FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)
(X) Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 1998

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

Commission File Number: 0-25464

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

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

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

Telephone Number (757) 321-5000
(Registrants telephone number, including area code)

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

Yes (X) No ( )

As of November 6, 1998, there were 59,158,498 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.
and subsidiaries

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

<TABLE>
<CAPTION>

<S>	(Unaudited) September 30, 1998 <C>	December 31, 1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,325	$ 43,695
Accounts receivable	1,014	1,406
Merchandise inventories	184,511	89,066
Deferred tax asset	6,162	5,093
Prepaid expenses and other current assets	6,606	3,762
Total current assets	203,618	143,022
Property and equipment, net	108,364	82,071
Deferred tax asset	2,294	2,029
Goodwill, net	43,033	44,478
Other assets, net	1,149	976
TOTAL ASSETS	$358,458	$272,576
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 40,000	$ --
Accounts payable	53,057	44,058
Accrued liabilities	16,541	19,526
Income taxes payable	--	18,908
Current installments of obligations under capital leases	392	317
Total current liabilities	109,990	82,809
Long-term debt (note 4)	50,000	30,000
Obligations under capital leases, excluding current installments	2,188	804
Other liabilities	4,072	4,037
Total liabilities	166,250	117,650
Shareholders' equity:		
Common stock, par value $0.01. Authorized 100,000,000 shares, 59,144,230 shares issued and outstanding at September 30, 1998 and 58,709,948 shares issued and outstanding at December 31, 1997 (note 2)	591	391
Additional paid-in capital	44,124	36,185
Retained earnings	147,493	118,350
Total shareholders' equity	192,208	154,926
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$358,458	$272,576

</TABLE>

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)

<TABLE>
<CAPTION>

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
<S>	<C>	<C>	<C>	<C>
Net sales....................................	$176,071	$142,386	$500,769	$389,464
Cost of sales................................	107,915	88,550	312,927	248,173
Gross profit.........................	68,156	53,836	187,842	141,291
Selling, general, and administrative expenses:				
Operating expenses.......................	43,384	35,444	124,615	99,973
Depreciation and amortization............	4,736	3,327	13,207	9,422
Total selling, general and administrative expenses........	48,120	38,771	137,822	109,395
Operating income.............................	20,036	15,065	50,020	31,896
Interest expense.............................	1,313	971	2,634	2,209
Income before income taxes...................	18,723	14,094	47,386	29,687
Provision for income taxes...................	7,208	5,425	18,243	11,428
Net income...........................	$ 11,515	$ 8,669	$ 29,143	$ 18,259
Net income per share (notes 2 and 3):				
Basic net income per share................	$ 0.19	$ 0.15	$ 0.49	$ 0.31
Weighted average number of common shares outstanding:.....................	59,132	58,616	58,968	58,492
Diluted net income per share	$ 0.18	$ 0.13	$ 0.45	$ 0.28
Weighted average number of common shares and dilutive potential common shares outstanding..............	65,391	64,831	65,213	64,569

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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

<TABLE>
<CAPTION>

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net income..	$ 29,143	$ 18,259
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.......................	13,207	9,422
Loss on disposal of property and equipment	500	77
Provision for deferred income taxes..................	(1,334)	(984)

Changes in assets and liabilities increasing (decreasing) cash and cash equivalents:		
Accounts receivable	392	635
Merchandise inventories	(95,445)	(58,069)
Prepaid expenses and other current assets	(2,844)	233
Other assets	57	(160)
Accounts payable	8,999	11,478
Accrued liabilities	(2,985)	70
Income taxes payable	(14,754)	(8,269)
Other liabilities	35	805
Total adjustments	(94,172)	(44,762)
Net cash used in operating activities	(65,029)	(26,503)
Cash flows from investing activities:		
Capital expenditures	(36,933)	(42,600)
Proceeds from sale of property and equipment	137	--
Net cash used in investing activities	(36,796)	(42,600)
Cash flows from financing activities:		
Proceeds from long-term debt	162,900	213,400
Repayment of long-term debt and facility fees	(103,130)	(144,103)
Principal payments under capital lease obligations	(300)	(227)
Proceeds from options exercised and purchase of shares under ESPP	3,985	1,684
Net cash provided by financing activities	63,455	70,754
Net increase (decrease) in cash and cash equivalents	(38,370)	1,651
Cash and cash equivalents at beginning of period	43,695	2,987
Cash and cash equivalents at end of period	$ 5,325	$ 4,638

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of Dollar Tree Stores, Inc. and subsidiaries (the "Company") at September 30, 1998, and for the three- and nine-month periods then ended, are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations for the year ended December 31, 1997, 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, 1998 are not necessarily indicative of the results to be expected for the entire year ending December 31, 1998.

2. STOCK DIVIDEND

In connection with a stock dividend authorized by the Board of Directors, the Company issued one-half share of Common Stock for each outstanding share of Common Stock, payable June 29, 1998 to shareholders of record as of June 22, 1998. All share and per share data in these condensed consolidated financial statements and accompanying notes have been retroactively adjusted to reflect this dividend, having the effect of a three-for-two stock split.

3. NET INCOME PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	1998	1997	1998	1997

	(In thousands, except per share data)			
Basic net income per share:				
Net income	$ 11,515	$ 8,669	$ 29,143	$ 18,259
Weighted average number of common shares outstanding	59,132	58,616	58,968	58,492
Basic net income per share	$ 0.19	$ 0.15	$ 0.49	$ 0.31
Diluted net income per share:				
Net income	$ 11,515	$ 8,669	$ 29,143	$ 18,259
Weighted average number of common shares outstanding	59,132	58,616	58,968	58,492
Dilutive effect of stock options and warrants	6,259	6,215	6,245	6,077
Weighted average number of common shares and dilutive potential common shares outstanding	65,391	64,831	65,213	64,569
Diluted net income per share	$ 0.18	$ 0.13	$ 0.45	$ 0.28

</TABLE>

4. ISSUANCE OF DEBT

On May 20, 1998, the Company entered into a Loan Agreement with the Mississippi Business Finance Corporation ("MBFC") under which the MBFC issued Taxable Variable Rate Demand Revenue Bonds (the "Bonds") in an aggregate principal amount of $19.0 million, to finance the acquisition, construction, and installation of land, buildings, machinery and equipment for the Company's new distribution facility in Olive Branch, Mississippi. At September 30, 1998 the balance outstanding on the Bonds is $7.9 million. The Company begins repayment of the principal amount of the Bonds beginning on June 1, 2006, with a portion maturing each June 1 until the final portion matures on June 1, 2018. The Bonds contain a demand provision and, therefore, outstanding amounts are classified as current liabilities. Interest is payable monthly based on a variable interest rate which was 5.65% at September 30, 1998.

The Bonds are supported by a $19.3 million Letter of Credit issued by one of the Company's existing lending banks. The Letter of Credit is renewable annually. The Letter of Credit and Reimbursement Agreement requires, among other things, the maintenance of certain specified ratios and restricts the amount of capital expenditures and the payment of dividends.

5. STEP AHEAD INVESTMENTS, INC.

On July 22, 1998, the Company signed a definitive merger agreement with Sacramento, California based Step Ahead Investments, Inc.("SAI"). SAI, a privately-held corporation established in 1983, operates 63 stores under the name "98(cent) Clearance Centers." The stores offer variety merchandise at a fixed price of 98(cent) or less and are located in northern and central California and northwestern Nevada.

Under the terms of the merger agreement, the Company expects to issue or reserve between 1.9 and 2.1 million shares for all of SAI's outstanding stock and options, adjusted for certain changes in the Company's stock price. The stock-for-stock transaction is expected to be accounted for as a pooling-of-interests. The Company's Registration Statement on Form S-4, as amended, became effective on November 10, 1998. This transaction is expected to close on or shortly after December 10, 1998, pending approval of SAI's shareholders and fulfillment of other customary closing conditions.

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

FORWARD LOOKING STATEMENTS. The Company has made in this report, and from time to time may otherwise make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning the Company's operations, economic performance and financial condition. Such statements may be identified by the use of words such as "believe," "anticipate" and "expect." The forward-looking statements concern, among other things, the Company's expansion plans and store openings; sales per selling square foot and comparable store net sales trends; increases in shipping or distribution costs; the Dollar Bills litigation; the potential products liability claims; the Step Ahead merger and adverse economic factors. Such forward-looking statements could be inaccurate and are subject to various known and unknown

risks and uncertainties. Actual results, performance or actions of the Company could differ materially from those currently anticipated due to a number of factors, including the failure of the merger to be consummated at all or in the manner anticipated as well as the risks discussed in this Form 10-Q under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's 1997 Annual Report on Form 10-K under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business", and in the Company's Registration Statement on Form S-4, as amended, effective November 10, 1998, under the caption "Risk Factors".

The Three Months Ended September 30, 1998 and 1997

Results of Operations and General Comments

Net sales increased $33.7 million, or 23.6%, to $176.1 million for the three months ended September 30, 1998, from $142.4 million for the three months ended September 30, 1997. Of this increase, (i) approximately 88%, or $29.8 million, was attributable to stores opened in 1997 and 1998 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 12%, or $3.9 million, was attributable to comparable store net sales growth, which represented a 2.9% increase over comparable store net sales in the corresponding quarter of the prior year. Because substantially all the Company's products sell for $1.00, the increase in comparable store net sales was a direct result of increased unit volume. The Company added 75 new stores during the third quarter of 1998 and closed one store, compared to opening 54 new stores and closing one store during the third quarter of 1997. Nine of the new stores were obtained from two small dollar store operators.

Management anticipates that the primary source of future net sales growth will be new store openings and, to a lesser degree, sales increases from expanded and relocated stores and comparable store net sales increases. Although the Company has experienced significant increases in comparable store net sales historically, management believes that the increases, if any, in comparable store net sales in the future may be smaller than those experienced historically, and that decreases in average net sales per selling square foot will occur as the average store size increases.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased $14.3 million, or 26.6%, to $68.2 million in the third quarter of 1998 from $53.8 million in the third quarter of 1997. As a percentage of net sales, gross profit increased to 38.7% from 37.8%, primarily due to improved merchandise costs (after consideration of the increased freight costs) and a reduction in inventory shrinkage and markdown costs as a percentage of net sales. The improvement in merchandise costs as a percentage of net sales is primarily due to favorable pricing and the earlier receipt of higher margin items, compared to last year. Because of the earlier receipt of selected items, management does not expect this rate of improvement to continue for the balance of the year.

Selling, general and administrative expenses ("SGA"), which include operating expenses and depreciation and amortization, increased $9.3 million, or 24.1%, to $48.1 million in the third quarter of 1998 from $38.8 million in the third quarter of 1997, and increased as a percentage of net sales to 27.3% from 27.2% during the same period. This increase in SGA, as a percentage of net sales, resulted primarily from increased payroll, primarily due to the minimum wage increase late in 1997, and higher depreciation, offset by a general reduction in operating expenses resulting from cost controls.

Operating income increased $5.0 million, or 33.0%, to $20.0 million for the third quarter of 1998 from $15.1 million for the comparable period in 1997, and increased as a percentage of net sales to 11.4% from 10.6% during the same period for the reasons noted above.

The Nine Months Ended September 30, 1998 and 1997

Results of Operations and General Comments

Net sales increased $111.3 million, or 28.6%, to $500.8 million for the nine months ended September 30, 1998, from $389.5 million for the nine months ended September 30, 1997. Of this increase, (i) approximately 78%, or $87.0 million, was attributable to stores opened in 1997 and 1998 which are not included in the Company's comparable store net sales calculation, and (ii) approximately 22%, or $24.3 million, was attributable to comparable store net sales growth, which represented a 6.8% increase over comparable store net sales in the corresponding nine months of the prior year. Because substantially all the Company's products sell for $1.00, the increase in comparable store net sales was a direct result of increased unit volume. Management believes that a consistent in-stock inventory position in basic consumable goods early in the year, combined with an extended Easter selling season, contributed to the comparable store net sales increase. The Company added 171 new stores and closed four stores during the first nine months of 1998, compared to opening 129 new stores and closing one store during the first nine months of 1997. Nine of the new stores were obtained from two small dollar store operators.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased $46.6 million, or 32.9%, to $187.8 million in the first nine months of 1998 from $141.3 million in the first nine months of 1997. As a percentage of net sales, gross profit increased to 37.5% from 36.3%, primarily due to improved merchandise costs (after consideration of the increased freight costs). The improvement in merchandise costs is primarily due to favorable pricing and the earlier receipt of higher margin items. In May 1998, a trans-Pacific ocean-shipping cartel imposed an increase of $300 per container on all U.S. imports from Asia, which took effect with shipments beginning in mid-May 1998. This rate increase is expected to add approximately $600,000 to $700,000 in freight expenses to the Company's cost of sales for the second half of 1998, and approximately $1.5 million to $2.0 million for 1999. The cartel recently announced its intention to impose a further increase of $900 per container for shipments from Asia to the West Coast of the United States and $1,000 for shipments to the East Coast, with a $300 per container surcharge during the peak shipping season from June 1 through November 30. Although it is uncertain

whether the cartel will be successful in implementing the increase at the announced rates, the target effective date for the increase is May 1, 1999.

SGA increased $28.4 million, or 26.0%, to $137.8 million in the first nine months of 1998 from $109.4 million in the first nine months of 1997, and decreased as a percentage of net sales to 27.5% from 28.1% during the same period. This decrease in SGA, as a percentage of net sales, resulted primarily from the leveraging of fixed costs, due to the strong comparable store sales increases, and from on-going cost control initiatives, which more than offset slight increases in payroll and depreciation.

Operating income increased $18.1 million, or 56.8%, to $50.0 million for the first nine months of 1998 from $31.9 million for the comparable period in 1997, and increased as a percentage of net sales to 10.0% from 8.2% during the same period for the reasons noted above.

Liquidity and Capital Resources

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

During the first nine months of 1998, net cash used in operations was $65.0 million. The net cash used in operations during the first nine months of 1998 was used primarily to build inventory levels and compares to net cash used in operations of $26.5 million during the comparable period of 1997. The increase in 1998 reflects higher inventory levels due to the earlier receipt of merchandise in anticipation of a shipping container shortage in Southeast Asia. Net cash used in investing activities during the first nine months of 1998 was $36.8 million, which consisted primarily of capital expenditures relating to new store expansion. Net cash provided by financing activities during the first nine months of 1998 was $63.5 million, which was primarily used to fund seasonal working capital needs.

The Company's borrowings under its bank facilities, senior notes and Bonds were $90.0 million at September 30, 1998, and $72.5 million at September 30, 1997. Borrowings at December 31, 1997, amounted to $30.0 million. Under the Company's bank facilities, an additional $82.9 million is available at September 30, 1998, approximately $13.5 million of which is committed to certain letters of credit issued in relation to the routine purchase of foreign merchandise.

During September 1998, the Amended and Restated Revolving Credit Agreement was amended to remove the minimum beneficial ownership requirements of the founding shareholders.

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

Recent Development

On July 22, 1998, the Company signed a definitive merger agreement with Sacramento, California based Step Ahead Investments, Inc.("SAI"). The merger agreement was amended on October 20, 1998. SAI, a privately-held corporation established in 1983, operates 63 stores under the name "98(cent) Clearance Centers." The stores offer variety merchandise at a fixed price of 98(cent) or less and are located in northern and central California and northwestern Nevada. The Company's Registration Statement on Form S-4, as amended, became effective on November 10, 1998.

Under the terms of the merger agreement, the Company expects to issue or reserve between 1.9 and 2.1 million shares for all of SAI's outstanding stock and options, adjusted for certain changes in the Company's stock price. The stock-for-stock transaction is expected to be accounted for as a pooling-of-interests. This transaction is expected to close on or shortly after December 10, 1998, pending approval of SAI's shareholders and fulfillment of other customary closing conditions.

Costs relating to the merger are expected to be approximately $5.5 million, which will be charged to operations upon consummation of the merger. After consideration of these costs and charges, the Company anticipates that the merger will be dilutive for shareholders of the combined company for the year ended December 31, 1998, but management believes that the merger will not be dilutive for the year ended December 31, 1999.

Year 2000 Compliance

The Company has been evaluating and adjusting all known date-sensitive systems and equipment for Year 2000 compliance. The Year 2000 project has been divided into four phases: 1) inventory and initial assessment, 2) remediation & testing, 3) implementation and 4) contingency planning. The assessment phase of the Year 2000 project is substantially complete and included both information technology, such as computer equipment and software, as well as non-information technology equipment, such as warehouse conveyor systems.

The Company's plan provides for internal compliance of all mission-critical systems by mid-1999. The Company believes that the majority of its internal systems are currently Year 2000 compliant. Some programs and equipment will be replaced beginning in late 1998 by routine upgrades which will provide numerous system enhancements and will be Year 2000 compliant. These upgrades were previously planned and were not accelerated due to Year 2000 issues. The Company has not deferred any information technology projects to address the Year 2000 issue.

The Company plans to continue to rely primarily on internal resources in order to identify, correct or reprogram and test systems for Year 2000 compliance. The total costs of modifying the Company's current systems are not expected to exceed $500,000. These costs are not expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods.

Additionally, the Company is in the process of communicating with service providers and suppliers of merchandise in order to assess their Year 2000 readiness and the extent to which the Company may be vulnerable to any third parties' failure to remediate their own Year 2000 issues. Many of these parties have stated their ability to supply the Company will not be affected by the Year 2000 issue. However, the Company cannot assure timely compliance of third parties and may be adversely affected by failure of a significant third party to become Year 2000 compliant.

Although the Company anticipates minimal business disruption will occur as a result of Year 2000 issues, possible consequences include, but are not limited to, loss of communications links with store locations, customs delays, loss of electric power, inability to process transactions, or engage in similar normal business activities.

To date, the Company has not established a contingency plan for possible Year 2000 issues. Where needed, the Company will establish contingency plans based on the Company's actual testing experience and assessment of outside risks.

The cost of the conversions and the completion dates are based on management's best estimates and may be updated as additional information becomes available.

New Accounting Pronouncements

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

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

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

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

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

Item 5. OTHER INFORMATION.

In relation to the proposed merger with Step Ahead Investments, Inc., the Company's Registration Statement on Form S-4 (Registration No. 333-61139) became effective on November 10, 1998.

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

(a) Exhibits.

The following documents, filed as Exhibits 2.1 and 4.1 to the Company's Current Report on Form 8-K on July 31, 1998 are incorporated herein by this reference:

2.1 Merger Agreement dated July 22, 1998 by and among Dollar Tree Stores, Inc., Dollar Tree West, Inc., and Step Ahead Investments, Inc.

4.1 Voting Agreement dated July 22, 1998 by and among Dollar Tree

Stores, Inc., Gary L. Cino, Janet Cino, Gary L. Nett, Trustee for The Cino Children's Trust dated March 18, 1997, and Gary and Janet Cino, Trustees of the Gary and Janet Cino Trust dated May 1, 1991.

The following document, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K on October 29, 1998 is incorporated herein by this reference:

2.2 Amendment to the Merger Agreement dated October 20, 1998 by and among Dollar Tree Stores, Inc., Dollar Tree West, Inc., and Step Ahead Investments, Inc.

The following document is filed herewith:

10.1 Fifth Amendment to Amended and Restated Revolving Credit Agreement dated September 30, 1998 by and among Dollar Tree Distribution, Inc., Dollar Tree Stores, Inc., Dollar Tree Management, Inc., BankBoston, N.A., NationsBank, N.A., Crestar Bank, First Union National Bank of Virginia, Amsouth Bank of Alabama, and Union Bank of California, N.A.

(b) Reports on Form 8-K.

The Company filed the following Reports on Form 8-K.

Date	Subject
July 16, 1998	Press release regarding a 50% stock dividend
July 31, 1998	Signing of a definitive merger agreement between the Company and Step Ahead Investments, Inc.
October 8, 1998	Press release regarding net sales for the quarter ended September 30, 1998
October 29, 1998	Amendment to the Merger Agreement between Dollar Tree Stores, Inc., Dollar Tree West, Inc. and Step Ahead Investments, Inc. Press release regarding net earnings for the quarter ended September 30, 1998

SIGNATURES

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

DATE: November 13, 1998

DOLLAR TREE STORES, INC.

By: /s/ Frederick C. Coble

Frederick C. Coble
Senior Vice President,
Chief Financial Officer
(principal financial and
accounting officer)

FIFTH AMENDMENT TO AMENDED AND
RESTATED REVOLVING CREDIT AGREEMENT

This Fifth Amendment to Amended and Restated Revolving Credit Agreement is made as of the 30th day of September, 1998 by and among

Dollar Tree Distribution, Inc. (the "Borrower"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

Dollar Tree Stores, Inc. ("DTS"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

Dollar Tree Management, Inc. ("DTM"), a Virginia corporation having its chief executive office at 500 Volvo Parkway, Chesapeake, Virginia 23320;

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

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

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

W IT N E S S E T H:

WHEREAS, the Borrower, DTS, DTM, the Agent and the Lenders entered into an Amended and Restated Revolving Credit Agreement dated as of September 27, 1996 (as amended by a First Amendment to Amended and Restated Revolving Credit Agreement dated January 25, 1997, as further amended by a Second Amendment to Amended and Restated Revolving Credit dated as of May 8, 1997, as further amended by a Third Amendment to Amended and Restated Revolving Credit dated as of September 2, 1997 and as further amended by a Fourth Amendment to Amended and Restated Revolving Credit dated as of November 7, 1997, collectively, the "Agreement"); and

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

NOW, THEREFORE, it is hereby agreed as follows:

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

2. Amendment to Section 6. The provisions of Section 6.22 of the Agreement are hereby amended by deleting the first sentence thereof.

3. Amendment to Section 8. The provisions of Section 8.12 are hereby amended by deleting clause (a) in its entirety.

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

5. Miscellaneous.

   (a) This Fifth Amendment to Amended and Restated Revolving Credit Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.

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

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

DOLLAR TREE DISTRIBUTION, INC.

By: /s/ Frederick C. Coble

Name: Frederick C. Coble
Title: Senior Vice President,
Chief Financial Officer

DOLLAR TREE STORES, INC.

By: /s/ Frederick C. Coble

Name: Frederick C. Coble
Title: Senior Vice President,
Chief Financial Officer

DOLLAR TREE MANAGEMENT, INC.

By: /s/ Frederick C. Coble

Name: Frederick C. Coble
Title: Senior Vice President,
Chief Financial Officer

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

By: /s/ Judith C.E. Kelly

Name: Judith C.E. Kelly
Title: Vice President

CRESTAR BANK

By: /s/ Bruce W. Nave

Name: Bruce W. Nave
Title:Senior Vice President,

FIRST UNION NATIONAL BANK

By: /s/ Leslie S. Cundiff

Name: Leslie S. Cundiff
Title:Senior Vice President,

NATIONSBANK, N.A.

By: /s/ Franklin P. Earley

Name: Franklin P. Earley
Title:Senior Vice President,

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Susan D. Biba

Name: Susan D. Biba
Title:Vice President

AMSOUTH BANK OF ALABAMA

By: /s/ Mary Anna Raburn

Name: Mary Anna Raburn
Title:Vice President

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