acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and  
acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and  
acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and  
acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the  
Managing Director of The First National Bank of Boston, and acknowledged the  
foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

The Lenders, DTS, DTM, and DTD have agreed to amend and restate the Credit Agreement pursuant to a certain Amended and Restated Revolving Credit Agreement dated September 27, 1996 (the "Amended Credit Agreement"), pursuant to which, among other things, (i) the principal amount of the Loans to be made to DTD shall be increased to \$135,000,000.00, (ii) First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A. shall join as Lenders, and (iii) NationsBank, N.A. shall resign as Agent, and The First National Bank of Boston, shall be appointed as successor Agent of the Lenders.

In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

1

for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street



Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

2

rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

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In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

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for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street

Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

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rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

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-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

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/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

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/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



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for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

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  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

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Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

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This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

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/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

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Re: Loan Arrangement by and among The First National Bank  
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Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

The Lenders, DTS, DTM, and DTD have agreed to amend and restate the Credit Agreement pursuant to a certain Amended and Restated Revolving Credit Agreement dated September 27, 1996 (the "Amended Credit Agreement"), pursuant to which, among other things, (i) the principal amount of the Loans to be made to DTD shall be increased to \$135,000,000.00, (ii) First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A. shall join as Lenders, and (iii) NationsBank, N.A. shall resign as Agent, and The First National Bank of Boston, shall be appointed as successor Agent of the Lenders.

In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

1

for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street

Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

2

rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

The Lenders, DTS, DTM, and DTD have agreed to amend and restate the Credit Agreement pursuant to a certain Amended and Restated Revolving Credit Agreement dated September 27, 1996 (the "Amended Credit Agreement"), pursuant to which, among other things, (i) the principal amount of the Loans to be made to DTD shall be increased to \$135,000,000.00, (ii) First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A. shall join as Lenders, and (iii) NationsBank, N.A. shall resign as Agent, and The First National Bank of Boston, shall be appointed as successor Agent of the Lenders.

In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

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for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

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100 Federal Street



Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

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rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

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

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

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In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

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for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

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  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street

Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

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rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

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This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
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Inc., and Dollar Tree Management, Inc.

Gentlemen:

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In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

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- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

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- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

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Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
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Facsimile No. (617) 434-0630"

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This letter shall take effect as a sealed instrument as of the date first written above.

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

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

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/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

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/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

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/s/ Carolyn C. Lilla  
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Notary Public  
My Commission Expires:  
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AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
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100 Federal Street  
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Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

2

rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



AMENDMENT AND RATIFICATION OF NEGATIVE PLEDGE AGREEMENT

September 27, 1996

The First National Bank  
of Boston, as Agent  
100 Federal Street  
Boston, Massachusetts 02110

Re: Loan Arrangement by and among The First National Bank  
of Boston, as Agent for the Lenders, the Lenders, and  
Dollar Tree Distribution, Inc., Dollar Tree Stores,  
Inc., and Dollar Tree Management, Inc.

Gentlemen:

Reference is made to that certain Negative Pledge Agreement (the "Agreement") dated as of January 11, 1996 by and among the (i) undersigned as "Grantors", (ii) NationsBank, N.A. as Agent (the "Grantee") for the Lenders referred to in a certain Credit Agreement dated as of January 11, 1996, by and among Dollar Tree Distribution, Inc. ("DTD"), Dollar Tree Stores, Inc. ("DTS"), and Dollar Tree Management, Inc. ("DTM"), and (iii) the Lenders. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth in the Agreement.

The Lenders, DTS, DTM, and DTD have agreed to amend and restate the Credit Agreement pursuant to a certain Amended and Restated Revolving Credit Agreement dated September 27, 1996 (the "Amended Credit Agreement"), pursuant to which, among other things, (i) the principal amount of the Loans to be made to DTD shall be increased to \$135,000,000.00, (ii) First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A. shall join as Lenders, and (iii) NationsBank, N.A. shall resign as Agent, and The First National Bank of Boston, shall be appointed as successor Agent of the Lenders.

In order to induce the Lenders and The First National Bank of Boston, as Agent, to enter into the Amended Credit Agreement, the undersigned hereby:

- a. Ratify, confirm and reaffirm, except as modified herein, all and singular, the terms and conditions of the Agreement, including, without limitation, all representations, warranties and covenants made therein;
- b. Acknowledge and agree that any and all references in the Agreement (i) to the term "Grantee" shall mean and refer to The First National Bank of Boston, as Agent

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for the Lenders, or any successor Agent as provided for in the Amended Credit Agreement, (ii) to the term "Lenders" shall mean and refer to The First National Bank of Boston, NationsBank, N.A., Signet Bank, Crestar Bank, First Union National Bank of Virginia, AmSouth Bank of Alabama, and Union Bank of California, N.A., together with any other institutions who may hereafter become parties to the Amended Loan Agreement, (iii) to the term "Credit Agreement" shall mean and refer to the Amended Credit Agreement, and any future modifications, substitutions, renewals, amendments, or replacements thereof, and (iv) the term "Loans" shall mean and refer to the Revolving Credit Loans in the aggregate principal amount of up to \$135,000,000.00 to be obtained by the Obligor from the Lenders.

- c. Acknowledges and agrees that the Agreement is amended as follows:
  - i. by deleting the reference to NationsBank, N.A. and its address in the third (3rd) paragraph on Page 1, and replacing it with the following:

"The First National Bank of Boston  
100 Federal Street



Boston, Massachusetts 02110  
Attention: Bethann R. Halligan  
Managing Director  
Facsimile No. (617) 434-0630"

- ii. by deleting the first sentence from paragraph numbered 1 on page 1 and 2, and replacing it with the following:

"Grantors hereby agree that, for so long as any part of the Loans remains outstanding, they will not, without first obtaining the prior written consent of the Grantee, transfer, assign, or otherwise convey or create or permit any lien, encumbrance, charge, or security interest of any kind to exist with respect to, voting capital stock in Parent, in which they have Beneficial Ownership (as defined in the Credit Agreement), such that they would have Beneficial Ownership, free and clear of all liens and encumbrances, in an amount equal to less than ten percent (10%) of the aggregate of (a) Parent's issued and outstanding voting capital stock and (b) all

2

rights and interests in Parent's voting capital stock."

- iii. by deleting the text from paragraph 2(i) on page 2 in its entirety, and replacing it with the following:

"That Grantors collectively have on the date hereof Beneficial Ownership (as defined in the Credit Agreement) of shares of the Stock such that there are no liens or encumbrances upon or affecting such Stock in an amount equal to at least ten percent (10%) of the issued and outstanding voting capital stock of Parent."

This letter shall take effect as a sealed instrument as of the date first written above.

/s/ Macon F. Brock, Jr.  
-----  
Macon F. Brock, Jr.

/s/ Joan P. Brock  
-----  
Joan P. Brock

/s/ J. Douglas Perry  
-----  
J. Douglas Perry

/s/ Patricia W. Perry  
-----  
Patricia W. Perry

/s/ H. Ray Compton  
-----  
H. Ray Compton

Accepted and agreed this 27th day of September, 1996

THE FIRST NATIONAL BANK OF BOSTON  
As Agent

By: /s/ Bethann R. Halligan  
-----  
Name: Bethann R. Halligan  
Title Managing Director

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Macon F. Brock, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Joan P. Brock, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named J. Douglas Perry, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Patricia W. Perry, and acknowledged the foregoing to be her free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named H. Ray Compton, and acknowledged the foregoing to be his free act and deed, before me,

/s/ Terri Thompson  
-----  
Notary Public  
My Commission Expires:  
8/31/99

COMMONWEALTH OF VIRGINIA

City of Norfolk, ss

September 27,1996

Then personally appeared the above named Bethann R. Halligan, the Managing Director of The First National Bank of Boston, and acknowledged the foregoing to be the free act and deed of The First Bank of Boston, before me,

/s/ Carolyn C. Lilla  
-----  
Notary Public  
My Commission Expires:  
4/30/99



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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE COMPANY'S FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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